LAGOS STATE GOVERNMENT

MEDIUM TERM SECTOR STRATEGY MANUAL

[May 2011]

Contents

1.0 Introduction 6
1.1 Aim of this Manual – a Consistent Approach ..... ……6
1.2 A Learning Exercise 6

2.0 Clarification of MTSS Terminology 7
2.1 Policy, Strategy, and the Results Chain 7
2.2 What is MTSS, what is a Sector and what is an MDA? 9
2.3 Why do we need MTSS? 10
2.4 MTSS in the context of key planning processes 11
2.4 Who is Responsible 12
2.5 A Shift towards Programme-Based Budgeting 13
2.6 What Steps Might lead to a Good MTSS? 16
2.7 Where do we Start or Continue? 17
2.8 Sector Plans, Operational Plans and MTSSs 18

3.0 STAGES AND STEPS OF THE MTSS PROCESS 19
3.1 Introduction……. 19
3.2 The Steps and Matching Federal Guidance **19**
3.3 Templates to Help You **20**
3.4 The Steps and Stages 21
3.4.1 Stage 1: Review and Preparation 21
3.4.2 Stage 2-Developing Strategy 28
STEP 2A: 30
STEP 2B: 31
STEP 2C: 33
STEP 2D: 34
3.4.3 Stage 3: Documentation and Agreement 35
STEP 3B: 36
STEP 3C: 36

4.0 DEVELOPING KEY PERFORMANCE INDICATORS (KPIs)…38
4.1 Introduction……...38

5.0 MONITORING AND EVALUATION (M&E) IN MTSS 40
5.1 Purpose of the Performance Evaluation Report and Annual Review 40
5.2 Benefits of the Performance Evaluation Report and Annual Performance Review 40
5.3 Contents of the Performance Evaluation Report 40
5.4 Key stages of the Annual Performance Review 41
5.5 Key individuals in the Performance Evaluation Report and Annual Performance Review system 42

6.0 PUBLIC PARTICIPATION IN THE MTSS PROCESS 43
6.1Introduction **43**
6.2 Civil Society Organisations (CSOs) 43
6.3 Gender and Social Inclusiveness 43

Figures

Figure 1: The Results Chain ……..……....8
Figure 2: . Connecting Results Chains……..……9
Figure 3: MTSS in the Context of Key Processes…….……11
Figure 4: MTSS and the Medium Term Expenditure Cycle – Ideal……12
Figure5: Ministries, MDAs, Economicand ProgrammingCoding14
Figure 6: Policy Goals drive Sectors and Programmes……15
Figure 7: Different Plans Should Talk to Each Other……18
Figure 8a: Stage 1 of the **MTSS Process……..21**
Figure 8b Stage 2 of the MTSS Process ……28
Figure 8c Stage 3 of the MTSS Process……..34
Figure 9: An Outline Timeline……36

Tables

Table 1 Characteristics of Key Performance Indicators(KPIs)……..38

Table 2 Action Plan for Developing Targets and KPIs for Sector MDA……...39

Boxes

Box 1 Step 1A-Set Up an MTSS Committee and Agree ToR ……..…21

Box 2 Step 1B-Review of High-Level Policy Documents……..…..22

Box 3 Sept 1C-Gather Data, Information and Performance Review …..23

Box 4 Step 1D-Obtain Revenue Projection Information……..…24

Box 5 Step 1E-Existing Contract and Budget Commitments……...…25

Box 6 Structure of the Budget Ceiling for an MDA……...27

Box 7 MTSS Strategy Log Frame (Snapshot)……31

Annexes

Hard Annexes

Annex 1 Glossary of Terms……44

Annex 2 MTSS-Roles and Responsibilities of MEPB and Sector MDAs……46

Annex 3 Draft Terms of Reference for Sector MTSS Committee….47

Annex 4 Some Pointers to Developing Sector Strategy……49

Annex 5 Outline Table of Contents of MTSS……..54

Annex 6 Guidance on Completion of Electronic Annex 5……..57

Annex 7 Justifying Priority Options…… 61

Annex 8 Outline Means of Improving Public Involvement……62 in the MTSS Process

Annex 9 Checklist for Gender and Social Inclusiveness (GS&I)…..63

Annex 10 Highlights of LASG Education Sector Performance Review 2009/2010……65

Soft Annexes

Annex 3 Strategy Log Frame……..47

Annex 5 Strategic Plan Template connected to costs and budget destination programme tables……...54

Annex 6 Excel Sheets for iterating costs of strategic options……..59

Annex 7 PBB Templates…….....61

1.0 Introduction

Ongoing initiatives to reform the Lagos State Government (LASG) budget process continue to be premised on creating a coherent and transparent budget framework focused on channelling resources to fund the State's development in an efficient and transparent manner.

At the heart of the budget reform process itself, lies the successful application of a Medium-Term Expenditure Framework (MTEF) approach to planning government expenditure. This is the framework for linking the annual spending of Ministries, Departments and Agencies (MDAs) to government's long-term strategies as articulated under the Lagos State Economic Empowerment and Development Strategy (LASEEDS), the Ten-Point Agenda (TPA), the State's Vision 2020 and other policy documents.

Two broad components are involved; namely:

- a Medium Term Expenditure Framework that projects likely availability of resources over a 3-year horizon (which is documented in a Fiscal Strategy Paper); and
- a series of Medium Term Sector Strategies (MTSSs) that formulate goals, specify objectives, set targets and agree strategies for the key sectors of the LASG. The strategies for achieving set targets are prioritized given resource constraints defined in Sectoral Expenditure Envelopes to ensure that only affordable projects and programmes are admitted into the MTSS document.

These components (including the Sectoral Expenditure Envelopes) are updated annually to allow economic and policy changes to be reflected and to feed monitoring and evaluation results into budget planning in a timely fashion. The outer years of the MTSS (i.e. years 2 and 3), form the basis of the annual update. This ensures consistency in planning, and reduces the potential for projects to be abandoned due to lack of future funding.

The Lagos State Government embraced MTSS process in 2007 and selected three pilot ministries- Education, Health and Environment. The British Department for International Development (DFID) provided technical assistance whilst the firm of Price Water House Coopers (PWC) conducted training sessions for government officials.

Government in 2009 extended MTSS coverage to seven more sectors, namely: Works & Infrastructure; Housing; Physical Planning & Urban Development; Transportation; Justice; Women Affairs and Poverty Alleviation; and Youth and Sports & Social Development. Meanwhile, a variety of challenges, including technical and administrative problems, had prevented the pilot agencies from presenting their 2008 budgets using the MTSS costing templates. To assist them make progress with implementation of their respective MTSS, a number of technical support agencies volunteered to help. Consequently, Education Sector Support Programme in Nigeria (ESSPIN) supported Education; Partnership for Transforming Health Systems 2 (PATHS 2) supported Health whilst State Partnership for Accountability, Responsiveness and Capability (SPARC) supported the Ministry of Environment. The main objective of the technical support was to empower the three pilot sectors to prepare their 2011 budgets using MTSS costing methodology.

Thus, at the last count, Lagos State has introduced MTSS in 10 sectors. Sequel to this landmark achievement, the State intends to expand the process to the remaining 15 sectors in 2011 before a planned State-wide roll-out in fiscal 2012 when all sectors are expected to prepare their annual budgets using MTSS costing templates.

Government is keen to ensure that MTSS process is institutionalised for effective allocation of scarce resources, reduction of waste through identification of sectoral overlapping functions and linking goals with outcomes, thereby ensuring that public spending on programmes meets the needs of the people.

1.1 Aim of this Manual – a Consistent Approach

This MTSS Manual is intended to facilitate the process of spreading MTSS approaches across sectors of government business. It sets out steps to be followed by all participating line Ministries and MDAs with the aim of:

- ensuring an appropriate degree of consistency among submissions by different sectors;
- allowing for an appropriate degree of flexibility to reflect peculiarities among sectors; and
- promoting learning and development through the process

The Manual draws upon experience in other states and at the Federal Government level in developing approaches to MTSS, but is also refined to take account of specific circumstances and needs of Lagos State.

It is expected that lessons from each annual cycle of MTSS preparation (together with experiences from other States) will lead to annual refinement and improvement of this Manual.

Above all, the Manual sets out a series of steps that a sector Ministry should take in developing its sector strategy. We admit that the contents of this Manual may not meet the expectations of all but the steps set out here are the minimum that the Ministry of Economic Planning and Budget (MEPB) recommends for adoption in Lagos State..

Consequently, the structure of the Manual (which may be observed in the table of contents above) is therefore primarily a reflection of the sequence of steps recommended. The first section clarifies key concepts frequently used in any discussion of MTSS. It describes the relationship between sector MTSS and the MTEF process, Sector Development Plans and Policies, and it also considers the question of what constitutes a sector.

1.2 A Learning Exercise

Building knowledge and experience in sector strategy making is as much of a learning process for the MEPB as it is expected to be for the sector Ministries, Departments and Agencies (MDAs). MEPB will provide support to the other Ministries and MDAs working on MTSS development to support their budgets. In addition, the State will continue to welcome support for this learning process from the DFID Programmes currently working with us, namely: SPARC through MEPB, ESSPIN with the Ministry of Education, and PATHS2 with the Ministry of Health. .

2.0 Clarification of MTSS Terminology

For the steps described in section 3 of this Manual to make sense, we need to arm you with a basic common understanding which building blocks include concepts such as MTSS, policy, goal, objectives, target, strategy, outcome and impact. Others are input, output, and the results chain. Another task taken up in this section is a description of how MTSS fits properly within the overall policy-making, fiscal, budgeting and implementation cycle.

The reader is invited to note that some of the definitions we have adopted may vary from what he/she may have heard before or is used to. Unfortunately there is considerable disagreement among practitioners about what some of the key terms mean. For our work to progress together in a supportive fashion, we need to work with a common understanding. What we define here may not seem correct to everyone, but we shall stick to our definitions for the time being and refine as necessary as we learn from experience. Annex 1 to this Manual contains a glossary of terms for quick reference.

2.1 Policy, Strategy, and the Results Chain

In very simple terms, Policy is about defining expected overarching Goals and Outcomes, whereas Strategy is about how we may achieve them. Generally we achieve Outcomes through Activities which combine to make Inputs and which deliver Outputs.

An added complication is that these things exist at different levels. What may be an Output at one level (say at the level of an MDA within a Ministry) could constitute an Input at a higher level (a parent Ministry). We will come to that in a moment. Let's look at the definitions of these terms first, and illustrate them as they apply to a Ministry of Education or Health.

Goal. A goal exists at the level of the parent organisation, in this case for the Government as a whole or quite possibly covering the whole state. It describes a key result over a long time frame towards which all combined efforts should be aiming. An example could be, "a healthy and well educated population contributing to improvements in the economy and the quality of the lives of people."

Outcome. An Outcome is a little more specific. For example, achieving a higher proportion of secondary school leavers with a level of qualification required for entry to university might be an Outcome. Similarly, fewer people suffering from diseases is an Outcome, and both of these examples may be expected to contribute to the high level policy goal mentioned above. Indeed they must do so. If they do not then the question must be raised, how can we justify trying to achieve this outcome?

The Outcome of more highly qualified school leavers may in turn be expected to result from a better education system, and building that system will have needed things – schools, books, desks – and people – qualified teachers, assistants and administrators to teach the children and to run the system. Similarly, reducing disease incidence may need things, such as vaccines, needles and health centres, but the outcome of people being free from that disease will also have come from doctors, nurses and other staff who have carried out the vaccinations.

Output. More teachers, nurses, vaccines, buildings and equipment are results that we call Outputs. But they are *not outcomes*. *This is an important*

distinction because it is possible that our strategy (which is the combination of the inputs and activities that will result in the achievement of those outputs) might not actually achieve the Outcome we expected. In monitoring and evaluation we need to check that the output is also achieving the Outcome. If it is not then we need to modify our strategy (the combination of inputs and activities).

Input: This is what is needed to create outputs. If a road is an output, it needs the inputs of labour, planning, materials and equipment to build it.

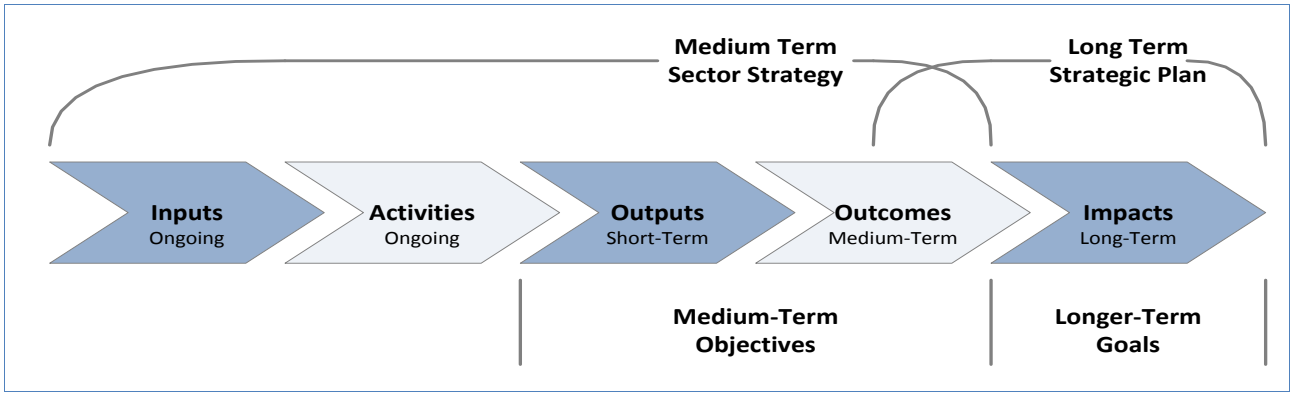
Activity: An activity is the thing that has to be done to bring inputs together to make outputs. Perhaps this may include the development of a database, building schools, recruiting staff, providing training, and procuring equipment.

There are a number of other terms which you may have come across and are used to but in the interest of achieving a degree of simplicity we recommend that these terms are dropped from the MTSS development process. The list includes terms like Aim, initiative and Milestone. A glossary of the most commonly used terms is in **Annex 1.**

The foregoing effort to clarify commonly used terms in MTSS approaches is also useful because it tells us what policy-makers ought to be working to achieve: a description of medium to long-term outcomes. Indeed, to make their work effective, strategy makers need to be guided by these policy statements. The next step is to work out the most effective mixture of inputs and outputs that will achieve the desired outcome result – and *to do that within the resource constraints that policy makers face..*

Figure 1, which we call the results chain, summarises our discussion of MTSS concepts so far. Note that MTSS takes us as far as Outcomes. But to develop strategy we also need to know what the State's Longer Term or High Level Policy Goals are.

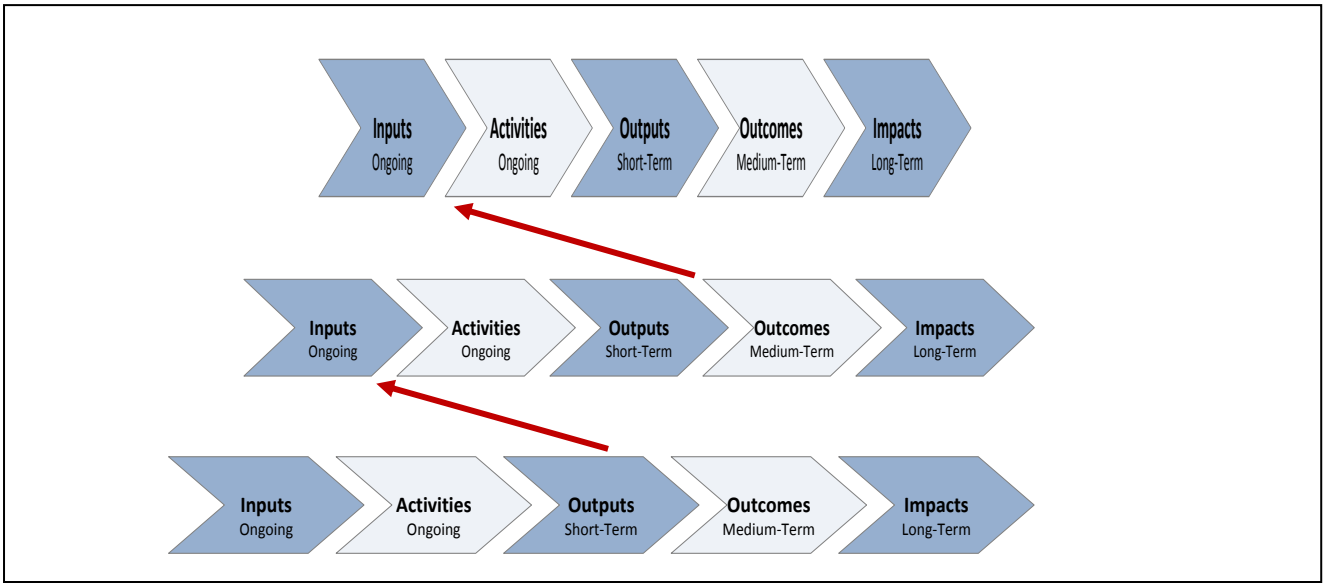
Figure 1: The Results Chain



As mentioned above, what is an output at one level might become an input at the next level up. For example, an output from the Education Resources Centre of a better examinations procedure could be an input to the basic education sector, contributing to more and better educated children emerging from the basic sector. You need to keep this in mind to help avoid confusion!

Constructing related results chains like this between Ministries and sub-departments constitutes some of the building blocks of the planning system.

Figure 2: Connecting Results Chains



2.2 What is MTSS, what is a Sector and what is an MDA?

In a sense, the term MTSS speaks for itself. It is a sector specific strategy (that is a statement about how policy outcomes are to be achieved) which applies to the medium term (lets presume three years) rather than (say) just a year.

We have already defined the term "strategy", but what is a sector?

There has been some debate about what constitutes a "sector" in sector planning. Is it a Ministry or is it more than this?

We actually need to commence this definition by looking higher up the policy sequence. At the top we may talk about high level policy goals. Perhaps there might be four or five of these, covering areas such as growth, governance, services and the environment.

We may *now* talk sensibly about sectors beneath this, so for example the sectors of Health, Education and Water would presumably feed into services. But they would also make contributions to the achievement of goals in the area of growth. The roads sector and the power sector will make contributions to growth, but could also, if managed properly, contribute to environmental improvements. The business sector will also be critical to growth, but so will social development. Different states might define different sectors in this way, perhaps anything between 15 and 25 of them. *We may view a sector therefore as being an area of government business that provides a direct contribution to the achievement of one or more high level policy goals.*

But it may already be evident that a "sector" is not necessarily the same thing as a "vote head" or a Ministry. For example, in some states, there are technical schools that fall under the Ministry of Science and Technology while others fall under Education. Therefore, two different ministries contribute to the Education "sector". Similarly under the Justice sector there might be the

Ministry of Justice, but also the State High Court and the State Court of Appeal, and perhaps the Sharia Court, all of which for accountability purposes are separate vote-holding agencies or "Ministries". There are also Ministries, like Finance, the SSG's Office or the Head of Service Office, that provide central services to the line Ministries. It is likely therefore that each state will have a somewhat larger number of "main vote-head" Ministries (you can include independent agencies here like the High Court that do not fall under a specific Ministry) than it does sectors.

Beneath or within vote heads and Ministries there are a series of sub-vote holders. These are often referred to as MDAs (or Ministries, Agencies and Departments). But in the chart of accounts, which describes the administrative structure of the government, most Ministries constitute a main vote head. There will then be a series of "MDAs" or sub-vote heads within that, such as SUBEB or the Scholarships Board. Some Ministries or main vote heads have as many as twenty sub-votes or MDAs, whereas others may only have one, or perhaps even none. Each sub-vote head is allocated a separate code.

We have now established a definitional hierarchy, starting at "high level policy goal" and passing down through sectors, main vote heads (which include Ministries) and sub-vote heads. From this, it may be seen that a "sector strategy" may cover a number of MDAs, and while for many of the key sectors it will probably involve only one Ministry or main vote head, a sector strategy could cover more than one Ministry..

This hierarchy is illustrated below in figure 3. That figure also introduces the term "programme", but we will define that later on.

.2.3 Why do we need MTSS?

A Medium Term Sector Strategy is required to describe *everything* that a sector Ministry, such as Health, Education or Agriculture intends to do (inputs and activities) over a medium term period (assume three years). This must be done in a way that clearly demonstrates how outputs will all contribute in the most effective and efficient way possible to the successful achievement of responsive, evidence-based outcome targets (policy statements).

It must also be possible to demonstrate that this description of inputs and outputs can actually be implemented. This means at the very least that there must be enough money and capacity to allow for the inputs and activities to be provided and carried out.

An MTSS is not a one-off document, which once completed may be put on the shelf and forgotten. It forms the basis for describing a vote-head's annual budget, and it is subject to an annual review and revision process. It needs also to be revised annually in the light of changes to the medium term expenditure framework (MTEF) (that is in the light of changes in estimates about the amount of money that is available). An MTSS represents a rolling multi-year horizon for planning, and is integral to, and must be consistent with the MTEF multi-year financial horizon. (See the glossary for a definition of MTEF.)

2.4 MTSS in the context of key planning processes

Two diagrams below serve to illustrate the position of MTSS within this broader process. The first (figure 3) illustrates the critical relationship with overarching policy goals and with the fiscal revenue projection process.

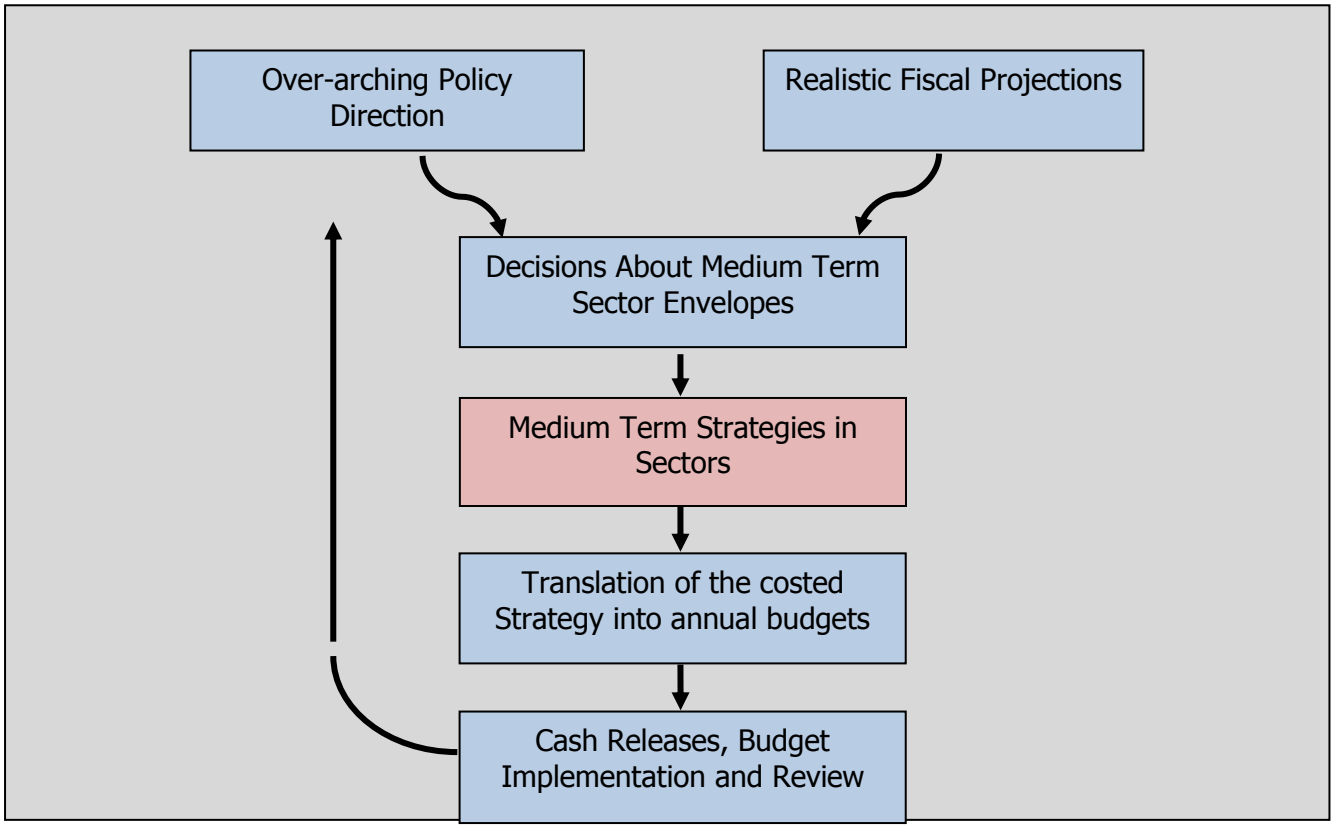


Figure 4 illustrates how this sequence of interconnected processes fit together as an annual cycle. The diagram represents a year (with rough monthly dates depicted along the top).

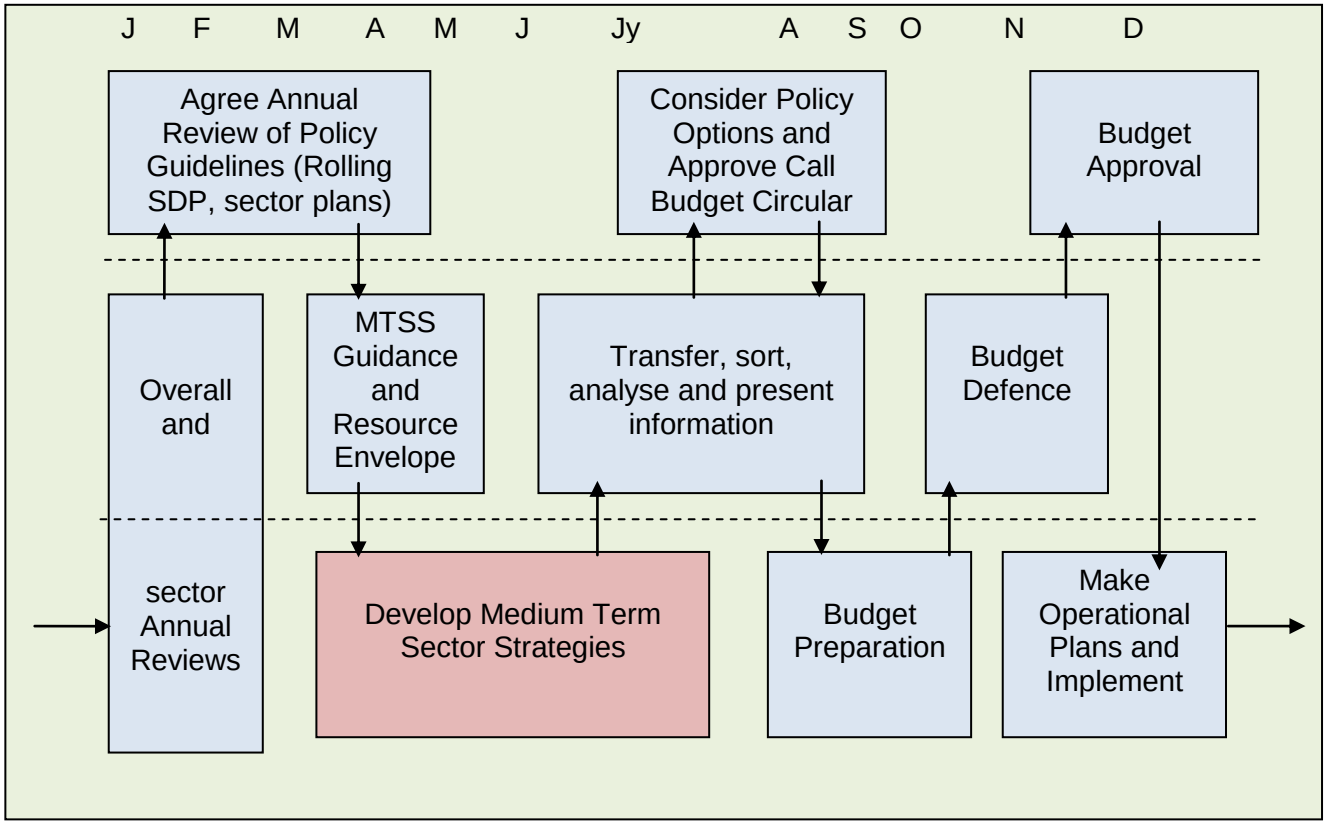
More is said about the message of Fig.3 in this Manual, but two main points are noteworthy:

- the fiscal projection should provide a realistic estimate of the financial resources available over the period; and
- the Executive Council should use policy goals to guide the sharing of these resources in outline “envelopes” across the sectors, vote-heads and MDAs.

Fig. 4 further clarifies the sense in which the MTSS shows how the resources in the envelope are to be used thereby providing a basis for the annual budget. Operational plans ensure that budget resources may be used effectively to manage the activities that were planned for, and annual reviews then examine the extent to which the plans proved implementable and whether they achieved the outputs and outcomes that were expected. Lessons from these reviews are fed back into the policy and strategy-making processes. Note also that it depicts an IDEAL SITUATION. In most states, few of the processes shown are actually operating. (Perhaps the diagram shows

what we might ideally be doing in five to ten years time.) But work is underway to try to establish some of these practices in parts of the State Government.

Figure 4: MTSS and the Medium Term Expenditure Cycle – Ideal



The pink-coloured boxes in Figs.3 and 4 depict where the work for a typical sector Ministry or MDA is focussed. This Manual is primarily about filling in those pink-coloured boxes.

It is essential to be aware that for the MTSS process to work, *it must be seen as part of this broader process.* For example, if we are not making realistic fiscal projections and managing our budgets within these, then the MTSSs we produce cannot work. This is because if we inflate budgets to levels that cannot be financed there can never be enough resources available to implement plans. Similarly if there are no proper policy guidelines, it will be difficult to make sensible divisions of resources between the sectors and programmes. Equally, if there is no MTSS we cannot be confident that the details about what each sector plans to do to help achieve policies have been worked out and therefore that the money allocated will be used effectively.

2.4 Who is Responsible

Note that the dotted lines across figure 4 are meant to show divisions of responsibilities, with *the Executive Council, Honourable Commissioners and the House of Assembly* at the top, *Central Ministries including MEPB and MoF* in the middle, and *Sector Line Ministries and MDAs* at the bottom.

Being clear about these responsibilities is important. In an ideal situation, making policy is the responsibility of our politicians – those elected by the

people to represent them. Civil servants are responsible for providing good information and technical advice to politicians so that they may make informed decisions about policy. Civil servants may provide advice on strategic options within the confines of resource limitations – so they may say to politicians something like, “during the next three years you may expect to achieve either this result, or you may expect to achieve that result, but with the resources available it is not realistic to expect to achieve them both.”
It is helpful to clearly spell out the responsibilities of MEPB and the Sector MDAs in the MTSS process. **Annex 2** is an attempt to do this.

2.5 A Shift towards Programme-Based Budgeting

Until now the majority of budget preparation work has been carried out purely from the perspective of the structure of the Budget Classification and Chart of Accounts (BC&COA). Each MDA prepared allocations under the headings of Personnel, Overheads, and Capital Expenditure. Under Personnel and Overheads, allocations are distributed relative to “economic codes”. Under capital expenditure the corresponding codes describe projects.

A major concern about this approach is that it defines expenditure in the form of inputs (especially as these apply to Personnel and Overheads). This conception of inputs means that they do not correspond to the outputs and outcomes we require from a sector. We cannot therefore say (according to the current budgetary description) that a particular input is directed towards the achievement of a particular output. Consequently, it is hard to ensure that resources are being applied in an effective way. It also means that it is hard for people outside government – the citizens to whom Government is meant to be accountable – to track how public money is being used. This is because it is not possible to make a connection between the budgeted pattern of inputs and the tangible results.

Tangible results derive from programmes. A programme is a set of inputs and activities, which deliver an output.

This requires that as we develop strategy for a sector, we must also define programmes. Developing a strategy to achieve outcomes will naturally imply a series of programmes.

Figures 3 and 4 clarify the connecting function of MTSS between policy and the budget.

As mentioned above, the structure of the MTSS will group planned expenditure under *outputs* headings that do not correspond to the divisions in the accounts structure.

These “outputs” headings we call “programmes”. An example in Education might be a programme that aims to deliver an output of an increased proportion of secondary school-aged children leaving school with the level of qualifications required to permit their entry to University. Such a programme might be termed “secondary education improvement”, and it will include personnel, overheads and capital items. (A programme is not the same as a project.) But this does not correspond with the organisational structure of the Ministry of Education. The latter includes the Schools Department of the Ministry, as well as the Teaching Resource Centre, and the Secondary

Schools Management Board, each of which may contribute expenditure inputs and activities to the achievement of the outputs of the secondary schools programme.

In fact the first step in the solution to this challenge is to introduce an extra column of codes into the chart of accounts called “programme codes”, which allows expenditure plans to be identified by the programme output to which they are meant to contribute.

Once these codes have been established it can be quite a tasking process to transfer costs estimates from the MTSS across to the structure of the budget. But it is critical that a means of doing this be worked out, and that planning department staff need to know how to do it. Without this system and skills, the task of converting the MTSS into the budget can prove too difficult for staff, and the incentives are then very high to produce an incremental budget simply based upon last year. The result is a budget that does not reflect outputs (it only describes inputs) and therefore the value of the budget as a tool for delivering on policy goals is completely lost.

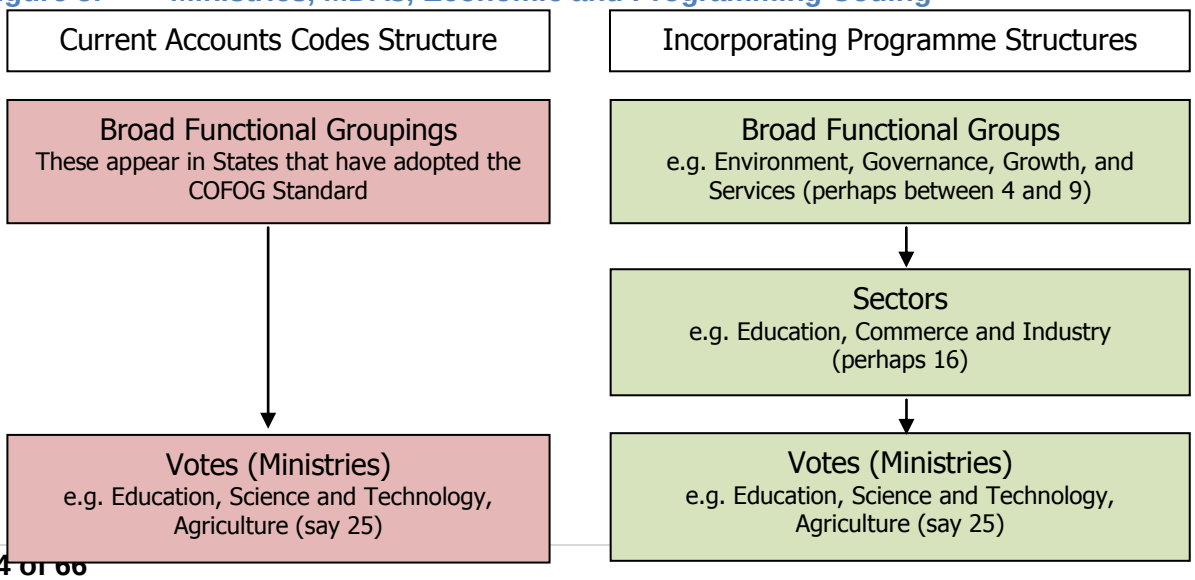
The means of making this conversion is described at the relevant step in the process in section 3 of this Manual.

Note that the logical long-term progression down the road of programme budgeting is the eventual abolition of functional or administrative codes. This implies a shift to an organisational structure of government around outputs and programmes. Each organisational unit could then be more easily held accountable for the delivery of the expected outputs.

However, the implications of this shift for the stability of management and employment, together with the need for legislative changes, are quite far reaching. For example if a Scholarships Board in education was seen to contribute to tertiary education outputs, this might imply the abolition of the scholarships board as a separate management and administrative control centre. Legislation would need to be altered or repealed, and staff employment posts and conditions of service might be affected by such changes.

The State Government does not envisage attempting this radical shift in management structure any time soon.

Figure 5: Ministries, MDAs, Economic and Programming Coding



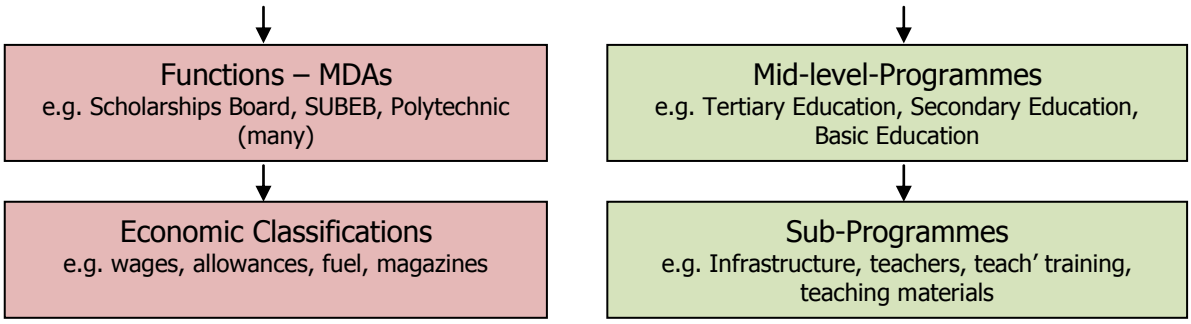
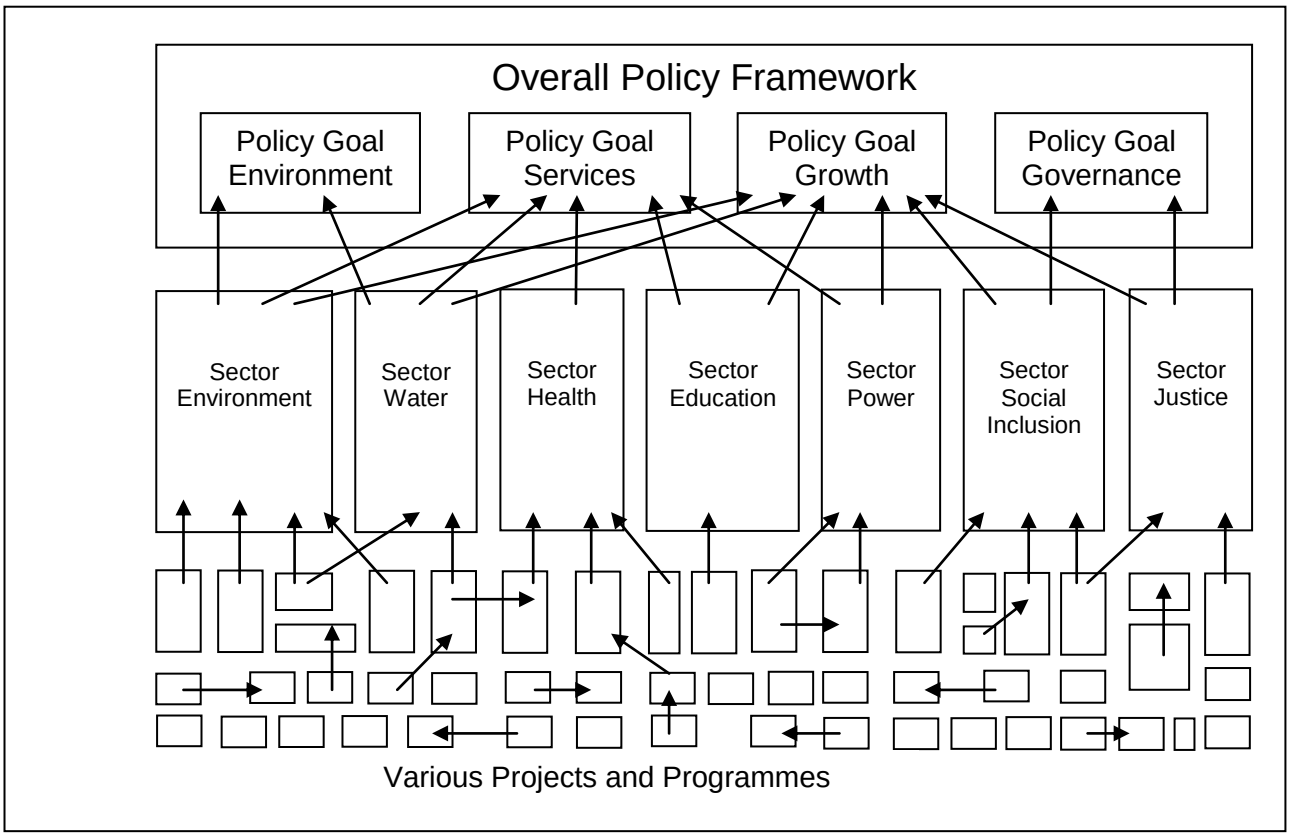


Figure 5 above illustrates the relationship between existing budget coding and the hierarchical logic of an outputs-driven planning process. The addition of programme codes allows the costed contents of an MTSS exercise to be transposed into the structure of the budget, *and* will allow expenditure to be accounted for and reported against programme categories. For the time being though there is no plan to move towards a programme-driven organisational structure.

Finally, under this heading, you may wish to consider figure 6. This diagram illustrates how the rising hierarchy, from programmes, up to sectors and eventually to high level policy goals, provides a means of demonstrating how, and ensuring that, the things we do all contribute to a common end. Inputs and activities, seek to achieve programme outputs, which contribute to the achievement of sector outcomes, all funnelled in to the progression of policy goals. The arrows demonstrate cross linkages and illustrate how some programmes and some sectors have multiple positive impacts.

Figure 6: Policy Goals drive Sectors and Programmes



2.6 What Steps Might lead to a Good MTSS?

It is not possible to be definitive about the stages or steps that should allow a line Ministry or MDA to develop a perfect MTSS document. It is not an exact science. However, it is possible to identify 13 key steps which might be used to achieve a good result.

Note that we are talking here about *ideal or good practice.* Many of the conditions that would allow your MDA to complete all of these are not in place at the moment, so a critical question is, "how do we start"? But we cannot even answer that question until we have an idea about the process we want to work towards, so that is why we need to start with this list.

1. Conduct annual performance review, including customer views based on public monitoring;
2. Obtain or receive outline multi-year budget envelope projections via the central planning MDA, based on policy priorities and macro-economic framework projections;
3. Review State and National/International Policy Guidelines and decide upon necessary changes to sector outcome policy targets;
4. Develop baseline information and conduct operational research, and draw upon this information in the development of strategy options – involve the public in this stage;
5. Develop strategies that involve collaboration with other partners, such as federal and local governments, and the private sector (more generally civil society);
6. Check for potential regulatory and legislative changes as key elements of strategy;
7. Check for cross-sector implications of strategy options;
8. Develop programme descriptions of inputs and activities, *including* all standing requirements such as personnel, administration, supporting overheads, and outstanding (existing) contract commitments;
9. Compile outline capital and recurrent cost projections for the entire sector strategy and programmes, and iterate to achieve projections that fit the multi-year budget envelope projections;
10. Examine the technical feasibility of proposed strategy options and revise if necessary;
11. Examine organisational capacity requirements necessary to implement programmes, and iterate proposals until they are reduced to a level that can be implemented with current capacity;
12. Use the resulting costed description of inputs and outputs (things and people) as a basis for the annual budget submission; and
13. Establish a monitoring framework that involves both internal (government) and external (public) participation, to check that as it is implemented, the strategy manages to achieve the envisaged outputs.

You may have noticed that there is no task listed here specifically on enhancement of public involvement. This is because there are opportunities to achieve this under a number of different task headings. These include the conduct of performance reviews, research, and making input to strategy development. **Annex 8** contains more specific advice on how to involve the public in the MTSS process.

2.7 Where do we Start or Continue?

The truth is that currently, many of these tasks are neither carried out, nor fully understood by some people. The list and diagrams above describe some of the key features of an annual process *as it ought to be*. But it will probably take a few years to get to a position where we can say that they are all being carried through to a reasonable standard.

This includes the other key conditions of broader government business that need to be in place to allow for good sector strategy work to grow and be effective. For example, it is necessary to have in place a process of realistic fiscal revenue forecasting, a central process of budget ceiling projections for sectors and MDAs, and above all, a well developed State Policy-Making process which can be used to guide decisions about resource distribution across the sectors. It is also necessary to have clear knowledge about existing contract commitments (projects being rolled over from one year to the next) and a well functioning monitoring and review system so that activities of previous years (not just in the sector but across government) can be reviewed and evaluated, allowing adjustments on the basis of experience.

While the State Government has begun making advances in some of these areas, there is naturally still a long way to go on many of these fronts.

For these and other reasons, it is neither practical nor feasible, and therefore not sensible, to commence or extend work on the entire sector steps listed above at the same time. So this raises the question, where and how do you get started, or for those sectors that have already developed an initial MTSS, how do you continue?

It is probable that the answer to this question will not be quite the same in every sector. For example:

- There is more information available on the 10 sectors that have already embraced MTSS methodology in the State.

- The pilot MDAs-Health, Education and Environment- had trouble with a means for converting the programme structure of the strategic plan into the administrative structure of the budget. This was also true of the second generation MTSS in Lagos State-seven in all- and had the effect of stalling work on MTSS development in the State.

- This formidable challenge to MTSS development was resolved only in the third quarter of 2010 following specialised training conducted for the 10 Sectors that already have adopted the MTSS process.

For these and other reasons it is neither possible, nor desirable, to lay down the law as to the exact steps that should be taken by each sector in this work. To some degree, the approach taken by each must be flexible, and determined within the sector itself.

However, there is at the same time the need for some consistency, so that together we move towards the same or similar objectives. Achieving a preliminary step – showing us all how we might start – towards this end is the purpose of the current Manual.

Section 3 of this document is devoted to guiding sector MDAs through the process of developing a sector strategy. But as the introduction to the section points out, not all these steps or stages need be attempted in the first year, nor will many (if any) of them be performed perfectly. Developing effective medium term sector strategies will be a long term process of annual improvement.

2.8 Sector Plans, Operational Plans and MTSSs

Some sectors have developed their own Sector Development Plans. Do they need to abandon these, or does the Development Plan also have a role?

Development Plans are generally longer term than the three years we expect to be covered by an MTSS. They are statements of policy and strategy which explain how longer term service improvement outcomes are to be achieved. However, while they contain some general costing of initiatives they do not generally attempt to demonstrate complete financial viability of the proposals. They often contain accepted funding gaps, for example, which it is hoped may be filled from as yet un-determined sources. Their strength is that they provide a strong context for more detailed medium-term planning.

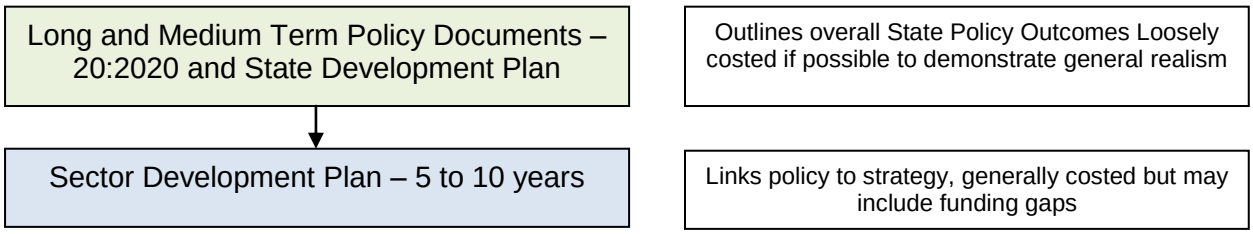
In contrast, it is expected that the MTSSs will be completely costed. They should set out definite projects and programmes for implementation over three years, and the sources of finance and capacity to implement them should be specified. There is no room for a funding gap in an MTSS.

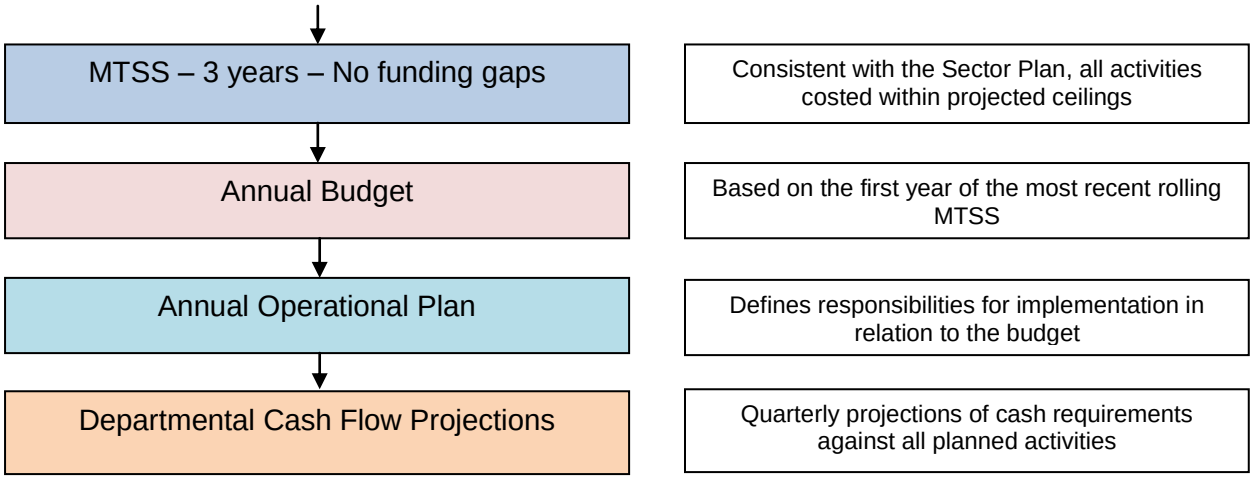
The advantage of planning to this level of detail over a three year period is that projects and programmes which are expected to take more than a single year may be included, and the recurrent cost implications of capital investments (for example increases in the number of teachers to be employed if new schools are being built) can be shown and planned for. In addition it is reasonable to be quite confident about the revenue ceilings within which these plans must be made over a three year period, whereas beyond this the task of forecasting becomes increasingly hazardous.

It is worth emphasising, however, that an MTSS is not, or need not, be an operational plan. An operational plan is normally a one year plan which identifies particular activities under an annual budget, and specifically sets out departmental responsibilities for carrying out the work. It may also be broken down into quarters, and could also provide a basis for cash-flow projections. It is a predictable flow of cash against such a plan that is – amongst other things – required to effectively implement the annual budget.

Figure 7 sets out the likely relationship among these different documents. A guiding principle is that each of the documents in the diagram should speak to each-other. That is to say that there should be few inconsistencies among them – an MTSS should be guided by the development plan, and a cash-flow projection should show how an operational plan can be affected.

Figure 7 Different Plans Should Talk to Each Other





3.0 STAGES AND STEPS OF THE MTSS PROCESS

3.1 Introduction

Section 2.8 above raised the question, "Where do we Start or Continue?" This section – section 3 of the Manual – seeks to set out some guidance in answer to this question. It outlines 12 steps grouped into three stages that you may follow in developing an MTSS and provides guidance through each step.

We begin with an introduction which provides certain outline pieces of information you need to be aware of first. We then move on in section 3.2 to the 12 steps. Lastly, in chapters 4 and 5, we discuss development of key performance indicators and the place of monitoring and evaluation as well as the annual performance review, respectively.

3.2 The Steps and Matching Federal Guidance

Figures 8a, 8b and 8c below provide a diagrammatic illustration of the various steps of the MTSS process.

These are *similar* to those set out in the guidance provided by the Federal Government, but they are not quite the same. In putting together this Manual, we have tried to take account of advice and practice from a variety of sources, and to apply them to our own circumstances in Lagos State. Inevitably, therefore, there are some variations from other models or advisory Manuals available elsewhere.

However, sector staff are encouraged to consider these steps as the minimum level of detail recommended by the MEPB.

ABOVE ALL, many of the steps will prove difficult in the early years. Especially, the task of developing initial sector strategy (mostly STEP 2B – see below) will be challenging, for example, if there are not many policy guidelines and there is lack of necessary information. Improvements in these and other areas will be achieved on an annual basis.

HOWEVER, one core *requirement* from the outset is that an effort is made to cost *all* of the proposed programmes in the sector, including all personnel

costs and overheads, and that this must be done *within projected resource availability ceilings.* Therefore STEPS 2C and 2D ARE CRITICAL.

3.3 Templates to Help You

To provide some additional structure to your work, we have prepared some templates for you to fill in along the way. The templates are SOFT annexes to this Manual (that is to say they exist only in electronic format). See annexes 5, 6 and 7. The templates are all in Excel.

The first one, **annex 5**, comprises 8 worksheets.

The first, and most critical, worksheet is entitled “Strategy Log Frame” and is designed to support the Strategy-making Session which constitutes STAGE 2 of the process. It aims to help you make a connection between the long-term outcomes, the output targets across your sector, and the activities that are required to achieve them.

Six of the remaining sheets contain formulas which are connected into the eighth – the summary sheet. They are designed to ensure that funds for the costed activities from the strategy log frame worksheet are properly identified, and that these costs can then be expressed in a structure that matches the existing structure of the budget. They allow you to make calculations of activities costs in a structure related to the structure of the budget, ensuring that your proposals remain within the constraints of issued three year expenditure projection ceilings.

The template therefore performs three critical tasks at the same time:

- First it provides a structure for recording decisions about strategy – this is sheet one;
- It then forces a calculation of costs of the planned activities to be made within the confines of the revenue ceiling you should have been provided with. The sheets do not allow you to include activities which cost more than the money available.
- Finally, by providing spaces for you to enter administrative and programme budget codes, it provides a potential link with the budget structure. This is intended to make it relatively easy for planning officers to transfer the costs of the strategy into the annual budget.

Because the template performs three tasks it may not prove that easy to use. One challenge is that to develop activities costs while filling in the template becomes quite complicated, and some sectors may need to develop background templates that do the actual costing. We also include a soft template that aims to provide this additional support (see annex 7).

Also, to simplify matters, the template in annex 5 only allows you to refer to three general economic inputs codings, that is, personnel, overheads and capital projects. In fact there are very many more economic codes in the actual budget structure than this. Annex 6 therefore provides an additional template which requires the programme budget allocation information devised by filling in annex 5, to be further broken down (at least for the immediate approaching budget year) against economic headings within each MDA. Once you have completed annex 6, therefore, you will have allocation information that covers economic code, MDA and programme budget structures, and this information can simply be lifted in to the budget submission.

3.4 The Steps and Stages

There are 12 steps in the process, and we have divided them into three stages. These are depicted in figure 8a-8c. The three stages are:

- STAGE 1: Review and Preparation (five steps)
- STAGE 2: Strategy Session (four steps)
- STAGE 3: Documentation and Agreement (three steps)

3.4.1 Stage 1: Review and Preparation

Stage 1 of the MTSS process entails five steps as illustrated in figure 8a below. Boxes 1-6 summarise the key information a planner would require to kick-start the development of an MTSS document for a sector.

Fig.8a: Stage 1 of the MTSS Process-Review and Preparation

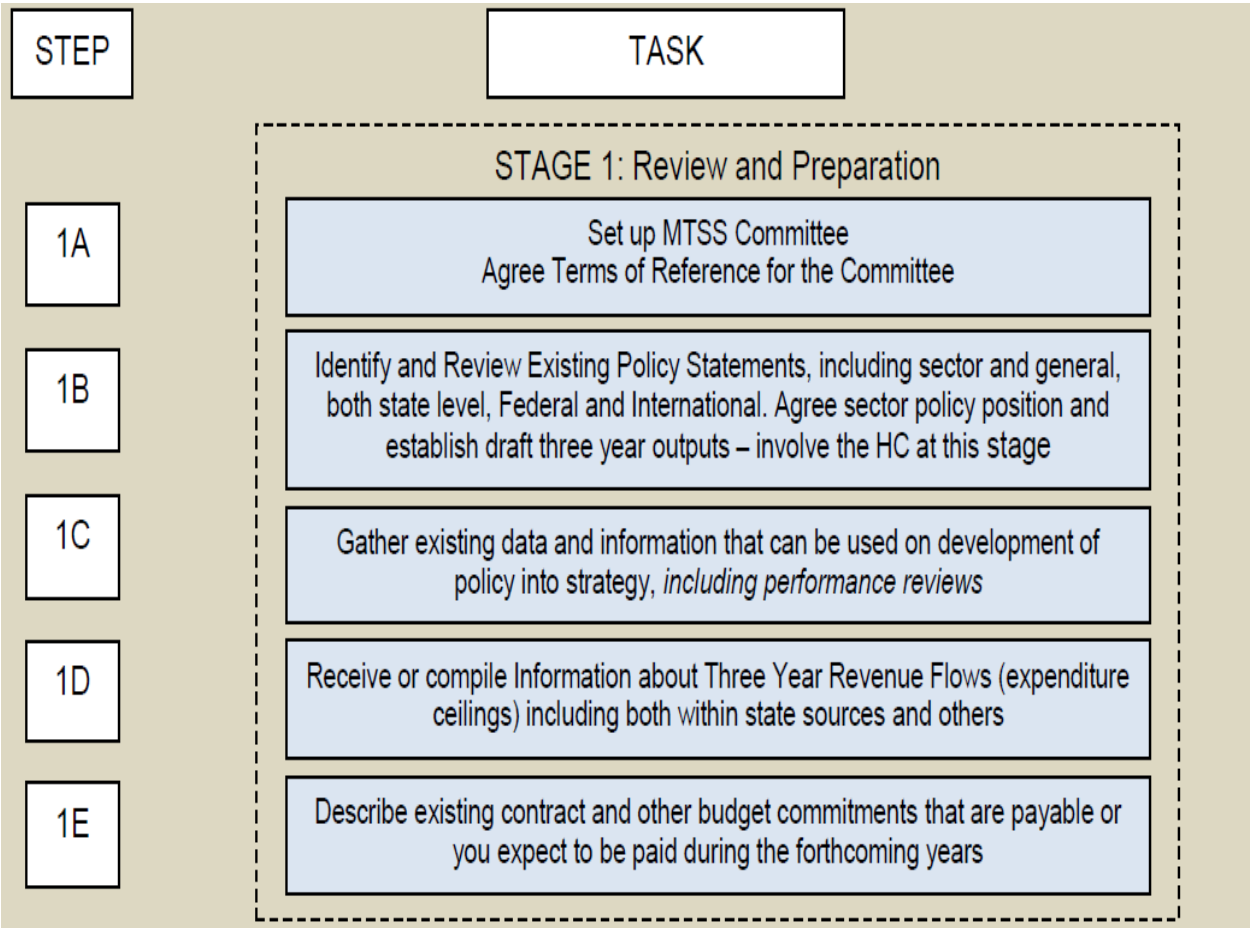


Fig.8b : Stage 2 of the M MTSS Process-Strategy Sessions

Box 1

STEP 1A: Set up an MTSS Committee and Agree ToR

- Agree the ToR for the Committee by adopting the draft ToR in Annex 3 of this Manual.
- Ensure that members of the Committee are not more than 10.
- Clarify whether the Committee is to develop strategy for the entire sector or sub-sets of the sector
- Ensure that members of the Committee are officers of an acceptable level of seniority since strategy development is a task for relatively senior officers in an organisation. This means that key directors should be on the Committee while other members should include those who either have the required skills to carry out the work or are reform champions--clever and well-motivated individuals who possess desirable leadership traits.
- Set up or modify an MTSS Committee that will have responsibility for most of the work required to develop/update the sector strategy

Box 2

STEP 1B: Review of High-Level Policy Documents

- Identify and review existing high-level policy documents to build a profile of the sector as captured by pronouncements by the three arms of government.
- In Lagos State, the following documents would be relevant:
    - 10 Point Agenda
    - LASEEDS
    - MDGs
    - LASG Vision 2020
    - Ehingbeti Reports (three most recent)
    - Governor's Budget Speeches (the three most recent)
    - Sector-Specific Reports (National and international)
    - Megacity Agenda/Process

- Try the following if there are no existing relevant documents for the sector at the State level:

    - Refresh your understanding of the terms "Policy" and "Outcome" and the results chain (see section 2.1 and figure 1 of this Manual);
    - Refer to the State Development Plan and its references to your sector – are any prospective outcomes listed there;
    - Check for any Manual outcomes statements in National or other relevant policy documents; and
    - If you cannot find anything for your sector written elsewhere, think about what outcome statements would describe modest and realistic (that is, affordable) outcomes should be achievable.

- Discuss and agree the resulting outcome statements between the civil servants and the Honourable Commissioner.

- For illustration, the Technical Committee that produced the Environment Sector MTSS 2011-2013, reviewed the relevant sections of the following high-level policy documents dealing with the environment sector:

  The Lagos State Economic Empowerment and Development Strategy (LASEEDS);
    - Lagos State Vision 2020
    - Lagos Economic Advancement Programme - Ten Point Agenda;
    - Nigeria: Millennium Development Goals (MDGs) Reports
    - Annual Budget Speeches of the State Governor (2008, 2009, 2010)

Box 3

STEP 1C: Gather Data, Information and Performance Reviews

- There is a section in the recommended structure of an MTSS report (see annex 3) which describes the current situation in the sector. The MTSS Committee needs to satisfy itself that it has sufficient information available both to be able to write this section and to underpin basic elements of sector strategy.
- Consequently, the Committee may wish to conduct an early and quick assessment of the current data position and reach a decision as to whether it is possible to plug any of the gaps in knowledge during the strategy making process
- This task will present very different challenges for each sector making it hard (and probably not very useful) to be prescriptive about what must be done. For example, the 10 sectors that already have MTSS documents will naturally have more access to the required information but the remaining 15 sectors may face greater challenges.

- Committee should consult with sector experts in taking the decision on the adequacy of available data since they are likely to be better placed to advise on data availability and how to close any data gaps.

- A significant body of information will be provided by a performance review of the previous year or years of strategy implementation. The Committee may therefore wish to consult the following documents, among others:
    - Impact assessment reports relevant to the sector
    - Information about what has been successful and what has not been successful.
    - Auditor-General's Report to the State House of Assembly (most recent three years)
    - Performance Management Review Reports where they exist. For example, although Performance Management Review is yet in its infancy in Lagos, a pilot project was completed by the Education Sector in 2010. Plans are afoot to extent the work to Health and Environment Sectors.
    - Reports of Public Hearings by the State House of Assembly on relevant sectors

Box 4

STEP 1D: Obtain Revenue Projection Information

- Recall that a key principle of the MTSS methodology is that an MTSS document should not include references to a funding gap with resources to be sought from uncertain sources. This means that budget proposals must be realistic.
- Ascertain and itemise revenue flows into the sector:
  - Budgetary allocations by the State Government
  - Loans and grants such as IDA loan projects or the Federal UBEC fund for education; the Conditional Grants Scheme (MDG grants fund for any sector).
  - Indicate an amount of contribution for joint projects with Local Governments
- Estimates of the amount of money available from each of these sources during each of the years covered by the MTSS may not be available from MEPB. Whenever this is the case, sector MDAs may be a better source of this information.

- Ensure that estimates of revenue from these resources *are not over-estimated*. For example it is common to assume that large sums are available from the UBEC fund for education, but SUBEB's record of drawing down all these funds in one year is not as good as it might be. To draw down all the money the organisation's capacity to implement projects and account for expenditure may need to be verified.

- Remember that if funds like UBEC and the MDG fund are shown, there is a need to allow for counterpart funds to be committed to these projects from the State Government. This will need to be provided for under the *discretionary* finance part of the expenditure projection. (Discretionary capital refers to sources of revenue for capital purposes which could be spent on anything. Non-discretionary funds sources are tied to specific lines of expenditure. So for example money provided to Education by the UBEC fund is tied to specific expenditure items.)

- There may be other sources of revenue which are explicitly tied to specific planned activities, and indeed may involve cash which is not delivered to the Government itself but is spent by other agencies. Examples include development partner programmes which make contributions in the form of training, and sometimes material inputs such as drugs and buildings construction. It makes sense to include these in the MTSS, though they may not necessarily appear in the State Budget.

- Complete the template provided in annex 5 by filling in Excel sheets 1-8 taking note of the guidance statements there. To edit the rows in worksheets 2 to 8 *while retaining the integrity of the connections between the worksheets and the connecting formulas* will require the work of someone who is highly familiar with Excel. Sector MDAs that require assistance may consult MEPB.

Box 5

STEP 1E: Existing Contract and Budget Commitments

1E1: Non-Variable Cost Commitments in General

- Many MDAs have a high degree of non-variable cost commitments. One example is the large salary bill that could be reduced over a number of years – most legitimately through "natural wastage" (mostly planned for retirements) – but which for much of the three year MTSS planning period is unlikely to change very much. Another is the large number of uncompleted contracts on the books of MDAs which require allocations to be made for their completion.
- "Non-variable" costs may be treated in two complementary ways:
  - The first is to estimate existing commitments *now, at this step (step 1E) in the process.* The costs can be filled in to the template in annex 5. The third worksheet is provided specifically for entering personnel costs, and the template will automatically calculate the totals of various entries and transfer them into section B of the summary sheet. The template will also then automatically subtract the cost of personnel from the ceiling total (section A in the summary sheet) and provide the balance remaining (section C in the summary sheet) for overheads and capital expenditure. Something similar can be done for overheads costs which it is felt need to be incremental. These can be entered in the worksheet entitled "overheads", and the template will similarly then calculates the totals and subtract them in the summary sheet from the balance remaining (sections D and E in the summary sheet).
  - The second is to reconsider them again later, during the strategic session. At that point it may be necessary to think again about some of the amounts already entered, for maintenance or employment cost, for example. This is because you may at that stage wish to add additional allocations, say for maintenance, or for the employment of additional staff, under the relevant headings. It *might* be possible at that stage also to make some reasoned reductions in the existing allocations made against what you previously took to be "non-variable".

1E2: Capital Commitm*ents*

- Most sectors have existing commitments to make payments on uncompleted projects
- Unless there are reasons to believe that these contracts will not be completed, their annual costs over the three years of the MTSS should be taken into account.
- Capital commitments are to be entered in the worksheet entitled "outstanding commitments", or section F of the attached template (annex 5) and their costs will then be automatically subtracted from the amount of discretionary capital money available. (Note that if there are un-finished projects from specific funds, these will probably be covered by allocations from the previous year and so their costs need not be subtracted from next year's allocation.)

Box 5 contd

STEP 1E: Existing Contract and Budget Commitments

1E3: Recurrent Commitments

- Although personnel costs are theoretically variable, altering (at least reducing) the numbers of personnel employed is politically sensitive and a very long term exercise. In effect, every MDA is committed to making medium term payments for existing personnel, though some measure of reduction could be contemplated for natural wastage[1] (if you are in a position to estimate this).

- Include some extra amounts for salary increases. It is probably reasonable to include an amount close to the prevailing rate of inflation (unless there is other specific knowledge about salary change plans in the coming 3 years).

- In summary, therefore, you need to include an amount (it will be a large figure) to cover the costs of sustaining current employment in the sector. This amount can be entered in the worksheet entitled "personnel" (section B) of the template in annex 5.

- Finally there are certain overheads allocations which ought to be retained at least at their current level. These will be mainly those that provide for recurrent office operating, travel, utilities, maintenance and financial costs. Again, inflationary amounts may be included for these elements. These can be included in the worksheet entitled "overheads" (section D) of annex 5.

- Note that all the costs referred to here are being regarded as existing commitments – things which will draw resources from the discretionary total available regardless of the strategies you develop in the medium term.

- If you enter these amounts in the template in annex 5, and you have entered estimates of the discretionary finance available in each year in section A at the top of the summary page, the template will automatically calculate for you the amount of discretionary finance available for you to use in implementing variable elements of strategy. This figure will appear in section G of the summary page.

Box 6 on the next page demonstrates the kind of basic calculation the sector needs to undertake in order to build a strategy that it can afford. The box starts with a total discretionary ceiling, and progressively subtracts the *existing* commitments to personnel, overheads and existing capital projects. This will leave a balance of discretionary resources available for strategic decision-making. The box also illustrates inclusion of allocations for new personnel, overheads and capital expenditures, but *within* the overall ceiling.

If you follow the structure represented in the box to guide the financial aspects of strategic planning, it will help to ensure that all activities and programmes will be affordable.

Box 6

Structure of the Budget Ceilings for an MDA

Note: The figures in this chart are purely illustrative			
		N	**Remarks**
A: Initial general revenue ceilings		5,000,000,000	This is Capital, Overheads and Personnel costs ceilings
Personnel Costs			
B1: Current personnel cost commitment	2,000,000,000		
B2: Plus additional staff from strategy plan	190,000,000		
B3: Total Personnel Cost	2,190,000,000	2,190,000,000	
C: Balance Remaining (A-B3)		2,810,000,000	
Overhead Costs			
D1: Current overhead costs	870,000,000		This is same as your Overhead ceiling.
D2: Plus extras determined by strategy	552,000,000		These provide support to your capital investments. You should demand for additional codes to be assigned to them from the Ministry
D3: Total overhead cost	1,422,000,000	1,422,000,000	
E: Balance Remaining		1,388,000,000	
Capital Commitments			
F1: Less, Existing Capital Commitments		300,000,000	
New Capital Projects			
G: Balance Remaining for New Capital		1,088,000,000	
H: New capital projects proposed		1,080,000,000	
I: Balance Remaining (should approach 0, not negative)		8,000,000	
J: Non-Discretionary Finance Available		2,350,000,000	This is made up of loans and grants to finance specific projects

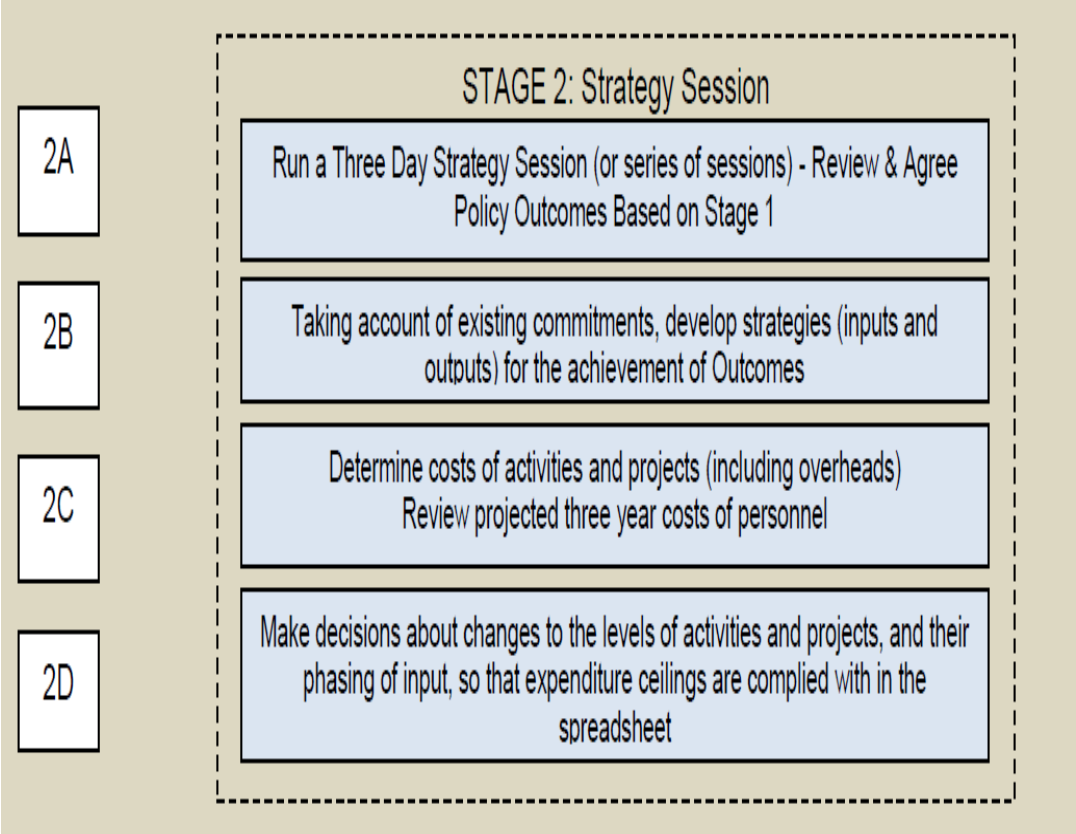
3.4.2 Stage 2-Developing Strategy

Stage 2 of the MTSS process involves four steps as in Figure 8b.

Note: The figures in this chart are purely illustrative			
		N	**Remarks**
A: Initial general revenue ceilings		5,000,000,000	This is Capital, Overheads and Personnel costs ceilings
Personnel Costs			
B1: Current personnel cost commitment	2,000,000,000		
B2: Plus additional staff from strategy plan	190,000,000		
B3: Total Personnel Cost	2,190,000,000	2,190,000,000	
C: Balance Remaining (A-B3)		2,810,000,000	
Overhead Costs			
D1: Current overhead costs	870,000,000		This is same as your Overhead ceiling.
D2: Plus extras determined by strategy	552,000,000		These provide support to your capital investments. You should demand for additional codes to be assigned to them from the Ministry
D3: Total overhead cost	1,422,000,000	1,422,000,000	
E: Balance Remaining		1,388,000,000	
Capital Commitments			
F1: Less, Existing Capital Commitments		300,000,000	
New Capital Projects			
G: Balance Remaining for New Capital		1,088,000,000	
H: New capital projects proposed		1,080,000,000	
I: Balance Remaining (should approach 0, not negative)		8,000,000	
J: Non-Discretionary Finance Available		2,350,000,000	This is made up of loans and grants to finance specific projects

.

Fig.8b : The MTSS Process-Stage 2



Note that as you work your way through Stage 2, you will encounter three excel spreadsheets. These documents are not simple, but at least the combination of annexes 5 and 6 seem necessary to provide for the development of strategies under programme headings, their costing against activities, ensuring that the costs of the MTSS fall within the revenue envelopes provided, and converting the information into a structure that matches the administrative and economic codes basis of the budget (while retaining information about programme-based budget allocations). You will need to spend some time becoming familiar with what each of these excel sheets requires you to do, and you will then have to decide whether to implement them fully, or whether to adapt and perhaps simplify them. However, if you do not provide a means for converting the programme structure of the strategic plan into the administrative structure of the budget, it is going to be difficult for planning officers in the MDAs to ensure that the strategy is reflected in the budget. Work on MTSS development may be completely wasted if it is not reflected in the budget. You may therefore choose to avoid the templates provided, but you must in this case work out an alternative method for making the connection between the strategic plan and the budget structure.

STEP 2A: Commence Strategy Sessions

Once the preparation work is complete, the Committee should convene a strategy session involving a range of stakeholders and technical officers to perform the exercise of developing strategy.

Especially if your sector is doing this work for the first time, there will be quite a lot of work to do. Indeed, even if you run a five day strategy session, you still cannot be expected to complete the work necessary. It will only serve to *start the process* of developing strategy. To get to the end of the work described in this Manual will probably take your MTSS committee about three months (depending upon the concentration of effort you are able to apply to the exercise.

Of course if you already have a first year MTSS it will probably take less work to revise it. However, an annual exercise to revise, project and up-date the MTSS is *required, every year.*

Having held an initial sector-wide strategy session, one option is then to split into a series of different sessions, ideally split along *programme* lines. For example if you can divide your sector into (say) six sub-programmes (education is an obvious case in point with basic, secondary, tertiary and so on) you may prefer to hold a one day introductory session involving a large number of people, and then break into a series of sub-groups to allow concentrated work, before re-convening a joint session (say after two or three months).

The remainder of this STAGE is written assuming you hold a number of sessions for sector-wide strategy working only. If you choose to run separate sessions, please note that you MUST draw results together once you get to STEP 2C.

There are no hard rules for choosing the participants in the sessions. Most certainly the Directors from each department in the Ministry must attend, plus probably the Directors or Chairmen of each MDA under the Ministry. There may be some benefit in inviting other officers who have specialist technical knowledge.

You may also decide to invite members from local representative NGOs or other public (non-government) bodies, such as professional associations or women's groups. This is not a requirement but it could help with making the strategies more responsive and implementable later on. It's also good governance practice to involve trusted members of society in the exercise, especially as it should help them to understand the challenges of decision making within budgetary constraints.

It might be wise not to make the group excessively large. It is normally easier to get work done in smaller groups than in larger ones where communication and understanding becomes more difficult. Of course the PS (or PSs) should be encouraged to attend as much of the sessions as possible. The deliberations will comprise thinking about issues at the heart of the sector Ministry(s) responsibilities. In addition, if the Honourable Commissioner

attends some parts of the session or sessions then he/she will be better placed to understand the reasons, both technical and financial, for adopting certain strategies for the achievement of policy outcomes. (Equally the Commissioner can explain the importance of policy priorities to civil servants and public attendees alike.) This ought to be important when it comes to arguing the case – defending the budget – in the Executive Council. Relevant members of the State House of Assembly might be invited to attend for the same reason.

Preliminary parts of this session (perhaps the first morning) will involve the Committee briefing the other members on the work done so far. Therefore, presentations should be made, followed by some discussion, on:

- Policy and strategy, and Outcome statements for the sector;
- National and International Policy Documentation;
- A summary of baseline, technical and review information;
- Statement of finances available over three years; and
- Description of existing capital and recurrent commitments.

In particular participants should be clear about the policy outcomes towards which strategy is meant to contribute.

By presenting the results of preliminary calculations of the ceilings supplied, with the costs of recurrent and capital commitments subtracted, attendees at the session will know at the outset how much money there is available to plan with. This is critical to making the exercise realistic.

STEP 2B: Develop Strategy for the Achievement of Outcomes

2B1: The Strategy Log Frame and Activities Template

The electronic Annex 3 provides a Log Frame template to help commence and record the developing strategy – defining outputs, programmes and activities (or projects).

The structure of the template provided here in the first worksheet allows you to do the following things:

- Describe policy outcomes and medium term outputs;
- Describe activities for achieving outputs over 3 years;
- Cost each of the activities; and
- Show the source of funds.

The first task is to determine the programmes that will populate your sector. The log frame sheet may then be divided into main sections, one for each programme.

Box 7 provides an extract from this template. The main template is in Excel and is attached to this Manual as a soft copy.

Later steps (described below) provide some advice on an approach to costing, and then also a means of transferring these costs into the structure of the existing budget codes.

The log frame sheet is structured as follows:

- At the head of each section are spaces to record the policy outcome and the medium term output expected in this sub-sector;
- Beneath this is a section to record a sub-output or (sub-outputs) or a more immediate component output;
- Beneath this are spaces to enter measurable targets against this sub-output for the three years of the MTSS; and then
- There are spaces in which to describe activities that are expected to lead to the achievement of the objective.

It should be kept in mind that there are two kinds of things to think about here.

- First there are new activities or things that need to be done – perhaps training courses, new buildings or additional staff.

Then there are the regular things that are being done anyway – such as employment of existing staff and maintenance of existing assets – which are necessary to keep things happening. (Step 1E looked at what should be included here.)

Box 7-MTSS Strategy Log Frame – Outline Template Annex 3

Sector and Sub-Sector 1.0: e.g. Education, Secondary Education

Policy Outcome: e.g. By 2020, sixty percent of secondary school agd children in the state are equipped with the skills that allow them to obtain gainful employment and learn through higher levels of education.

Medium-Term Output: (Must contain a SMART target): e.g. Thirty percent of secondary age children, regardless of gender, faith, social background and special needs, complete secondary school by 2014, with at least 33 percent of these obtaining sufficient results to allow them to proceed to tertiary education.

Sub-Output 1.1: e.g. Adequate numbers of qualified teachers needed to achieve the medium term output are employed to provide education of good quality in public Schools.
Programme Code 001

Target 2013: e.g. Number of qualified teachers employed increases by 5 percent each year

Activities 2011	**Activities 2012**	**Activities 2013**	**Cost 2011 In '000 Naira**	**Cost 2012 In '000 Naira**	**Cost 2013 In '000 Naira**	**MTSS Activity Code**	**MDA Responsible for Mgt**
e.g. Employ existing teachers	Employ existing teachers, including those taken on in 2011	Employ existing teachers, including those taken on in 2012	641,500,000	673,750,000	708,150,000	1.1.1	Min of Education
Add salaries of new teachers taken on at start of 2011	Add salaries of new teachers taken on at start of 2012	Add salaries of new teachers taken on at start of 2013	32,250,000	34,400,000	35,690,000	1.1.2	Min of Education
etc.							

The next three columns are provided to allow you to enter costs for the activities. Some further advice on this part of the exercise is provided under Step 2C below. Finally on the right of the worksheet are two further columns.

- In the first you may record a specific activity code. The suggestion is that this can simply be an index with a sub-sector number, the sub-output number, and the activity number. (This is illustrated in the template.)
- The last column must be filled in to show which MDA is responsible for managing the recorded activity.

These last three columns are critical for transferring the information you enter in this worksheet into the other worksheets in the template – which is a process intended to tie the MTSS to the structure of the budget. This process is described in more detail below.

In Annex 4 we provide some further guidance and pointers to how to go about developing strategy options. The contents of **Annex 4** include:

- How to build rather than just repeat;
- Approaching capital versus recurrent ratios constructively;
- Thinking about the contributions of other players relevant to the sector;
- Taking account of technical and capacity limitations;
- Identifying both new and current activities; and
- Ensuring political relevance of strategies developed.

STEP 2C: Activities Costs, Ceilings, and the Budget Structure

Step 2B has focussed on making strategy. That is, it involves the task of filling in the log frame template from the excel spreadsheet in annex 5, so that you now have outcomes, outputs and activities defined for a series of "programmes" across the sector.

But the hard work is not yet over. In fact in many ways it has only just begun!

You now face three critical tasks:

- The first is to develop costs estimates for the activities that are planned;
- The second is to work out how to transfer the costs so developed into the structure of the budget submission (if you don't do this then the budget your sector submits cannot reflect the strategy you developed, so all your hard work will be wasted); and
- Thirdly, you MUST ensure that the total costs of planned activities in each MDA do not exceed the resource envelope ceilings you have been given.

The work involved here seems quite complex, but it is quite well understood by most budget officers, and they should be charged with responsibility for costing and budgeting.

Annex 5 provides a template designed to assist in the task of allocating both programme and economic codes to costed activities from the strategic log frame. Some guidance as to how to go about completing this template is then provided in the adjoining **Annex 6**. Planning officers need to be generally familiar with the tasks and challenges in this part of the exercise, but the detailed work in completing **Annex 5** (based on guidance in **Annex 6**) is for budget officers to tackle.

STEP 2D: Policy Group Review of the Need for Changes

In compiling your total costs calculations in the templates in Annexes 3 and 5, you may well find that you have exceeded your ceilings, either in specific MDAs or quite likely across the sector as whole.

SUBMITTING AN MTSS THAT CONTAINS COSTS SUBSTANTIALLY ABOVE THE CEILINGS PROVIDED IS NOT PERMITTED.

Note the following general qualification to this statement:

> *Plans should be realistic and within the confines of the ceilings provided. If the ceiling provided by the central Ministry responsible is realistic, and it is respected by political leaders in approving the budget, and a predictable (cash-flow based) system of releases against these planned allocations is put in place, then it makes sense for both the MTSS and the Budget to be made within the confines of the ceilings. This integrates strategies within a realistic Medium Term Expenditure Framework, which Government expects to deliver. However, it is also true that in making an MTSS, sector representatives have the opportunity to make a strong case to political leaders for the release of additional resources (though this will imply shifting resources away from another sector). Therefore, an MTSS might reasonably include some limited (reasonable) additional allocations above a ceiling in support of such an argument. It seems unreasonable though to suppose that such an addition should exceed 10 percent above the ceiling provided for the sector.*

Where you have significantly exceeded your ceilings, it will be necessary to:

- Re-schedule some items to following years; and/or
- Alter the strategy, dropping some proposed activities or actions altogether.

Inevitably in this process there will be *options.* Some of these options will entail making concessions to desired achievements in terms of quality, others in quantity of service provided, and perhaps some others in terms of their impact upon different parts of society (the wealthy or the poor, women or the disadvantaged, for example). Similarly some options will have major cost reducing implications, while others may have disproportionate negative impacts on results.

It is not actually the task of civil servants (therefore the members of the MTSS Committee) to make decisions about which options should be chosen. This is a political responsibility. Ideally politicians will make decisions that respond to the needs of as a wide a range of their constituents as possible. In order to encourage this process it is well worthwhile holding public forums for consultation over options. (See Annex 8 for more details about public involvement.)

It is essential therefore that at this stage the Honourable Commissioner, and possibly the relevant SHoA committee chair, be involved again.

A way of approaching this could be to develop a small “policy group” for the sector, which would have high level representation. Such a group might include the PS, the Honourable Commissioner, any relevant Special Advisor, perhaps the Director of Planning from the relevant MDAs, the chairperson of

the relevant sub-Committee of the State House of Assembly, and perhaps two or three prominent representatives from Civil Society.

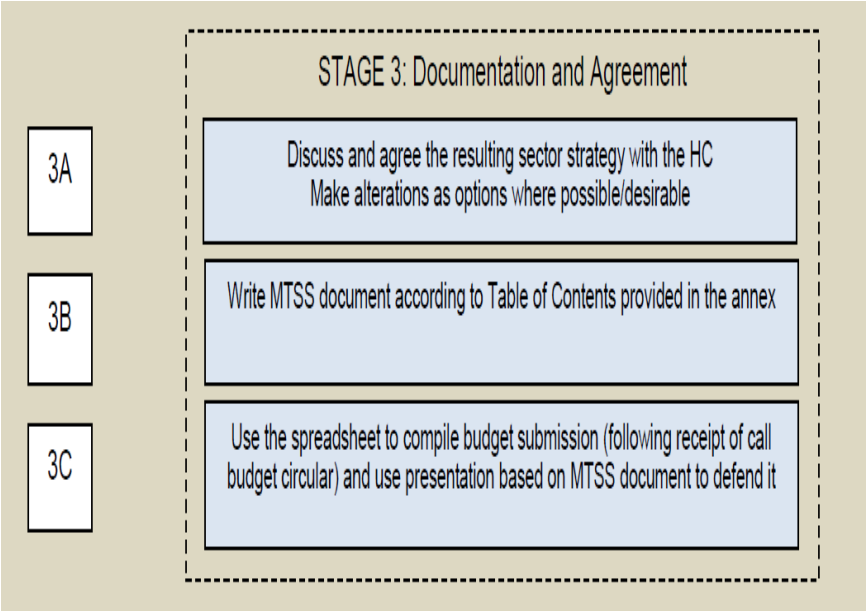
Various options for reducing or rescheduling the strategic contents may be considered by this group. The HC's understanding of the options and commitment to the choice made, backed up by other members of the Policy Group, could be critical in justifying its presentation to the Executive and the Legislature, and ultimately also to ensuring that cash is released to support implementation.

It is the responsibility of civil servants to make *informed recommendations* to politicians about which are the best choices. Some brief guidance on how the strategic MTSS Committee and the Policy Group might go about considering and evaluating options, including financial and economic justifications, is presented in Annex 7.

3.4.3 Stage 3: Documentation and Agreement

Figure 8c displays the third stage of the MTSS process. Its three steps are explained below.

Fig.8c : The MTSS Process-Stage 3



STEP 3A: Political Approval and Understanding

If the Honourable Commissioner has attended some of the strategy session, or taken part in the "Policy Group" meetings, then he/she may already be in understanding and agreement about the contents of the draft strategy. In this case there may be little need for further discussion.

However, if there is any doubt about this level of involvement, it will be advisable at this stage to conduct a formal and possibly extensive discussion over the contents. It will be essential for the future prospects of the implementation of the strategy to ensure that it is consistent with the expectations of the political class and that the Honourable Commissioner is in a position to present both the budget and its justification (the MTSS) to the Executive Council.

STEP 3B: Produce an MTSS Document

The MTSS document need not be all that long. After all it will be reviewed and revised in a years' time, so not every detail needs to be covered.

The critical purpose of the document must be to:

- Describe the process followed;
- Explain the connection between objectives (policy) and the activities that are planned to deliver them; and
- Place the plan in the context of resource (especially financial) constraints.
- Inform the public about sector strategies and about the basis for strategic decisions.

In order to assist in this exercise, we recommend an outline table of contents as provided in **Annex 5** to this Manual.

Inclusion of the completed worksheets presented in electronic **Annex 5** *is a requirement.*

STEP 3C: Presenting the Budget

The MTSS is intended to ensure that when your Ministry makes its budget submission, the contents:

- Construct a clear link between policy and intended programmes and activities; and
- That these are presented within realistic resource constraints, so that their implementation is a real prospect.

In outlining detailed objectives and activities, the MTSS also presents a means of monitoring performance (see below).

The MTSS should be complete by early to mid-August. (See Figure 9).
Following this, the Ministry of Finance will issue the Call Budget Circular. This should have been considered and approved by the Executive Council. During deliberations over the contents of the circular it is possible that the HC for your sector may have presented arguments based upon the MTSS (so long as s/he was fully involved this is possible). For this and other reasons the budget ceilings issued with the circular might be slightly different from those issued at the end of April. (Other reasons include fluctuations in the oil price, an expansion in the economy leading to improved estimates of VAT revenue, and perhaps an improved record or strategy for collecting IGR.) There may also have been other developments, such as an agreement to increase wages, which would have a significant impact on budget projections.

If the budget ceilings have altered, it will be necessary to alter the plan of expenditure included in the table filled in from electronic **Annex 5**. *However,* making these changes should now be relatively easy. If there is more money

available than originally expected, some activities from year 2 (2013 in this case) may be brought forward into year 1 (2012). If the amount of money available is less than expected, some activities may need to be dropped from year 1 to year 2. Once again, as described in the options section above, the HC should be involved in making decisions about which items to drop or bring forward.

Following these refinements, the MTSS document (modified as necessary), including electronic Annexes 5 and 6, becomes the basis for the Ministry's (and its associated MDAs) budget submission. The arguments set out in the MTSS document become the arguments which the Ministry and its MDAs may use at budget defence. Involvement of the HC at critical points should help to ensure his/her support at Executive Council in making these presentations.

3.3 An Outline Timeline

The majority of the work described above needs to be conducted during a four month period each year, from the beginning of April to the end of July. However, as made clear in figure 4, the MTSS work fits within an annual cycle. Therefore for completeness, the chart below outlines a suggested plan of work covering the entire year.

Figure 9-Suggested Timeline

Task/Step	Jan		Feb		Mar		Apr		May		Jun		July		Aug		Sep		Oct		Nov		Dec	
Prepare sector performance report	■	■	■	■																				
Conduct sector performance review					■	■	■																	
Collect data and information	■		■		■		■		■		■		■		■		■		■		■		■	
Review national policy guidance			■																					
Refine State Policy Outcomes				■																				
Receive Indicative Expenditure Envelopes									■															
Develop sector strategies & cost									■	■	■	■	■	■										
Receive Call Budget Circular with Final Envelopes														■										
Review strategy within ceilings														■	■									
Prepare MTSS Document															■	■								
Refine MTSS and compile budget																■	■							
Defend Budget using MTSS																		■						
Make Operational Plan																			■	■	■	■	■	

4.0 DEVELOPING KEY PERFORMANCE INDICATORS (KPIs)

4.1 Introduction

KPIs are indicators that organisations use to measure performance, especially where such is used to evaluate the success of particular activities that seek to realise specific results.

There are different kinds of KPIs including the following:

- Effectiveness indicators – *how can our use of resources result in better results*
- Efficiency indicators – *how much better are we performing (using less effort to achieve same or better results)*
- Financial indicators – *increased financial returns or reductions in costs*
- Quantitative indicators – *numbers, money, time, and volume*
- Directional indicators – *either increases or reductions*

It is advisable to select indicators that can best show achievement against specific goals.

4.2 The KPI development process

KPIs are developed through the overall process of determining what an organisation plans to deliver. The process involves:

- Determining what an MDA is mandated to do
- Developing an MTSS in response to the mandate
  - Establishing sector objectives and programmes
  - Defining targets and expected outputs, outcomes and expected impact
  - Establishing some relevant KPIs that are measurable

4.3 Characteristics of KPIs

The key characteristics of KPIs are summarised in Table 1. Planners should bear these considerations in mind when developing KPIs.

Table 1-Characteristics of Key Performance Indicators (KPIs)

Reflect and measure key drivers of value	Represent activities that, when properly executed, guarantee future success
Identified by managers and executives	Value drivers are defined to establish the strategic direction for the organisation
Based non valid data	Usually items that can be measured and for which measurable data will exist
Relevant	Usually relate to the work that employees do, and for which they are expected to deliver some results/value
Provide context	Establish targets which indicate an expected direction of travel, in terms of performance e.g. downwards, upwards or static
SMARTGS&I	Specific, Measurable, Achievable, Realistic, Time-bound, Gender and Social Inclusiveness
NB: KPIs can be quantitative or qualitative e.g. number of kilometres of road built or number of teachers trained to a particular standard.	

In addition, KPIs should be:

- Direct
- Objective
- Adequate

- Quantitative
- Practical
- Measurable
- Comparable
- Reliable

We recommend that for every SMARTGS&I objective, there should be an Indicator. Furthermore, it is best to develop KPIs that focus on policy outcomes. In rare cases, KPIs based on outputs may be appropriate.

4.4 How to establish KPIs

The first step is to establish Sector Performance Management Teams in MDAs, comprising senior managers and officials of the MEPB.

The Sector Team will have responsibility to:

- Review sector goals, objectives and programmes to be delivered
- Define how success will be measured i.e. establish and agree KPIs
- Establish framework for performance monitoring
- Ensure that the Annual Performance Review and Reporting fit into the LASG annual budget preparation cycle

4.5 Action plan for developing KPIs

Compliance with the Suggested Timeline presented in Figure 9 is so important to successful implementation of MTSS approaches that we strongly recommend that you pay attention to Table 2. Application of the template in Table 2 will go a long way in assisting Sector Teams to ensure that both the performance evaluation report and the annual review report are completed early enough for the findings to feed into the annual budget cycle.

Table 2-Action plan for developing targets and KPIs for Sector MTSS

ACTION PLAN	TIMELINE	RESPONSIBILITY	COMMENTS (Challenges in terms of sourcing data and any other)
What data exists: • Collect and collate the data	xxxx	xxxx	
• Look at the objectives, activities and targets etc in draft MTSS	xxxx	MTSS development team with officers from MEPB	
• Define/establish KPIs (10 -15 prioritized KPIs of the sector) Most important for reporting back	xxxx	xxxx	
• Establish baseline position	xxxx	xxxx	
• Establish trends	xxxx	xxxx	
• Revalidate targets	xxxx	xxxx	
• Revise MTSS document accordingly	xxxx	xxxx	

5.0 MONITORING AND EVALUATION (M&E) IN MTSS

5.1 Purpose of the Performance Evaluation Report and Annual Review

The functions of the **Performance Evaluation Report include:**

- Capture and document evidence of a sector's performance against key performance targets
- Give details on highlights of high standard performance, and
- Give details of areas of performance in need of improvement

Similarly, the Annual Performance Review is expected to:

- Consider and verify the evidence contained in the Performance Evaluation Report ,
- Ascertain areas of high performance as well as areas of performance in need of improvement, and
- Make recommendations on how future performance can be improved – revision of the MTSS

5.2 Benefits of the Performance Evaluation Report and Annual Performance Review

The benefits of the Performance Evaluation Report and Annual Performance Review system include:

- Making sectors more focussed on delivering value to citizens
- Enhancing accountability for the delivery of public services
- To institute a process for continuous service improvements in public services – adjustments of the MTSS and resource allocations
- Enabling government to report back to citizens on its public service performance
- Introduce a system and culture of service delivery planning that is evidence-based

.

5.3 Contents of the Performance Evaluation Report

Key sections of the Performance Evaluation Report are:

- Executive Summary
- Introduction

- Background to the sector and key linkages with sector policies/MTSSs
- Purpose of the Performance Evaluation Report

- Analysis of Key Performance Indicators
  - Summary of progress against work plans
  - Assessment of performance against targets/KPIs
  - Impact analysis of strategies/programmes on relevant KPIs
  - Conclusions and recommendations
- Sector Financial Performance
  - Sector budget appropriation, disbursement and expenditure trends
- Institutional and Organisational Capacity
  - Human resources management performance
  - Physical infrastructure and facilities
- Cross cutting issues
  - Linkages with other sectors
  - Reform progress and impact on overall goals of sector
- Forward Look: review and adjustment of MTSS
  - Recommendations for sector policy and strategy revisions
  - Recommendation for budgetary adjustments
- Annexes
  - Data sources and methodology
  - KPIs, Targets, and relevant statistics

5.4 Key stages of the Annual Performance Review

These include:

- MTSS development process establishes relevant sector KPIs
- Formation of the review and report drafting teams
- Data (evidence) gathering and collation
- Drafting of the Performance Evaluation Report by March

- Performance Review meeting in April
    - Review of progress against work plans
    - Assessment of performance against targets/KPIs
    - Impact analysis of strategies/programmes on relevant KPIs
    - Conclusions and recommendations
- Revision of the MTSS by May (to feed into the annual budget preparation process)

5.5 Key individuals in the Performance Evaluation Report and Annual Performance Review system

These include:

- Service Managers documenting service performance throughout the year
- Performance Evaluation Report drafting team writing up the report
- Performance Evaluation Report drafting team Coordinator responsible for ensuring all KPIs are recorded
- Performance Review team conducts the Annual Performance Review
- MTSS development team responsible for reviewing and revising the sector MTSS
- Annual Performance Review(APR) - Content

The **annual sector performance review will:**

- Compare progress against work plans
- Assess performance against targets/KPIs
- Assess whether expected resources were available and utilised
- Investigate why expected outcomes were not attained and /or expected resources not released
- Carry out impact analysis of strategies and/or programmes on relevant KPIs (where feasible)
- Make recommendations for remedial action

Annex 10 provides highlights of the LASG Education Sector Performance Review for 2009. Our expectation is that Sector Teams will find the case study a useful way of putting the ideas discussed in this chapter into practice.

6.0 PUBLIC PARTICIPATION IN THE MTSS PROCESS

6.1 Introduction

Figures 8a, 8b and 8c do not specifically mention public involvement. This is not because we advise against it. In fact, it is a critical part of building both accountability and responsiveness of our growing democracy.

6.2 Civil Society Organisations (CSOs)

Annex 8 outlines opportunities for public involvement in the MTSS Process at each of the three stages discussed in Chapter 3. These include the process of performance review, where representative organisations should be given a chance to see whether the government has achieved what it said it would do. However, it is preferable that CSO representatives be included at first in developing MTSS (via committee membership) and understanding the process and its limitations (see below). The Policy Group is another mvital avenue for CSO participation.

We wish, however, to draw attention to some critical matters about involvement: of CSOs.

- First, civil society members need to be informed about the limitations of strategic plans, such as those outlined in this Manual. For example they need to be made aware of financial and capacity constraints. This should help to keep recommendations and expectations from the community realistic;
- Second, public participants may be expected to furnish information about strategies that work (and others that don't) and about contributions to service delivery that may be made by various non-government groups; and
- Third, it will be well worth keeping in mind the fact that various groups represent different interests – simply seeking involvement from a selection of CSO representatives will not necessarily yield an agreed public position on which strategies should be adopted.

6.3 Gender and Social Inclusiveness

A key issue that CSOs are certain to raise in the MTSS process is that of gender and social inclusiveness**.** Annex 10 is a handy template that Sector Teams can use to ensure that their planning is not gender-blind.

Annex 1 - Glossary of Terms

MTSS	A strategy for a sector that should allow it to deliver outputs that will contribute to cross-government outcomes, and it describes this strategy in the medium-term – three years – and within the limitations of resource constraints so that it is realistic.
Policy	A policy describes expected outcomes and long term goals. In some instances a policy statement might also include key elements of the strategy for achieving outcomes.
Strategy	A strategy is a statement about how policy outcomes and goals are to be achieved.
High Level Goal	A goal exists at the level of the parent organisation, in this case for the Government as a whole or quite possibly covering the whole state. It describes a key result over a long time frame towards which all combined efforts should be aiming.
Outcome	An outcome is a result that contributes to the achievement of a goal. It must contain reference to a measure of improvement in some aspect of business related to the goals of government. For example, fewer people suffering from diseases is an outcome.
Output	An output is something tangible and measurable that results from inputs and activities. Examples include more clinics, drugs and qualified medical staff in place and operating. They are expected to result in achievement of a stated outcome.
Input	These are what are needed to create outputs. If a road is an output, it needs the inputs of labour, planning, materials and equipment to build it.
Activity	Activities are the things that have to be done in order to bring inputs together to make outputs. (In some contexts these are sometimes referred to as “projects”.) Perhaps this may include the development of a database, building schools, recruiting staff, providing training, and procuring equipment.
Results Chain	The Results Chain describes the relationship between inputs, activities, outputs, outcomes and goals.
Programme	A programme is a defined collection of inputs and activities, resulting in one or more outputs. It will normally include inputs under all of the three major budget groupings – personnel, overheads and capital.
MTEF	A Medium Term Expenditure Framework describes the outline division of planned expenditures over a medium term, all within the confines of projected known financial resource constraints.
PBB	Programme Based Budgeting entails collecting budget allocations under programme headings for the purpose of managing and tracking expenditure as it relates to outputs as opposed simply to inputs.
Fiscal Projection	This is a projection over a defined medium term period of the expected financial resources that will be available to a government unit (State Government for example). It will normally be based upon assumptions and estimates of key fiscal elements, including (in Nigeria’s case) the assumed oil

	price and volume, the level of taxation, the level of inflation, and projections of GDP. It will include projections of necessary expenditures such as debt repayment.
Call Budget Circular	Circular sent out by the central planning or budget Ministry each year, ideally around August, giving guidance on the annual budget process, and providing MDA budget ceilings based upon fiscal projections and policy direction.
Vote Head	Ministries and Agencies that are designated a main budget code number under which other MDAs are listed.
Sector	A sector describes a discrete area of government business under which key outcomes are defined, normally at the Vote Head Ministry level, but it may include the work and outputs of more than one vote head category. So for example, education outcomes might be contributed to by Ministries of Education, Science and Technology, and perhaps even Water Resources.
Ministry	A Ministry is a particular type of vote head cost centre, with its own organisational identity, and headed by a Commissioner. It may be distinguished from other non-Ministerial agencies.
MDA	Ministry, Department or Agency, is a collective term covering Ministries, non-Ministerial agencies, and the Departments within them. Each will normally have a separate budget vote functional code.
Administrative Code	The code in the budget classification and chart of accounts referring to a separate expenditure centre or location (main org and sub org).
Economic Code	The code in the budget classification and chart of accounts referring to a separate type of expenditure by input.
COFOG	Classification of the functions of Government.
Activity Based Costing	An approach to costing that goes back to basic unit costs as opposed to the use of increments on previous years' allocations.

Annex 2 – MTSS Roles and Responsibilities for Central Planning MDAs and Sector MDAs

No.	Central MDA (MEPB)	Sector MDAs
1	• Determines the projected revenues for the state and establishes and communicates to sectors their respective sector resource envelopes	• Collect, collate, analyze and interpret crucial data that are needed for establishing the baseline position of the sector
2	• Establishes the budget calendar and communicates the same to sectors via the annual budget call circular	• Define and agree the sector's goals, objectives, and targets
3	• Offers technical support to sectors developing MTSSs by highlighting cross-cutting areas of programming based on its overall knowledge of the state's entire planning environment	• Carry out all the analytical activities – sector's situational analysis – required during the strategy development sessions
4	• Offers technical support in terms of focusing sector strategies and programmes in order to align with the administration's ongoing agenda and priority	• Propose, design and develop programmes and projects that serve to achieve the sector's goals and objectives
5	• Could provide some critical evidence/data required for planning and programme development based on the outcomes of previous sector annual performance reviews	• Debate, prioritize, and agree programmes to be delivered over the MTSS period with the limited resource envelop available
6	• Organizes and facilitates the strategy development sessions with organizational inputs from sector MDAs	• Cost out and apportion resources across the MTSS period for the programmes to be delivered over the 3-years
7	• Serves as an impartial facilitator/moderator between contending agencies within the sector during strategy development sessions	
8	• Offers technical support to the sector MDAs on the costing of their programmes and the setting of KPIs	

Annex 3- Draft Outline Terms of Reference for "Sector" MTSS Committee

Please note that this brief outline is intended as a guide only. The expectation is that with experience each Ministry or MDA will be able to make improvements.

1. Overall Function

The MTSS Committee for the "Sector" is responsible for leading the Ministry and its MDAs through the process of developing annual Medium Term Sector Strategies.

The Committee will be held responsible for the production of the MTSS document (see Annex 9 to the MTSS Manual) and of the annexes to this document including the complete MTSS log frame template (see Annex 3 to the MTSS Manual).

2. Tasks

The process will include the following tasks (refer to Figure 7 in the guide):

- Identify, collect and assimilate all relevant, existing policy and strategy documents;
- Ensure that a process is followed for agreeing, with the involvement of the Honourable Commissioner and Relevant Committee members of the State House of Assembly, medium and long-term outcomes, and sub-outputs, for the sector (this entails completion of the first part of the strategic log-frame, which is spreadsheet 1 in Annex 5 to the guide);
- Ensure that all relevant data and information, including any performance reviews, about the sector is gathered together and is available to sector strategy makers;
- Compile all information about projected revenue flows over the coming three years, especially call budget circular ceilings, including non-discretionary loans and grants, and external sources or financial and other support;
- Compile all information about existing capital contract commitments, and indications of incremental commitments to personnel and overheads costs over the coming three years;
- Arrange and facilitate a three-day strategy session during which policy outcomes and sub-outputs should be reviewed, and the process of identifying key new strategic activities within the projected financial constraints should be started;
- Following the strategy session, facilitate and manage the process of completing activities costing, and the iterative process of choosing which activities should be implemented in which year, given the resource constraints faced, and so as to achieve the defined outcomes and outputs, and connection medium-term implications between (for example) capital investments and recurrent implications (this process may take two months or more, especially in the first year);
- Ensure that the integrity of the decisions made are checked with relevant interests both in and outside the Ministry (or MDA) and especially with the Honourable Commissioner;

- On the basis of the information collected and the decisions made, draft the MTSS document following the outline provided in Annex 4 to the guide;
- Check that the MTSS is used as a basis for compiling the annual budget submission.

3. Appointment and Responsibility

The Committee will be appointed by, and will be answerable to, the Permanent Secretary.

4. Membership

Normally the membership will be drawn from within the relevant Ministry and MDAs. However, the PS may decide to include members from outside the Ministry (for example civil society representatives of relevant organisations outside Government).

In order to make the committee functional, it is recommended that the membership should not exceed 15.

Annex 4 - Some Pointers to Developing Sector Strategy

This annex is provided as a supporting accompaniment to Step 2B – filling in the log-frame sheet.

1. Some Possible Preliminary Strategic Questions

Filling in the outputs and activities entries in the log frame worksheet constitutes the main task of the first strategy session, (though it is not expected even that this part of the exercise will be completed during that session). Probably you will want to do the work in groups (perhaps focussing on a programme or sub-sector each) and then have them make presentations back to the entire group.

Filling in the entries is not just guess-work. There will be a need for considerable technical input, based on knowledge of the sector and what is required in the medium to long term in order to achieve the desired results.

The remaining headings in this annex are intended to help in thinking about these things. Remember though that this step, while forming the core of the strategic exercise, is one that you may not get right in the first year. In fact you may not get it right even in the fifth year of trying. Strategy making is a constant (or at least annual) process of continuous improvement, so it's worth keeping expectations small to begin with.

Try answering the following questions:

- In order to meet the policy outcomes, and medium term outputs, you have been set or have agreed, what quantity of infrastructure and recurrent annual resources do you need to aim for (for example numbers of schools classrooms, books and qualified teachers)?
- How does this compare with the current level of infrastructure and resources that are available?
- Therefore what kinds of improvements need to be made between now and the target date, and what kind of annual improvements implications does this have?
- In order to meet the policy outcomes that have been agreed, what quality improvements need to be made (for example the standards of nursing practice or the level of community knowledge about ill-health causes)?
- How are such improvements to be achieved (perhaps through training or awareness raising and publicity exercises)?
- How can some of these challenges be over-come by regulatory changes (for example will changes to regulations governing the way in which prices at markets are set raise the level of profit for farmers, would these regulations be enforceable, and what would be the impact on incentives to expand production)?

Naturally these questions are just a start, and technical knowledge of your own sector will lead you to ask and answer many more questions that follow on from the answers to these.

2. Build Rather than Repeat

Over a period of three years, you could do exactly the same activities each year and achieve something. You just keep repeating what you have done before so it is not a matter of thinking over the three year period but just three consecutive years of the same. However, if you build in year two on what you did in year one and then build in year three on what you did in years one and two, the results can alter dramatically.

A good example can be seen in economic empowerment. If there is a programme that empowers 10,000 people a year then, in three years, it will empower 30,000 if it just does the same thing each year. However, if it targets the candidates for empowerment better, they may then go on to empower more people themselves. This "second generation" of empowerment builds on the first set of empowered people. It is also possible that some of the "second generation" also go on to empower more people – a "third generation" – through their own empowerment. If each empowered person goes on to empower another five, the numbers can then (theoretically) be dramatic:

- Year 1 – 10,000
- Year 2 – another 10,000 + 50,000 (2nd gen.)
- Year 3 – another 10,000 + 50,000 (2nd gen.) + 250,000 (3rd gen.)
- Total – 380,000.

That is *exponential* rather than *arithmetic* growth.

What changes in the basic activity is the selection of candidates and the follow-up after the empowerment. It is an illustration of *impact assessment*, as well as *contextual analysis*. The choice of candidate may depend on the person but also on the community in which the person lives and the skills the person takes back to the community. It is wishful thinking to hope for growth quite as dramatic as this but this is an illustration of the idea of challenging yourself to find ways of adding value to your basic activity, so that you can build on each year's results, rather than just repeat them.

3. The Recurrent Vs Capital Ratio

It is commonly argued in Nigeria that an expansion in the capital Vs recurrent ratio is a good thing. But there are at last 2 critical things to remember and consider.

- First, outcomes are the result of people's actions, not just of things. We need to give as much thought to what kinds of people we use, and how we apply their skills, as we do to capital projects.
- Secondly, investments in capital projects almost always have implications for the employment of more people. We cannot build schools one year without allowing for more teachers the next. Therefore, an expansion in capital expenditure now, implies an expansion in recurrent expenditure soon.

One of the greatest benefits from medium-term planning is that we can allow for these kinds of changes. Try building these emphases on recurrent and personnel costs into the MTSS table as you fill in the planned activities.

4. Think about other Players Relevant to the Sector

A classic example is the inter-relationship between sectors is to be found in Health and Water. Provision of clean water is a critical input to improved health outcomes. It would be advisable for the participants in the Health Strategy Session to have made consultations with the Ministry of Water Resources, or even to invite one or two senior members of the Ministry to attend the Health Strategy Session. KADSACA with its strategic role in tackling HIV/AIDS, would be relevant in all sectors.

Similarly there will be implications for strategy development in the things that other actors are doing. For example, in education, there are significant private sector operators, and local government provides very substantial inputs into the provision of basic education. The federal government provides teacher training and supervision inputs which we might not want to duplicate.

In most sectors, you will have the following players:

- Federal, State and Local Government;
- The wider Public Sector, with parastatals often dominating;
- The Voluntary Sector, with CSOs and NGOs;
- The Private Sector, with business organisations, trade organisations and, of course, individual businesses, including SMEs;
- The Faith Sector, with churches, mosques and religious schools;
- Traditional Rulers; and
- Development partners organisations.

You may be in a position (and progressively over the years it is advisable to work towards this objective) to see how you can move from direct delivery to organising delivery through others. This can involve improved regulation and monitoring of their activities, as well as making regulatory changes that can improve the environment for their operation.

How you manage the relationship with the Private Sector will be linked to how you see the role of markets in your strategy design. Although this aspect of medium term strategy making is different in kind to designing your own systemic intervention – because it is about organisation – how you decide to collaborate with these other players will be a critical part of your design.

Note that having made decisions about these relationships, you can still enter separate lines for the activities of other players in the log frame sheet, and provide them with an MTSS activity code and destination administrative unit. We explain below where to transfer these into the other worksheets.

5. Technical and Capacity Limitations

STEP 2C in the guide focuses on the financial viability and justification of your proposals. But there are also technical and capacity limitations to be taken into account.

Sometimes it is tempting to load activities with a very large number of detailed inputs. This can commonly emerge from a strategy session in which different groups are trying to include items of particular interest to them, and this is a particular challenge in a sector like Education where there are a large number of MDAs.

Yet does your sector really have the human and organisational capacity to implement all of these measures? Take a look at any formal or informal performance reviews you have and see whether all the planned activities in previous plans (for example in the SEEDS plans) were actually implemented? There is little point in taking up scarce financial resources in activities that are difficult to implement, if they could be spent as effectively on things which are relatively easy to implement.

Similarly, there can be technical constraints on the implementation of some projects which make them impractical. For example, it may be desirable systemically to computerise all the primary schools across the State, but lack of electricity, lack of security, and the lack of a clean (dust free) environment make this objective technically risky. Getting modern information and learning systems to our rural population requires some careful, technical thought, not a rushed, unworkable solution.

6. Identifying both New and Current Activities

In STEP 1E the guide advises the Committee to produce estimates of non-variable costs, including existing capital commitments in current contracts, likely standing costs to pay for salaries of permanent staff, and some standard overheads costs.

Most of these costs will not change much from one year to the next, but it is necessary at this stage in the strategy session to review them.

As we have said, the *purpose* of our strategic exercise is to begin connecting policy with the things that *actually need to be done* in order to achieve the results we seek. In essence, what infrastructure needs to be built, what infrastructure needs to be renovated, what equipment and vehicles are needed, how many staff do we have and do we need more (or fewer) in particular areas, what can we do to raise their skills in required fields, what improved management systems are required, and what supplies like drugs and books might we need to provide for?

There can be a temptation when commencing this kind of exercise to think only of those things which we need to ADD to what we currently do. However, because the objective is to cost our planned activities *within realistic financial ceilings*, it is not enough to identify activities items that are new. We must also include those standard items of activity and expenditure that are necessary to operate the department and keep existing services running. So for example we need to include standard items such as:

- The costs of regular full time staff;
- Costs of maintaining and renovating office structures (including office additions and expansions where these are strategically justified);
- Costs of maintaining service delivery structures;
- Costs of operating and maintaining existing vehicles (including replacement of the routine existing vehicle stock);
- Costs of office operating and supplies (stationary, utilities);
- Costs of travel and communications; and
- Even those things which might seem peripheral to providing the service, but which we know will attract expenditure (not just financial costs but also traditional gifts and others).

All these items also need to be included in the log-frame template (Annex 3).

As mentioned above, we already have calculated some overall costs for these standard items, but thinking about them strategically and over the medium term we might now be in a position to alter some of these amounts.

For example, if we aim in year 1 to build some new clinics, then in years 2 and 3 the overheads allocations for buildings maintenance need to be increased. Also we may need to increase the allocations for drugs in these years, and obviously the allocations for the numbers of qualified doctors and nurses to be employed. Whereas under STEP 1E you may only have included additional costs on staffing to cover inflation, you may now need to make increases for additional staff employment. Similarly some overheads allocations may need to be increased to cover maintenance commitments, fuel and operating costs (if new vehicles are to be bought) and so on.

We suggest that in order to cover all these non-variable and variable overheads and staffing costs, you need to consider the following *for each programme or sub-sector*:

- Existing roll-over permanent staffing costs;
- The costs of new staff to be employed;
- Existing roll-over costs of overheads, including maintenance, utilities, financial costs and others;
- New overheads costs required to cover new investments; and
- Existing capital contract commitments.

Allocating each of these lines an MTSS activities code in the appropriate column will help you to complete the template in annex 3 later on.

7. Ensuring Political Relevance

Finally there needs to be good communication between the Committee and, through the PS, the Honourable Commissioner, so as to ensure especially that large capital items which may be at the forefront of the Government's mind are not left out. A focus for example on the delivery of primary or local health care as a means of achieving health improvement targets might not lead to the establishment of large hospitals as critical elements of strategy. But the likelihood is that the Government may place an emphasis on these kinds of projects anyway. There is no point in leaving these out of your MTSS, because we know that these *will actually figure* as major items of expenditure.

Annex 5 – Outline Table of Contents

Forward
Table of Contents
Acknowledgements
Abbreviations
Annexes

Chapter One: Introduction

1.1 Aims and Objectives of the Document

A brief section explaining where the MTSS fits amongst the planning documents for the State and the Sector. Refer to figure 7 in this MTSS Manual.

1.2 Summary of the Process used

Describe how the MTSS was developed, and who was involved. Were there any weaknesses in the process which you aim to strengthen next year?

1.3 Summary of Conclusions

Use this section to present a short, and snappy summary of the key strategic directions outlined in the MTSS, and refer briefly how it was decided that these were the priorities (the evaluation and selection process used) given the budgetary constraints that the sector faces.

1.4 Outline of the Structure of the Document

Describe the sequence of chapters, and briefly explain the logic of its layout.

Chapter Two: The Sector and Policy in the State

2.1 A Brief Introduction to the State

Concentrate here on issues that are of particular relevance to your sector. Population and its distribution is probably a critical factor to most sectors. Also current distribution and levels of demand for the service you provide in different parts of the state. Possibly talk here about potential growth in demand.

2.2 The current situation in the sector

Use this section as a situation analysis, describing essentially the level and quality of the service provided. Include relevant information from research and data/statistics surveys, and possibly also performance reviews. What are the key challenges faced by the sector. Include data annexes as required. (We suggest you place most of the data in annexes rather than making this section exhaustively long.)

2.3 Sector Policy

Describe here the Main Policy thrusts and outcomes in your sector. This may require reference to the State Development Plan, but possibly including more detail and refinements. You may also wish or need to refer to National Policy Guidelines in your sector.

Chapter Three: The Development of Sector Strategy

3.1 Outline Major Strategic Challenges

Describe here the main challenges raised and considered during the strategy session.

3.2 Resource Constraints

Describe the revenue projections provided for the sector, including both discretionary and non-discretionary sources. What existing commitments are there, both recurrent and capital? What is left over to use for discretionary planning? What other resource constraints exist – for example the capacity of the sector to implement?

3.3 Contributions from our Partners

Describe here what is known about the likely activities of partners in the sector. This could include donor and NGO projects, local and federal government, but include here also the private and possibly religious or other sectors. This could include formal understandings of shared responsibilities between government and the private sector in a PPP agreement.

3.4 Programme Connections between Sector MDAs

Describe here what elements of programmes cut across sector MDAs, including how your programmes contribute to the achievement of broader policy objectives, and possibly how programmes in some other MDAs also contribute to the achievement of policies which a large part of your own programmes are intended to achieve.

3.5 Outline of Key Strategies

Describe here the main strategies and core activities contained in the strategic plan. Refer to the completed strategic template. (This is worksheet 1 in annex 5 in the Manual – attach the completed version as an annex to your MTSS document.) Explain especially the MEDIUM TERM characteristics of the strategy. How, for example, do capital activities in years one and two, have implications for recurrent activities in years two and three. Provide examples of ways in which the strategy builds momentum and growth (not just a sum of its parts) and how the strategy aims to purchase people or processes, not just things.

3.6 Justification

Describe the justification for the strategies chosen. For example, describe the selection process and criteria used – cost effectiveness, expected benefits and impact. In particular outline how each programme or core activity is expected to contribute to one or another key policy thrust or outcome. What choices were made during the iteration when the costed programmes were entered into the Excel spreadsheet (completed annex 5 from the Manual).

3.7 Results Framework

Refer to the targets in the completed annex 5. This is what the strategy is expected to achieve, and will be used for monitoring and evaluation later.

3.8 Responsibilities and Operational Plan

Make a reference to the organisational responsibilities for implementing the strategic plan. You do not have to provide an operational plan in this MTSS document. But you may use this sub-section to identify this need and

comment on the ways in which this has already been thought about in your planning.

Chapter Four: Three Year Expenditure Projections

4.1 The process used to make Expenditure Projections

Describe some of the key rule of thumb costing assumptions made in putting together the Excel Spreadsheet. (This was annex 5 in the Manual and the completed annex should be included as an annex to this document.)

4.2 Outline Expenditure Projections

Describe the main features of the annex. Without repeating what is in sections 3.5 and 3.6, emphasise changes in the balance between capital and recurrent expenditure, and how projections support a medium-term progression in expenditure patterns that support the selected strategies. Outline the connections between the completed worksheets of annex 5 from the Manual.

Chapter Five: Monitoring and Evaluation

5.1 Identifying Sources of Data Against the Results Framework

What data will it be possible to collect in order to measure progress towards the targets in the results framework? Refer to sub-section 3.7. If it is not possible to identify data to use in these measurements, you may be obliged to revisit your targets.

5.2 Conducting Annual Sector Review

What form will the annual review take? When will it be performed and what process will it involve? How will the results be used in making revisions to this MTSS next year?

5.3 Organisational Arrangements

Describe outline responsibilities for monitoring work. Who will collect data, and who will perform the analysis?

Annex 6 - Guidance on the Completion of Annex 5

This annex is provided in support of Step 2C. It provides guidance on how to tackle the following three tasks:

- The first is to develop costs estimates for the activities that are planned;
- The second is to transfer the costs so developed into the structure of the budget submission (if you don't do this then the budget your sector submits cannot reflect the strategy you developed, so all your hard work will be wasted); and
- Thirdly, you MUST ensure that the total costs of planned activities in each MDA do not significantly exceed the resource envelope ceilings you have been given.

In this annex we look at each of these *interconnected* tasks in turn.

<u>Making Activities Costs Estimates</u>

This is an approach to costing that breaks with the tradition of incremental budgeting. In the past it has been normal practice simply to take last year's planned allocations and add an incremental percentage. In many ways the "inputs" structure of the economic budget codes encourages this approach.

But in planning programmes and the things we need *to do* in order to deliver outputs, we need to describe programme activities and then cost these separately.

Estimates at this stage do not need to be VERY precise, because in the end the degree of error resulting from price fluctuations is likely to be as much as the error resulting from a degree of rounding.

In order to assist in the strategy session exercise it will have been helpful if the Committee can already have collected basic *standard* costing information relating to programmes, activities and economic classifications, for example about the cost of a day of training, the cost of certain standard building units – based on contracts that have been let, the cost of purchasing and running a vehicle etc.

Another technique that has proved to be very effective is to use information from current or previous years' *operational plans*. These, of necessity, will have worked down activities costs to quite a low (detailed) level. You can draw on this information to build up a picture of general activities costs in your new or revised MTSS.

This information should be entered into the cost columns in the log frame sheet.

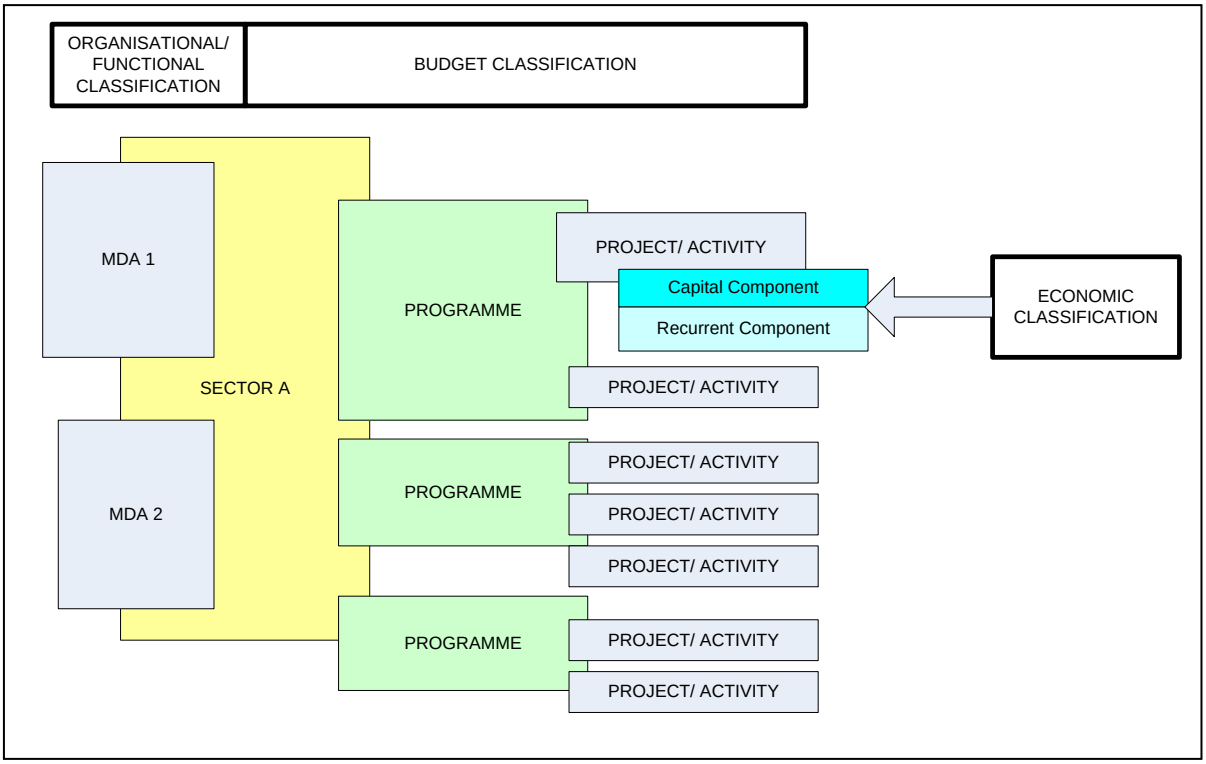
Building up a picture of all the activities costs and keeping it within the ceilings can be quite a complex exercise. The key at this stage is to be able to start to compile more realistic and meaningful budget and costing information. The process will be incremental and will depend on the level of resources you have available to prepare such budgets. *But the budget officers in each MDA should find this work relatively easy, and their involvement at this stage becomes critical.*

Adding Programme Budget Codes

In the costs totals you have entered in the log frame sheet you will have defined costs under activities and PROGRAMME headings (each output or sub-output section of the log frame will constitute a programme) into MDAs. Provisionally at least you will have made decisions about which MDA is to cover a particular cost by entering the relevant MDA in the right hand column of the log frame.

Figure 1 demonstrates the relationship in the budget classification structure between functions, programmes, activities and economic classifications.

Figure 11 Budget Classification Structure



However, the task of converting programme costs over to MDA allocations is rather more complex than the log frame in Annex 3 allows. There are two aspects to this complexity.

- First, you should have made a reasonable effort by now to ensure that the TOTAL COSTS of your strategy for each year fall within (or very nearly within) the ceilings issued earlier for each of the three years. However, in making arbitrary allocations to MDAs in the Log Frame sheet, we are ignoring the fact that MDAs will have been given their own ceiling. You may well find that after completing Annex 3 according to the guidelines above, you may achieve a TOTAL expenditure that falls within the ceiling, but expenditure plans for some MDAs will exceed their individual ceilings while others will be below the allocations that have been made for them. The long-run solution to this might be to eliminate the MDA ceilings from the call circular and allow these to be determined by the strategy exercise. However, this has various organisational implications, which we comment on below, and therefore for the time being we are not contemplating dropping the separate MDAs ceilings from the CBC.

- The second complexity is that the budget is actually divided into numerous personnel and overheads (economic) codes – in the case of overheads there may be more than 150 of them. (See section 2 of this guide where the differences between the codes are described or defined.)

The Programme Based Budgeting excel templates in Annex 5 is a good model developed by PATHS2 for the Health sector which has been approved by MoEP for adaptation by all sector MDAs developing MTSS. It is intended to help you overcome both of these problems. Note that they apply to ONE YEAR ONLY. For medium term projection purposes and the MTSS you have to complete all three years in Annex 3. However, to proceed through the process of converting these numbers into the budget submission, you only have to use Annex 5 for year one (the most immediate year for which a budget will need to be prepared).

The sheets in the template are structured as follows.

Worksheet 1 – COFOG Prog Budget
This classifies the functions of government in the Health sector into programmes and how much each program costs to deliver. The programmes have been classified into Generic and Core Functions.

Worksheet 2 – Budget
This shows the list of expenditures under the Economic classification and Codes under the Ministry of Health.

Worksheet 3 – KDMTSS 2011 – 2013
This displays the main MTSS activities costing which are linked to each activity- costed sheet. If you click on the column 'view costed sheet' against each activity, it links you to a worksheet which shows how the cost was arrived at.

Worksheet 4 – MTSS Cost Elements
This worksheet shows how each activity is linked to an activity code and the responsible department in the Agency or Ministry executing the program, the cost elements (i.e. the inputs required for the activity to be carried out), the program area under consideration and the budget expenditure code. All this information is linked to each activity code. (Click to view).

Worksheet 5 – Activity, Objectives and Goals
This worksheet enables you to rank and prioritize your activities across departments in that sector and the particular MDA.

Worksheet 6 – Chart of Accounts
This worksheet provides you with the existing Chart of Accounts (CoA) codes and descriptions.

Worksheet 7 - Unit Costs
This worksheet shows the current unit costs of activities/sub activities in line with those generated by the MTSS against each activity code. You will be required to provide your own unit costs to replace these.

Worksheet 8 – 1.1.1.12 etc
These are worksheets devoted to each activity or initiative agreed upon under each program area within an MDA in the sector and in line with the CoA economic classification and codes.

All you have to do is edit and complete the various activity worksheets in Worksheet 8.

Keeping Total Cost Allocations within the Ceilings

Once the log frame sheet (Annex 3) is complete, or is close to completion, you should start by filling in the worksheet 3 in Annex 5 for your sector. NOTE THAT this work will come naturally and easily to the budget officers in each MDA. They should be tasked with this exercise.

You (they) may wish to approach this task as follows:

- Start by creating a worksheet identical to your sector worksheet from Annex 5, but one for each MDA. Therefore if you have 4 MDAs in your sector you will need to create four worksheets.
- For each MDA, now extract the figures against different activities from the log frame (Annex 3) and decide where each cost must be allocated – under personnel, overheads and capital, and against specific economic and capital codes (these are also already broken down by programme in Annex 3).
- Note that the total ceiling for each MDA should not be exceeded (or at least not by very much). You need to ensure that the totals for each MDA worksheet comply with this constraint. A decision will have to be made in cases where some MDAs have more expenditure allotted to them than their ceilings to allow the transfer of some of these to other MDAs. But you need to retain the existing programme definition for these expenditures.

Now add up the totals from the sheets from all the MDAs in the sector to complete the sector worksheet for Annex 5.

Of course the totals may still come to more than the ceiling allocated for the sector as a whole. The challenge faced at this stage is covered in step 2D of the general guide.

The result of this exercise will provide you with most (if not all) the information you require to complete your budget submission.

Note that the economic planning ministry will complete the two summary sheets at the head of Annex 5, as these summarise the budget across all the vote-head sectors.

Annex 7 - Justifying Priority Options

Most strategies have winners and losers. You would ideally need to use impact assessment to identify the winners and losers as well as you can. But you then have to justify your decision to the losers. That is normally done by trying to balance the overall gains and losses of the strategy options. At its simplest, you calculate the costs of the strategy and also put costs on the benefits and see which number is bigger. Are the benefits greater than the costs? Analysing the costs and the benefits is known as *Cost / Benefit Analysis* or CBA.

Simple CBA is very tempting. One number is larger than another. What's difficult about that? The trouble is calculating the numbers. That is often so difficult that prejudices creep in that ensure – whether intentionally or not – that the numbers come out the way you want, which defeats the purpose. It can be difficult enough working out the actual costs but it is often much more difficult putting a cost on the benefits. Benefits are very often values rather than prices.

But it is also tempting to reject CBA as a technique just because it isn't as accurate as it looks. It is a useful discipline to ask the questions, whether or not the technique will give you the answer. For example, in assessing the costs, you should be identifying the costs borne anywhere down the chain of events, not just what it costs you. The costs that government pass on to businesses and then to consumers are usually far greater than the cost of the government process that did it. And it may be that some strategies just aren't worth it, even if they are affordable and possible.

Suppose you propose building a new centre for small businesses. There are three designs, at 10 million, 20 million and 30 million Naira. You have a budget of 50 million Naira. The community it would serve is unlikely to generate more than 25 million Naira over five years. On a Cost / Benefit Analysis, the 30 million option is not justifiable, although affordable. There may be better ways of using the money to benefit the community. But a CBA also shows that both the 20 million and 10 million options are justifiable. Comparing them is known as *Cost Effectiveness Analysis* or CEA, where two options are each justifiable and affordable but one is better value for money.

So, costing is not just about affordability – although that is the most fundamental issue. If you cannot afford the costs, you do not have the option.

In summary you may not have sufficient information in this first year to do any proper CBA. But it is a reasonable principle to help you start. Think about the relative costs and benefits of the various activities your session has recommended. In some cases it may become pretty obvious that there are particular activities that can be dropped or postponed to save money that will actually cause relatively little damage to the achievement of results.

A useful technique may be to divide up your the MTSS Committee, or even the strategy session participants, into groups. Present them all with the same exercise – to cut out or re-schedule activities so as to bring costs within the ceiling. See what similarities and differences you get from the different groups in their decision-making, and in their presentations back to the main group ensure that they present their justifications for the choices they have made. You may, with any luck, find that you are moving towards a consensus on which are the expenditure priorities.

Annex 8 - Outline Means of Improving Public involvement in the MTSS Process

Ways of involving the public and civil society in the MTSS process

Stage 1 of the MTSS Process

- Representatives of civil society are members of the MTSS Committee and have an agreed role, set out in the Committee's ToRs
- Civil society can present any data it holds on public development priorities to the MTSS Committee
- Civil society organisations or academia can be contracted to undertake surveys or other forms of data collection at the community level to better understand development priorities
- State debates are held to understand public development priorities to be addressed in the MTSS
- Civil society organisations are invited to monitor the delivery of certain aspects of the MTSS, to inform the performance review
- Representatives of the public can be interviewed in surveys to find out their views on past government performance in delivering MTSS and on development priorities for the next MTSS

Stage 2 of the MTSS Process

- Representatives of civil society participate in the strategy sessions
- The draft MTSS is presented to civil society and other members of the public at a public consultation meeting and options for further prioritisation discussed

Stage 3 of the MTSS Process

- The State Government officially launches the MTSS and budget, with media involvement, to inform the public of the government's development priorities
- The agreed MTSS is made available to the public by posting it on the Government's website

Annex 9 - A Checklist for Gender and Social Inclusion (G&SI) in MTSS and Planning

Situational Analysis Checklist	Yes	No
1. Context – Sex disaggregated data and Social indicators Do the documents have data on key indicators of women's and men's status? * literacy rates (by sex) * primary enrolment (by sex) * secondary completion (by sex) * life expectancy (by sex) * birth rates * infant mortality rates (by sex) * maternal mortality rates * population by age, sex and location (urban/rural) * Employment rates by sex *		
2. Context - Legal Does the Policy/ MTSS document reference and align with national and global instruments for promoting gender equality and social inclusion? (For example, National Gender Policy, CEDAW, Child Rights Act, AU Protocol on Women's Rights, MDGs, etc) Does it align with state-specific commitments (laws and policies) that promote gender equality and social inclusion?		
Participation and Decision-making Checklist		
3. Context – decision-makers What percentage of elected officials are women/men? What percentage of women/men are in high level government positions What percentage of high government officials are members of disadvantaged groups (such as physically challenged, minorities and non-indigenes)? What institutional mechanisms have been created to advocate for women/men and/or protect their rights? Are there active CSOs, women's movement/ NGOs working on women's/human rights? Were vulnerable groups involved in the policy formulation process?		
4. **MTSS document Justification** Is the gender and social inclusion dimension highlighted in background information to the intervention? Does the analysis include how the issues relate to men, women and socially excluded groups? Does the justification include convincing arguments for gender equality and social inclusion?		
5**. Goals and Objectives** Does the goal of the proposed intervention reflect the needs of both men and women? Does the goal flow logically from the issues raised by the context analysis? Does the goal seek to correct gender imbalances through addressing practical and strategic needs of men and women? Does the goal seek to transform the institutions (social and other) that perpetuate gender inequality and social exclusion?		
6. **Activities** Do planned activities and interventions involve both men and women? Were there any additional activities to ensure that a gender and social inclusion perspective is made explicit (e.g. training in gender issues, additional research, etc.)?		

7**. Indicators** Does the policy document have indicators to measure progress towards the fulfillment of each objective? Do these indicators measure the gender aspects of each objective? Are indicators gender disaggregated? Are targets set to guarantee a sufficient level of gender balance in activities (e.g. quotas for male and female participation)?		
8. **Policy Implementation** Who are implementing the MTSS/Policy intervention? Have they received gender mainstreaming training, so that a gender perspective can be sustained throughout implementation? Are women, men and vulnerable groups participating in implementation?		
9. Monitoring and Evaluation: Does the monitoring and evaluation strategy include a gender and social inclusion perspective? Does it examine both substantive (content) and administrative (process) aspects of the intervention?		
10. Risks: Was the greater context of gender roles and relations within society considered as a potential risk (i.e. stereotypes or structural barriers that may prevent full participation of one or the other gender or group)? Was the potential negative impact of the intervention considered (e.g. potential increased burden on women or social isolation of men or other vulnerable groups?)		
11. Budget: Were financial inputs “gender-proofed” to ensure that both men and women will benefit from the planned intervention? Was the need to provide gender sensitivity training or to engage short-term gender experts factored into the budget?		
12. Annexes: Are any relevant research papers (or excerpts) included as annexes (particularly those that provide sound justification of your attention to gender and social inclusion)?		
13. Communication Strategy: Has a communication strategy been developed for informing various publics about the existence, progress and results of the project from a G&SI perspective?		

Annex 10-Highlights of LASG Education Sector Performance Review, 2009/2010

1.0 Background to LASG 2009 Education Sector Annual Performance Review

- MTSS defines 5 Sub-Sectors: Early Childhood Care Development Education (ECCDE), Basic, Secondary, Technical & Vocation, and Tertiary Education
- **Inputs:** Only N36.184 billion or 71% of the total approved budget for the sector was released in 2009
- **Processes:** Reports the main changes in governance and management undertaken during the year to improve the effectiveness and efficiency of education service delivery - especially in the areas of policy and strategy, public service reform and organisational development e.g. Roll out of education management system, institutionalisation of M&E, extension of free education policy, increased delegation of project management to schools, etc.
- **Output** (evidence in terms of available facilities):
  - Classrooms: Number, characteristics (floor type, quality of seating, quality of blackboard), pupil-classroom ratio, etc.
  - Water and sanitation: Percentage of schools in a Local Government Education Area with portable water, percentage with at least one functional toilet, average number of pupils per functional toilet, etc.
  - Teachers: Number of teachers in primary, junior and senior secondary schools; percentage of primary, junior and secondary school teachers by salary source and teaching qualification; teacher characteristics(pupil-teacher ratio, pupil-qualified teacher ratio, percentage of teacher who received in-service training) by LGA and by level of education.
  - Other outputs: Percentage of primary schools with school development plans
- **Outcome**
  - Participation: Public school enrolment in terms of early childhood (kindergarten & nursery and sex); primary, junior and senior secondary enrolment (number & sex);
  - Access and equity: In terms of intake rate (total number of new entrants), gender parity (gross attendance rate), number of children with special needs
  - Outcome: Declining Enrolment Between 2009 & 2010
  - Internal Efficiency In terms of the survival rate (% of a cohort enrolled in a class); the transition rate (expressed as a % of the number of pupils enrolled in a class and by sex); primary education completion rate (number of pupils completing class 6, regardless of age, expressed as a percentage of the population of 11 year olds – the official primary school graduating age); and repetition rate.

- **Key Observations**
  - The absence of revenue and especially the capital budget and expenditure of LGAs was a gap
  - The M&E framework requires improvement and a uniform M&E framework is to be finalised and approved for institutionalisation
  - There were no figures on the ratio of students per core subject textbook .There were also no estimates on the availability of teacher guides per primary school teacher and subject guides per junior secondary school teacher
  - There is currently no information on a number of outputs of interest: Incidence of class-based teaching in primary schools; Average instructional hours per school year; Share of primary and secondary schools with effective Scholl Board Management Committees (SBMCs) and Board of Governors (BOGs).
  - The level of enrolment in private schools is not known because the annual school census does not currently cover private schools
  - There are currently no figures on learning outcomes
  - No measures yet for many key targets
- **Conclusions**
  - There is a decrease in the enrolment levels in public primary and secondary schools
  - A quality assurance framework is in progress
  - Teachers and monitoring officers were trained on quality assurance
  - Scheme of work was developed, printed and distributed to all public schools and made available to private schools
  - Infrastructure and physical facilities improved extensively with increase in capital expenditure
  - A major intervention in secondary school came through the Lagos Eko Project to improve learning outcome
  - The Annual School Census was conducted using enumerators for the first time
  - There is effective use of funds through improved budgeting and planning process

JUSTICE
AND
PROGRESS