

Capacity Development Workshop
“Country Leadership and Implementation for Results in the EFA FTI
Partnership”
Cape Town, South Africa, July 16-19, 2007

Linking the EFA plan with implementation:
MTEF, Annual Budgets and Work Plans

Daniel Tommasi

OUTLINE

A. OBJECTIVES AND INSTRUMENTS FOR SOUND PUBLIC EXPENDITURE MANAGEMENT	2
1. Objectives of public expenditure management	2
2. The instruments	2
B. DEVELOPING A POLICY BASED BUDGETING APPROACH	4
1. The Budget	4
a) The need for a disciplined budgeting procedure and early decision	4
b) The need for comprehensiveness	5
c) The need for an unified budget	6
d) The forward costs of investment projects	7
e) Financial reporting	7
f) Analyzing the budget	7
2. Expenditure classification issues	8
a) The COFOG	8
b) Program classification	9
c) Activity based budgeting?	9
d) Linking the budget to the objectives	10
3. Strategies/plans and simulation models	14
a) Strategies and plans	14
b) Simulation models	14
4. Developing a performance concern	19
a) The function of performance information	19
b) Performance reports and annual workplan	20
C. THE MTEF	24
1. What is an MTEF?	24
2. Budget and MTEF processes	25
3. Difficulties and pitfalls	29
a) Panacea or avoidable distraction?	29
b) The sector MTEFs	29
c) Sequencing issues	30
D. CONCLUSION	32

The EFA plan is implemented through the annual budget and the medium term expenditure framework, if any. This requires developing a policy based budgeting approach aimed at ensuring that the budget is in conformity with government's policies. This paper presents briefly the objectives and instruments for sound budget management (section A). Then, it discusses methods to develop a policy based budgeting approach, which includes strengthened budgeting processes and expenditure classification, developing strategies and a performance concern (section B). Section C reviews in more detail issues related to medium term expenditure frameworks (MTEF).

A. Objectives and instruments for sound public expenditure management

1. Objectives of public expenditure management

It is generally accepted that a public expenditure management (PEM) system should be aimed at achieving, among others, the following objectives¹:

- Effective expenditure control, at both the aggregate level to achieve macro-economic stability and at the agency and program levels to ensure compliance with budget authorizations.
- Implementation of government's policy objectives through planning and executing the budget in line with government priorities.
- Efficient service delivery and value for money through sound management of the use of budgeted resources.

2. The instruments

To achieve these objectives, the following instruments and procedures should be developed in a coordinated manner:

- *Medium/long term strategies*. The starting point to ensure a policy based budgeting approach should be the preparation of national and sectoral medium/long term strategies (or plans). These strategies may be prepared episodically, but they should be updated regularly (for example every two or three years).
- *Medium-term fiscal framework (MTFF²)*. Ensuring aggregate fiscal discipline is required for macro-economic stability and implementing effectively the policies. The preparation of a medium-term macro-economic framework³, including a medium-term fiscal framework (MTFF) is essential to achieve this objective. An MTFF sets out aggregate fiscal targets such as total revenues and expenditures, expenditures by broad

¹ See for example, the Public Financial Management Performance Measurement Framework. PEFA secretariat June 2005.

² Called *Tableau des Opérations Financières de l'Etat (TOFE)* in most francophone African countries and *Opérations Générales du Trésor (OGT)* in Madagascar

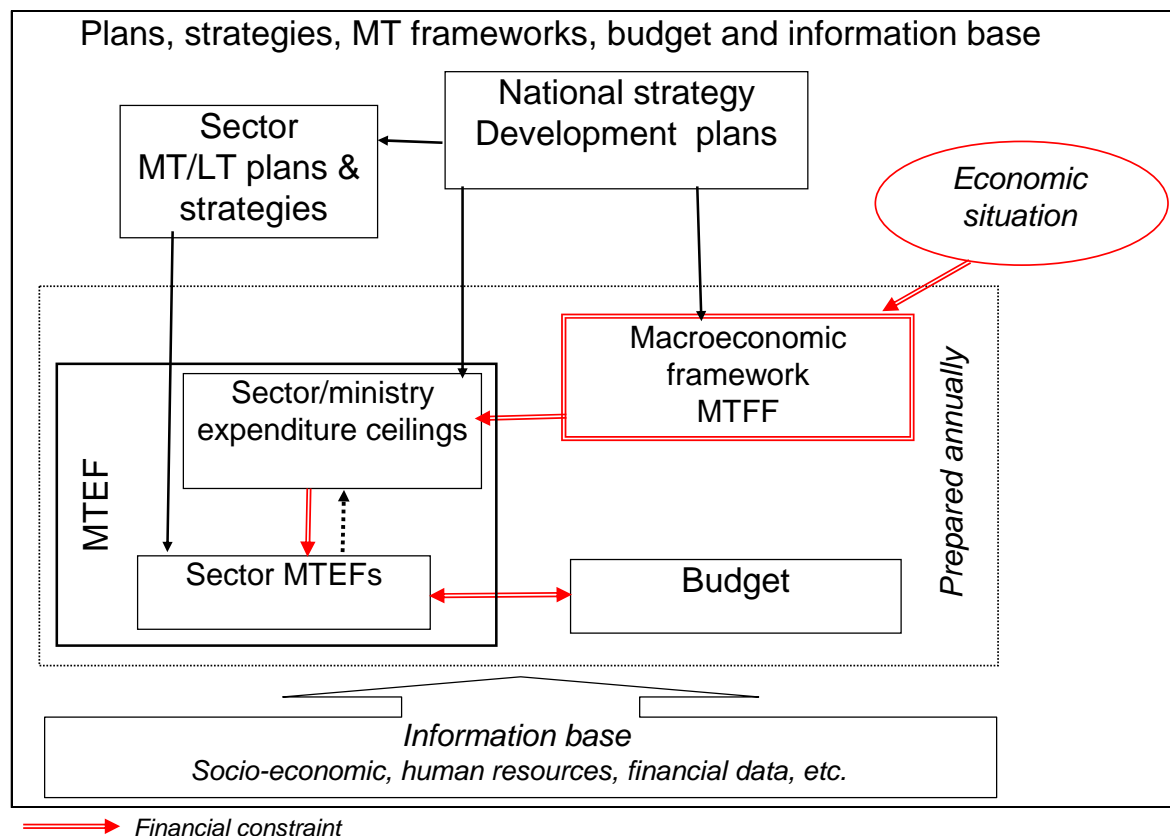
³ A macro-economic framework consists of the projections of the main macro-economic accounts, including the balance of payments, the real sector (GDP, consumption, gross domestic investment, import and exports), the monetary sector and the government accounts (that is the MTFF).

economic categories (personnel, goods and services, etc.) and fiscal deficit. It should be based on realistic revenue and financing forecasts.

- *Annual budget.* The annual budget is the main instrument to implement the government policies, particularly in the education sector, where the activities are mainly financed by the government budget (which should include donors' financing).
- *Where feasible, a medium-term expenditure framework (MTEF).* An MTEF is a rolling multi-year expenditure program prepared annually. Planning policy changes requires generally a multi-year period, because the discretionary expenditure margin on a year-to-year basis is very small. If the processes are disciplined, an MTEF may also contribute to improved operational performance, through providing managers with greater predictability for managing their. There are different types of MTEF. A full-fledged MTEF includes: (i) sector or ministry resource envelopes (expenditure ceilings), which should be fully consistent with the MTEF; and (ii) sector MTEFs for each sector/ministry, which deal with intrasectoral resource allocation. The first annual tranche of the MTEF should be consistent with the annual budget. An MTEF may be a valuable instrument to strengthen the budget-policy link. However as discussed in section C it is not a panacea. Its development must take into account the country context.
- *Information base.* Planning and budgeting works require a robust information base, which should be improved continuously. In the education sector, the information base should include personnel data bases, financial data bases (budget execution, investment projects profile forms, data on main input unit price and data on construction unit costs to prepare the budget, data on unit costs per beneficiary to support policy decisions –see figure 3-, etc.), education statistics databases, school maps, etc.

Figure 1 presents schematically the different instruments that support a policy based approach in budgeting. Upstream the budgeting and financial programming processes, sector and national strategies, or plans, should be prepared. The expenditure components of the strategies are implemented through the annual budget. The MTEF gives the overall resource envelope, which must take into account recent financial and economic development to ensure fiscal and macro-economic stability. The overall resource envelope is allocated to sectors according to the national strategy. The sector MTEFs allocate sector resource envelope to program and activities according to the sector strategy. The budget and the first annual tranche of the MTEF must be consistent.

Figure 1



B. Developing a policy based budgeting approach

Sections B and C review the instruments and approaches aimed at budgeting on the basis of policies. The section C deals with the MTEF, while this section deals with the budgeting procedure, expenditure classification, strategies and plans, and performance monitoring.

1. The Budget

a) The need for a disciplined budgeting procedure and early decision

It is difficult to implement the policies strategies when the annual budget is systematically remade during budget execution. To face unexpected changes in the economic environment or in the mobilization of donors' aid, or to make up a budget badly prepared, cuts in the budget during its execution are frequent. These include the so-called "cash budgeting" procedure,

which is used in several Anglophone developing countries⁴, appropriation freezing, and downward budget revisions. Such in-year adjustments to the budget may ensure macro-economic stability, but they are often disruptive to public service delivery. They do not allow managers to plan their expenditures in advance. The impact of such procedures on the education sector budget is sometimes eased by the fact that "pro-poor" expenditures are protected. However, such a method is not fully satisfactory because, sometimes, the protection may not cover the whole education budget or may need to be negotiated every year. In any case, the education sector may be indirectly affected by the in-year budget cuts made in other sectors.

Efforts to make the budget more credible and predictable are often required from both the donors and the government. The donors should make their funding more predictable. The governments should prepare the budget under realistic resource assumptions and make hard choices during budget preparation instead of postponing them to budget execution.

The budget preparation procedure should be designed properly in order to ensure that the programs will be prioritized within the financial constraints. To translate strategic choices and policies into programs, line ministries need clear indications on available resources. They should be provided with sufficient time to draft their budget and prioritize their programs. Sector resources envelopes (or expenditure ceilings) should be notified to line ministries several months before the budget is finalized. The budget preparation calendar should take into account this requirement and be enforced. The calendar of the budget and financial reviews made by the IFIs and other donors should also take into account this requirement.

The budgeting processes should be aimed at revealing the policy choices before or during budget formulation. Interministerial meetings involving the decision makers should be organized at the most crucial steps of the budget preparation cycle to review the key policy issues. The ministry expenditure ceilings that frame budget preparation should be reviewed and decided by the Cabinet or a high interministerial committee.

Setting up a disciplined budget preparation procedure is the task of the ministry of finance, but line ministries should participate in these efforts, notably through enforcing the expenditure ceilings notified by the ministry of finance or the Prime Minister. Within their sector they should implement a disciplined budget preparation notably through encouraging their administrative divisions to prioritize their activities, through notifying them their budget constraint before finalizing their budget submission.

b) The need for comprehensiveness

For efficient resource allocation and fiscal discipline, the central government budget and financial reports should cover all or nearly all central government entities and expenditure programs, including the projects financed by the donors. Similarly, the budget of subnational government authorities should achieve a good degree of comprehensiveness.

Comprehensiveness of the budget does not mean that all expenditure programs should be administered through the same procedures. Special arrangements may be needed for

⁴ Cash-budgeting is based on the principle that no cash is released to line ministries unless sufficient funds are available in the Treasury's main bank accounts to cover payments.

administering some particular activities, such as externally financed projects and programs implemented by semi-autonomous agencies. If the budget is not comprehensive, at least, in a first step, comprehensive financial reports should be prepared (financial reports include expenditure monitoring reports and documents annexed to the budget).

Many governments face difficulties in preparing expenditure monitoring reports that include all externally financed projects, or in comparing data from the donors with data from the projects managers or central offices, such as the debt management office. Improving financial reporting will require efforts from both the donors and the government. The donors should communicate regularly (e.g. quarterly) data on their aid commitments and disbursements, and the methodology used (some donors reports confuse disbursement and their internal transfer of funds). The government should systematically collect data from its central departments, such as the debt office and the national authorizing officers that manage some grants, and from the project managers. Actually, the larger share of data on the execution of investment projects may be available from national sources, if the records are maintained properly by these offices. This will require in several countries improving within line ministries the internal reporting system.

c) The need for an unified budget

Investment budget. In several African countries, there is still a "dual budgeting" procedure, the investment budget and the recurrent budget being prepared in separate processes. Trade offs between recurrent and capital expenditures are therefore not considered. Responsibilities in budgeting may be split at the central level between the ministry of finance and the ministry of planning, or within the ministry of finance between the recurrent budget directorate and the investment budget directorate. Similar divisions may be found at line ministries level. Ideally, budget preparation and expenditure programming should be placed under a single authority. The budget department of the ministry of finance should be organized by function/sector rather than according to the economic nature of the expenditure. Within line ministries a single department should be responsible for coordinating budget preparation.

However, streamlining the administrative structure needs time and may prove difficult. At least, joint reviews of the capital and recurrent component of the budget should be made systematically during budget preparation, in order to make trade-offs between capital and recurrent expenditures. For sectors such as the education sector, within the ministry of finance, sector specialists should be appointed, and properly trained, to coordinate the policy dialogue between the central agencies and the sector.

Personnel expenditures. In several countries, especially in francophone countries, personnel expenditures are budgeted separately from other expenditures. The position and payroll files are managed by a department of the ministry of finance with little involvement of line ministries. Therefore, the larger share of the education budget may be directly managed by the ministry of finance. Such arrangements are aimed at keeping personnel expenditures under control, but in this respect benefits are unclear. Involving more closely line ministries managers, such as head of schools or head of district education authority, in personnel and payroll control could make the system more transparent and could contribute to eliminate ghost employees and staff not in post.

In addition, personnel and payroll management may be fragmented, the ministry of finance administering the payroll of permanent staff while some special categories of personnel (e.g.

temporary teachers and community teachers) are managed by the ministry of education, through a special fund.

In these countries, responsibilities of the ministry of education in personnel and payroll management should be significantly increased.

d) The forward costs of investment projects

The forward costs of investment projects (including their recurrent costs⁵) must be systematically reviewed when preparing the budget. They should be compared with the current level of the budget. Where there is no MTEF and no system to manage forward commitments a simple rule of thumb may be applied: the total amount of the (multi-year) contracts related to a project should not exceed the annual budget forecasts multiplied by the number of years needed to complete these contracts.

As noted the information base should include, when relevant, standard unit costs to assess the soundness of cost estimates (e.g. unit costs for the construction of schoolrooms in different type of geographical zones).

e) Financial reporting

Special attention should be paid to the financial reporting system. Budget reporting provides a feedback to budget preparation and decision making. It may also reveal the "true" priorities, which may differ in countries with weak budget system from the priorities formally displayed in the budget. Concerning domestically expenditures (including expenditure financed through budget support) and expenditures financed from pooled funds, budget execution report should be produced monthly according to the budget classification. Reports including foreign financed projects should be produced preferably quarterly and at least every semester. The reports should cover both cash payments⁶ and unpaid expenditures, if any. In the education sector, financial reports should cover local government spending in countries where local authorities deliver education services.

f) Analyzing the budget

The analysis of the budget and its execution is crucial to monitor the implementation of the strategies. Targets, in form of ratios, can be defined to monitor policy development. The

⁵ It is disappointing to notice that analyses of the recurrent costs of investment projects are now less common than in the 1970s or the 1980s, despite the development of MTEFs which are aimed at reinforcing the link between the current and the capital budget, and, in several countries, the transfer of responsibilities for the investment budget from the ministry of planning to the ministry of finance. Mike Stevens notes: "The traditional methodology of calculating the incremental recurrent costs of projects during project preparation has long since been abandoned, not least by donors who have taken over responsibility for project preparation from recipients". Mike Stevens. "Institutional and incentive issues in public financial management reform in poor countries". World Bank/PEFA. 2004.

⁶ In francophone countries, the budget execution reports are produced at the commitment stage and the payment order (*ordonnancement*) stage. It would be also desirable to produce reports according to the budget classification at the payment stage. This will require computerizing the Treasury's accounts

overall level of sector financing and its evolution can give an idea of the importance of the education in the overall development policy of the country. Is the share of the sector in total government expenditures increasing? What is the development of the ratio of expenditures the sector to GDP? For the social sectors, what is the development of the ratio of public expenditures per capita?

The composition of the sector budget should reflect the sector policy priorities: the allocation of funds between capital and recurrent expenditure, the percentage of sector budget allocated to salaries and to other recurrent expenditures, the level of resources allocated to the different sub-sectors and programs should be coherent with the sector policy objectives.

2. Expenditure classification issues

A sound expenditure classification is required to analyze the budget policy and support decision making. A reform of the budget classification, if needed, should concern the whole budget. Nevertheless, the sector ministries should always be able to prepare their financial reports in a format that will facilitate policy analysis.

a) The COFOG

Ideally, for both policy analysis and sound budget management, both the administrative structure and the budget should be organized along functional lines. In practice, expenditures may be classified in the budget under different administrative headings depending on various factors such as their economic nature and institutional arrangements to manage them. For example, in the budget of a ministry all personnel expenditures may be grouped under a single heading, while the non-personnel expenditures are presented by directorates, and the investment projects presented under other headings.

A basic requirement for policy analysis will be to present the budget outlays and outturns in analytical reports and summaries, according to a functional classification, which classifies expenditure according to their socio-economic purpose. The Classification of Function of Government (COFOG) –*Classification des fonctions des administrations publiques (CFAP)*– is the international standard for functional classification. Box 1 presents the sub-functions of the COFOG function "education". These sub-functions distinguish the different levels of the education system.

Generally, for the education sector, preparing financial reports according to a functional classification compatible with the COFOG should not pose major problems for recurrent expenditures, except for personnel expenditures in some countries. In most cases, this will consist of grouping the spending units according to their main function. On the other hand, some investment projects externally financed may cover different levels of education or, sometimes, other functions than education. The accounting books of such projects should be reorganized to prepare financial reports according to the COFOG.

In some countries, mainly francophone countries, the personnel expenditures of the different levels of education are grouped together under the same headings. As a result, the costs of the different levels of education cannot be compared. Such a weakness should be addressed. In the short term, the distribution of personnel expenditures according to the COFOG should be

estimated and the method used to estimate them clearly indicated. However, as soon as possible, the budget classification, and the personnel and payroll databases should be rationalized, with the view to producing budget execution reports according to the COFOG.

b) Program classification

A further development of the expenditure classification system could consist of structuring into programs either the budget or programming documents such as MTEFs and "program-budgets". When it is used in a budget classification system, a program groups the activities of a ministry according to their objectives⁷. If it is used for budget management, responsibilities for managing the program must be clearly identified, for accountability. The concepts of program and function are near, but the program classification depends on the country specific policy objectives and has to take into account the distribution of responsibilities in budget management. Box 2 presents some examples of program classification for the education sector. In countries, where the central government finances directly all levels of education, the program classification for the ministry of education budget is often similar to the COFOG (cf. the Mali example in Box 2).

Implementing a program classification for budget management needs a reform of the whole budget classification. Depending on the degree of disjunction between the program structure and the existing administrative structure, implementing a program classification for budget management may be highly demanding.

At the level of a single line ministry, grouping the expenditures into programs for analytical purposes in policy documents, such as sector MTEFs or program-budgets, may be considered. Such documents may facilitate budget policy analysis and expenditure programming, if they are consistent with the budget and if a bridge table is established between their programs and the budget items. However because their role in budget execution management is weak or non-existent, such documents are useless in the countries where actual expenditure deviates significantly from budgeted expenditure.

To be an effective instrument for policy decision a program classification should be comparatively simple. In theory, detailing the budget by program, subprogram and activity or output could facilitate the development of a performance budgeting approach. However, such exercises are demanding in term of technical capacity.

c) Activity based budgeting?

Some developing countries are developing "activity based budgeting", either in the budget itself (e.g. Zambia) or in an MTEF⁸. Actually, these systems differ from the theoretical "activity based budgeting" (ABB).

⁷ The programme is defined by the UN manual for programme and performance budgeting as follows: "a division of work *performed by an agency* which identifies that portion of the work that produces an end product or service representative of *the purposes for which the agency was established*". (United Nations. 1965). When the programme concept refers to a category of the budget classification system, the hierarchy ministry (or main agency)->programme should generally be enforced. If there are some exceptions, accountability arrangements should be clearly specified.

⁸ In theory, ABB is a budget system that uses activity based costing (ABC) methods to estimate the full costs of products. ABC is a cost-accounting method that traces overhead costs by looking at the activities that each

Generally, the estimated activity costs do not include overheads and depreciation, and, in many cases do not include the personnel expenditures, despite the fact that the personnel costs account for the larger part of the resources consumed for the activities. Such partial costing methods are useful to estimate some potential efficiency gains or to estimate the incremental expenditures related to an increase of the level of activities. However, their importance should not be over-estimated because the estimated activity costs correspond only to a small percentage of the full costs.

Therefore, the cost-effectiveness of detailed, but partial, costing exercise should be always assessed. On the one hand the costs of large individual investment projects should be carefully estimated, and standards should be established to estimate the costs of smaller projects (e.g. unit costs for the construction of class-rooms). On the other hand, detailing the partial costs of each output would be cumbersome and would require setting up sophisticated accounting system⁹. To develop a performance concern, it is desirable to monitor activities and outputs indicators, but this does not require establishing and monitoring a budget for each individual output.

d) Linking the budget to the objectives

To ensure a better consistency between the strategies and the budget, some countries have attempted to structure their budget according to the objectives (or "strategic axes") of their national strategic document. Donors' recommendations to show the link between the budget and the PRSP may have encouraged indirectly such exercises. Because of attribution problems, the cross-sector and cross-organization nature of several strategies' objectives, the fact the strategies do not cover non priority sectors and routine activities, such an approach leads often to an artificial and questionable grouping of expenditures. The budget may be difficult to read and responsibilities in budget management and accountability requirements are blurred in the budget documents.

Figure 2 illustrates how the link between a budget, or an MTEF, structured in programs, and cross-program strategic axes/objectives can be ensured. For each program, it should be identified: (i) the performance indicators related to the strategy axes/objectives; (ii) the activities of the program that will contribute to specific strategic axes/objectives; and (iii) the activities of the program that will contribute to several strategic axes/objectives. The contribution of the program to the strategy will be assessed through monitoring the performance indicators, not necessarily through the budget of activities, because there are cross-objectives activities. For example, a school construction sub-program may be aimed at both improving the access and improving the quality through diminishing the ratio pupils per teacher.

The donors, including in some countries the IMF, recommend identifying in the budget the poverty-reducing expenditures. This can be done by identifying which project or which organization is undertaking direct poverty-reducing activities. For analytical purposes, a

product and service calls upon. The full costs of products include direct costs, overheads, and depreciation of assets. ABC is very demanding in term of technical capacity. It is not widely used in the governments of developed countries.

⁹ The term "activity" is sometimes used by the governments or the donors for the activity of delivering inputs or quality inputs (e.g. school books). Of course, input costing does not pose such problems.

binary code (pro-poor: yes/no) will be attributed to the budget lines. A variant will consist of using the COFOG for identifying pro-poor expenditures, but some COFOG functions cannot be unambiguously classified as pro-poor or not pro-poor. Of course, a tunnel vision of the budget policy must be avoided. Other activities than those traditionally labeled "pro-poor" may be important to implement the government policies.

Box 1
Classification of functions of government (COFOG)
09 Education

The breakdown of education is based upon the level categories of the 1997 International Standard Classification of Education (ISCED-97) of the United Nations Educational, Scientific and Cultural Organization (UNESCO).

09.1 PRE-PRIMARY AND PRIMARY EDUCATION

09.1.1 Pre-primary education.

09.1.2 Primary education.

09.2 SECONDARY EDUCATION

09.2.1 Lower-secondary education.

09.2.2 Upper-secondary education.

09.3 POST-SECONDARY NON-TERTIARY EDUCATION

09.3.0 Post-secondary non-tertiary education.

09.4 TERTIARY EDUCATION

09.4.1 First stage of tertiary education.

09.4.2 Second stage of tertiary education.

09.5 EDUCATION NOT DEFINABLE BY LEVEL

09.5.0. Education not definable by level

09.6 SUBSIDIARY SERVICES TO EDUCATION

09.6.0 Subsidiary services to education

09.7 R&D EDUCATION

09.7.0 R&D Education

09.8 EDUCATION N.E.C.

09.8.0 Education not elsewhere classified.

Source: Classifications of Expenditure According to Purpose (United Nations, Department of Economic and Social Affairs, Statistics Division, Statistical Papers, Series M, No. 84, New York, 2000).

Box 2
Program classifications: examples

South Africa
Department of Education Budget
Programs and sub-programs

Administration

- Minister
- Deputy Minister
- Management
- Corporate Services
- Property Management

System Planning and Monitoring

- Education Human Resources Planning
- Information Monitoring and Evaluation
- Financial and Physical Planning and Analysis

General Education

- General Education and Training Curriculum and Assessment
- Institutional and Human Resources Development
- Quality Promotion and Assurance

Further Education and Training

- Education Measurement, Assessment and Public Examinations
- Further Education and Training Schools
- Further Education and Training College Programmes, Qualifications and Institutional Support

Quality Promotion and Development

- Adult Learning and School Enrichment Programmes
- Health and Wellness Promotion
- Equity in Education

Higher Education

- Higher Education Planning and Management
- Higher Education Policy and Development

Auxiliary and Associated Services

- International Relations and UNESCO
- Financial Support Services

Source: South Africa 2007 Budget. <http://www.treasury.gov.za/>

Box 2 continued
Mali
Program-budget

01. General administration
02. Development of primary education
03. Development of secondary education
04. Consolidation of technical and vocational education
05. Development of higher education
06. Reinforcement of research

Source: 2007 Budget-programmes
(Document annexed to the budget)

Figure 2
Linking the strategic axes of a PRSP with a program-budget
(for illustration only)

Strategic axes	Programs	Primary education	Secondary education	Technical & vocational education	Etc.
Improvement of access reducing the number of villages without school raising the awareness of parents etc	Performance indicators of the program	Activities that meet a single strategic axis			
Improving education quality curriculum reducing class sizes recruitment of teaching staff etc	Performance indicators of the program	Activities that meet a single strategic axis	Performance indicators of the program Activities that meet a single strategic axis	Performance indicators of the program Activities that meet a single strategic axis	
Implementing cross-cutting measures gender policy health policy support to private sector etc	Performance indicators of the program	Activities that meet a single strategic axis	Activities that meet several strategic axes	Performance indicators of the program Activities that meet a single strategic axis	
Changing the allocation and management of the human and financial resources of the education sector increase in primary education expenditures increase in subsidies to poor regions.	Performance indicators of the program	Activities that meet a single strategic axis		Activities that meet several strategic axes	

3. Strategies/plans and simulation models

a) Strategies and plans

As noted, the starting point in developing a policy based budgeting approach for a sector should be the preparation of the sector strategy. A sector strategy includes: (i) the government policy objectives for the sector and the determination of the appropriate role of government consistent with these objectives; (ii) an analysis of the current situation and the critical challenges to meet the objectives; (iii) the activities and measures required to implement the strategy; and (iv) cost estimates. An education sector strategy should review the objectives and the key measures for each level of the education system and for cross-cutting issues. Box 3 presents an example of strategy paper outline, but there is no blueprint.

The sector strategy should be costed and its costing should be realistic. The realism of the cost estimates can be broadly assessed through comparing these costs with the actual expenditure trends and the overall financial constraint given by the macro-economic projections, if any. If an MTEF is prepared the strategy costs should be consistent with the MTEF, over their common period. However, unlike an MTEF, a strategy is not a financial programming tool. It may include variants and financial gap, provided that it remains realistic. The strategy cost estimates must be updated regularly, but they do not need to be rolled over annually. Costing a strategy is less demanding than developing an MTEF.

A strategy is prepared outside the pressure of budget preparation activities. It does not need to be organized along financial accountability lines. Cross-ministry strategies are desirable to cover entirely a sector supervised by several line ministries. Such sector strategies should be prepared by interministerial committees. The subnational government authorities may be involved in the preparation of the strategy. Participation of the civil society should be sought.

The time-horizon of the strategies will depend on the country context and sector capacity. A medium-term strategy (3 to 5 years) has the advantage to be more concrete and more easily operationalised than a longer term strategy. In some countries a strategic plan is prepared for the legislative period for accountability to citizens. On the other hand, a medium-term horizon is too short to plan the education policy from primary education to tertiary education and it may be deemed desirable to extend the horizon of the strategy until the 2015 MDG deadline.

The government budget is a key instrument for implementing government policies. The sector strategies will be used to set budget priorities within sectors. The strategy may serve as a base for the sector ministries to negotiate with central ministries their budget. Sector ministries should include in their budget submissions strategic notes to show how their planned programs and policy changes meet the sector and national strategies' objectives.

b) Simulation models

Many African countries use currently simulation models in the education sector. Simulation models are useful instruments to assess different scenario when preparing the education strategy to test the viability of an education policy and strategy, and to propose alternatives.

These models assess the impact of exogenous (or independent) variables on exogenous (or result) variables. Exogenous variables include parameters such as demographic data and policy variables (e.g. the student per ration). Endogenous variables are calculated by the model. In some models the education budget is calculated by the model, while in other models public spending on education is an exogenous variable. Actually, both approaches should lead to similar scenarios, because the projection process to find a feasible scenario is iterative. Whichever modeling approach is used, the planner will have to test different options, and compare them to both the sector policy objectives and the financial constraints. Figure 3 illustrates the different relationships of the ANPRO education model.

These models may be used to cost the strategies, support intra-sectoral resource allocation, and assist in the policy debate to prepare decisions on the intersectoral resource allocation. Therefore, they should be updated regularly, and operated permanently during the preparation of the budget, and the MTEF if any.

With or without model the analysis of unit costs per beneficiary may support decision making. It may be used to compare different types of educational structure (public school, private school, etc.), to assess the degree of priority granted to the different levels of education, to benchmark the country against countries with similar GDP per capita, to illustrate the trade offs between quality and quantity (see figure 4). An analysis of the drivers of the unit costs may show the policy variables that will affect these costs¹⁰

¹⁰ For example the staff costs per student are proportional to the average teacher salary and the average periods per class and inversely proportional to the average teaching load and average class size. Teachers cost/enrolment= (average teacher salary/average teaching load)X(average periods per class/average class size).

Box 3
**Education Sector Strategic Plan of Lesotho
Outline**

Chapter 1 Strategic Plan Context

Chapter 2 Mission, Goals and Objectives

Chapter 3 Integrated Early Childhood Care and Development

Chapter 3 to 9 include the following sections

1. Situation Analysis
2. Main Policies
2. Critical Challenges
3. Objectives and Strategies
4. Activities and Target Indicators
5. Strategic summary of activities
6. Costing

Chapter 4 Basic Education

Chapter 5 Secondary Education

Chapter 6 Technical and Vocational Education and Training

Chapter 7 Higher Education

Chapter 8 Lifelong Learning and Non-Formal Education

Chapter 9 Teacher Development, Supply and Management

Chapter 10 Cross-cutting Issues and Activities

Curriculum and Assessment; Special Education; Gender in Education; HIV & AIDS in the Education Sector; Special Programmes.

Chapter 11 Institutional Capacity Considerations

Rationale For Institutional Capacity Strengthening; Building Effective and Efficient Education Sector (Decentralisation; Capacity Strengthening; Administrative and Support Services); Activities and Target Indicators; Costing for Institutional and Systems; Development ; Planning Capacity

Chapter 12. Implementation Framework

Prioritisation and Phasing of the Strategic Plan; Strategic Plan Implementation Structure; Monitoring, Reporting And Evaluation; Implementation Framework.

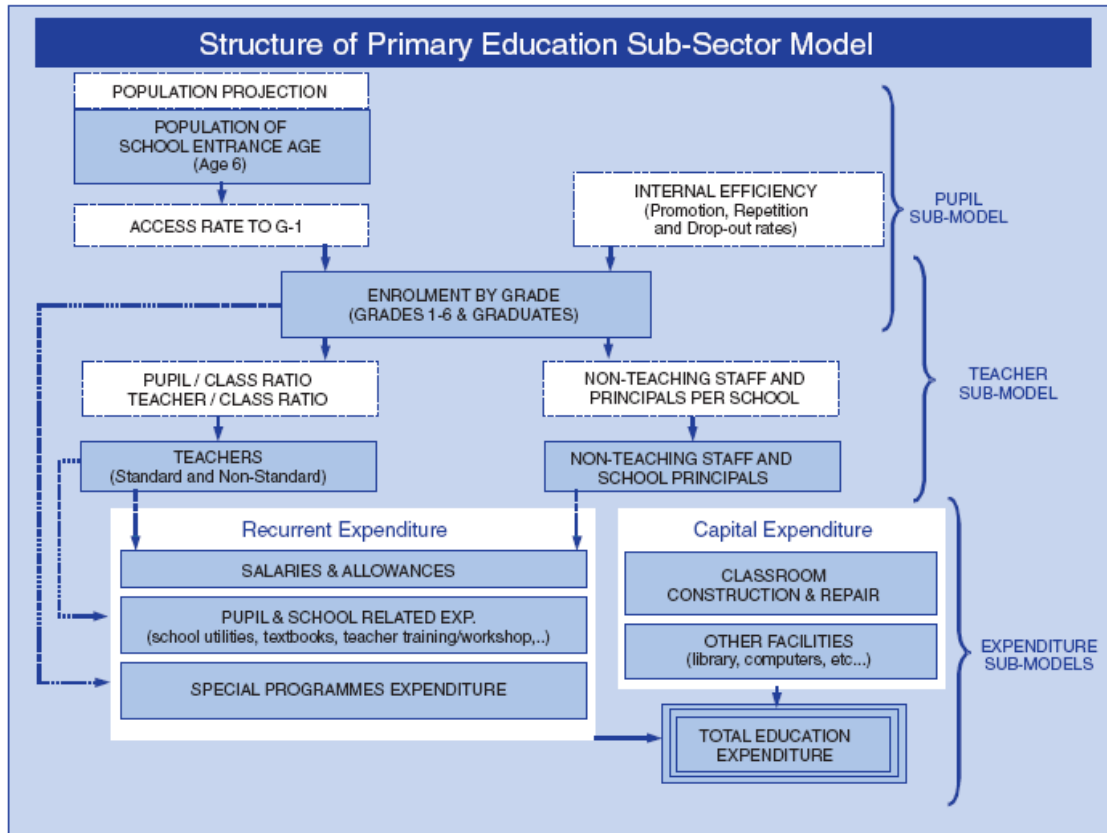
Chapter 13 Costing and Financing of the Strategic Plan.

Costing Methodology; Overall ESSP Costing; Funding Gap; ESSP Financing

Source: Kingdom of Lesotho: Education Sector Strategic Plan 2005-2015. Ministry of Education and Training. March 2005.

Figure 3

The primary education module of the ANPRO model



Source: *Handbook for decentralized education planning*. UNESCO. Bangkok. 2006

POUR LA VERSION FRANCAISE:

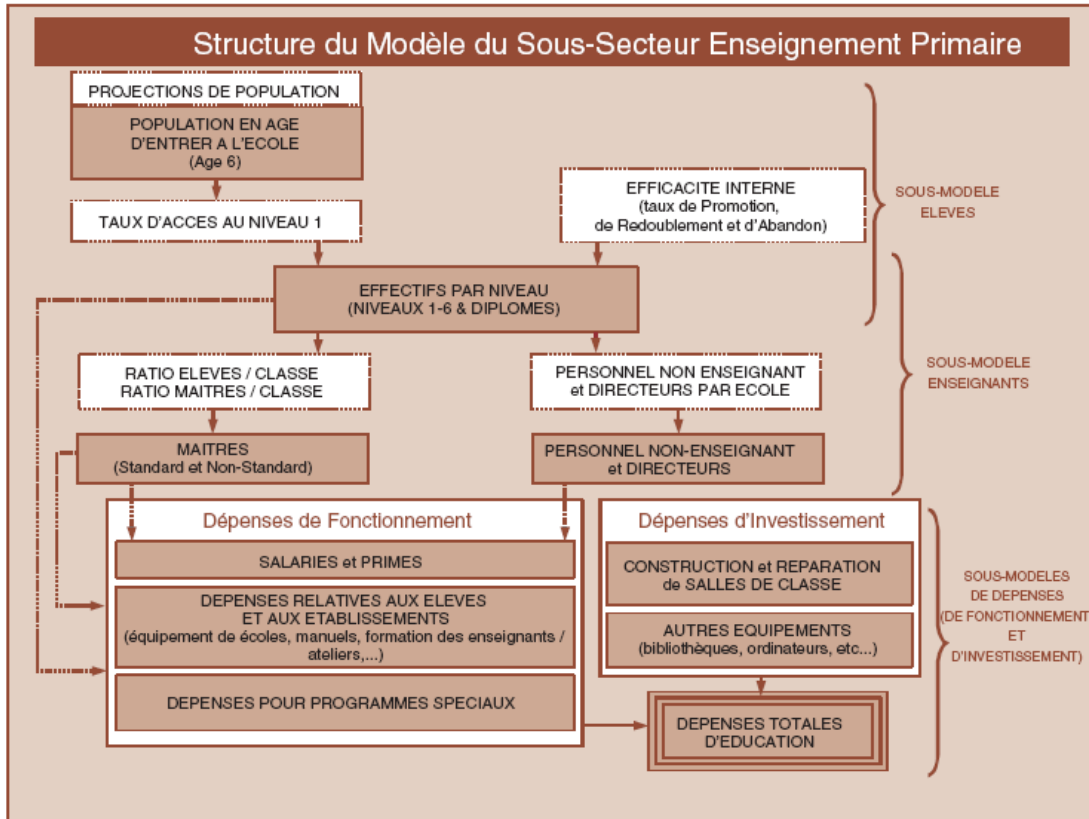
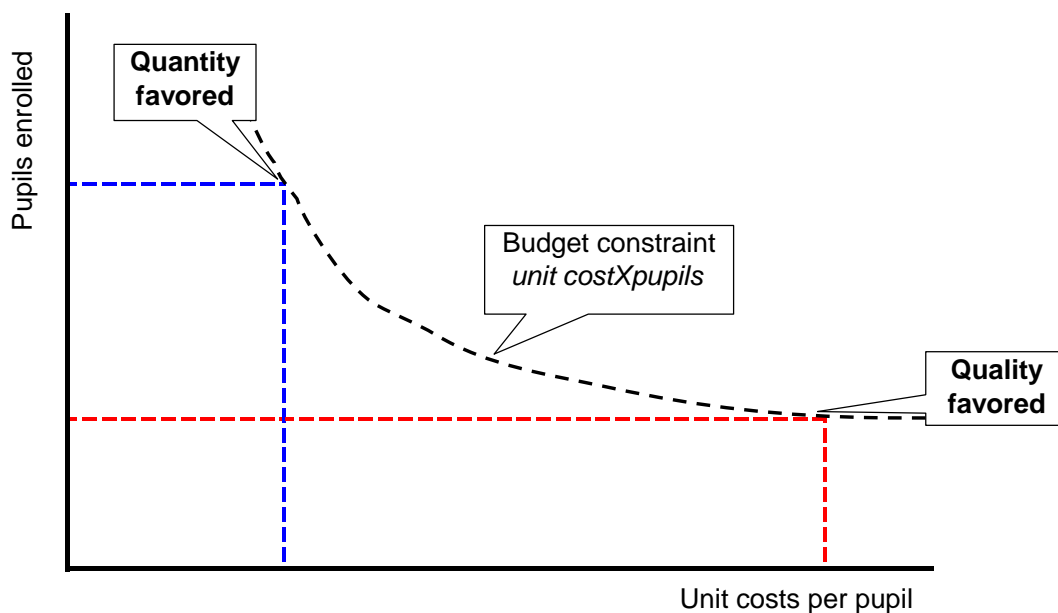


Figure 4

Using the unit costs per beneficiary for policy analysis
Trade offs between quantity and quality



Drawn up from: A simulation model. A tool for FTI. Pole de Dakar. 2005

4. Developing a performance concern

a) *The function of performance information*

Key performance indicators must be monitored. These include, among others, indicators such as the number of schools and teachers, the ratio student per teacher, completion rates and internal efficiency indicators. Including performance indicators in the budget documentation and preparing performance reports may help in analyzing the budget and provides feedback to decision making.

Currently, often within the context of donors' financial support, outcome and output indicators are mushrooming in developing countries, albeit badly monitored. Preparing and monitoring a strategy and reinforcing the information base may help in streamlining fragmented performance monitoring systems. Care is required to avoid adding a further layer to the existing performance and socio-economic data monitoring systems.

Literally interpreted performance budgeting would refer to a budget system that allocates resources based on the achievement of specific, measurable outputs or outcomes, or link each increment in expenditure with an increment in output or performance. However, as noted by Schick, *implementing this concept requires that government have reliable data on the unit*

cost of services and that bids for resources be structured in a manner that facilitates the marginal analysis of costs and outputs. Few governments currently have this capability¹¹, though many compile performance information. Except in a few cases, the link between resource allocation and performance is indirect. Even if a program “performs well,” commensurate funding may not be forthcoming if it is considered a marginal function of government. Conversely, less cost-effective or “poorly-performing” programs must continue to be funded if these are essential government functions— such as education. Also, if performance measures are used to adjust mechanically budget allocations, any experienced bureaucrat would be able to manipulate such a system to produce favorable results.

As developed in the literature on performance, the performance indicators must be relevant, attributable to the relevant program, clear and monitored in a cost-effective manner. The number of indicators used for budget preparation and the policy dialogue should be limited. What is essential, when using performance indicators, is to build a dialogue between the different actors involved in budget management.

A manager can be accountable only for the activities under his/her control and the performance indicator for a program or an activity should be directly attributable to the program and activity. Therefore, care will be required in designing a performance information system. At the program level outcome indicators are generally required. At the level of activities and administrative units the most relevant indicator will often consist of outputs (e.g. number of school visits by attendance officers) and process indicators (e.g. time needed in procuring goods). However, there is no general rule. The mix of input, output and outcome indicators should reflect the main concerns concerning performance and budget management.

b) Performance reports and annual workplan

Reports on performance include reports on the planned performance and priorities and performance monitoring reports. The format and the nature of these reports depend on the country. For example, in some countries, data on the planned performance may be included in the sector MTEF, or program budget (see section C). Box 4 presents the outline of a performance monitoring report.

Several countries are developing annual work plan that detail the activities that will be carried out during the budget year and include input and activities or output indicators. Annual work plans are notably prepared within the context of SWAPs, or FTI, but not only. These plans are not always effective, notably because in-year budget cuts. In addition, they can lead to avoidable increase of the workload of spending units or contribute to delay budget implementation, because of the time needed to prepare them. Some broad principles can be adopted:

- The annual work plans should be prepared at the same time than the budget, and updated according to the trade offs made during budget preparation;
- They should cover all the budget (or the subsector budget when limited to a particular sub-sector)

¹¹ This remark was made for both industrialised and developing countries. A. Schick. Does budgeting have a future?. OECD Journal on budgeting. Vol. 2 No 2. 2002.

- They should include relevant performance indicators, which often will consist of outcome indicators at the program level and output indicators at a lower level). These indicators should be monitorable in an economically manner.
- Expenditure estimates, if presented in the annual work plan, should be monitorable. A bridge table between these estimates and the chart of accounts (*classification budgétaire et plan comptable*) should be easily established.

Box 5 shows an extract of the work plan of the secondary education department in Uganda and the outline of the Uganda ministry of Education performance report.

Box 4

**An example of ministerial performance report
Uganda**

Chapter one: Introduction

- 1.1 Mission statement
- 1.2 The broad priority objectives of the MoES (ministry of education and sports)
- 1.3 Adoption of the sector wide approach
- 1.4 The rationale for ESSR (education and sports sector review)
- 1.5 The purpose of ESSAPR (education and sports sector annual performance report)
- 1.6 Objectives of the October 2006 ESSR
- 1.7 Review methodology
- 1.8 Expected output of the review
- 1.9 Venue

Chapter two: Budget performance over the FY 2005/06 and overview of FY 2006/07 budget

- 2.1 Approved budget for FY 2005/06
- 2.2 FY 2005/06 releases
- 2.3 FY 2005/06 expenditure
- 2.4 Key physical outputs from the approved budget FY 2005/06.

Chapter three: Progress in achieving the priority sector objectives during FY 2005/06

- 3.1 Introduction
- 3.2 Access
- 3.3 Equity
- 3.4 Quality
- 3.5 Efficiency
- 3.6 Cross cutting issues
 - (a) HIV/AIDS
 - (b) Special needs, career guidance and counselling
 - (c) Information communication technologies (ICT)

Chapter four: Major breakthroughs, challenges and the way forward

- 4.1 Major breakthroughs in the sector
- 4.2 Challenges
- 4.3 Way forward

5.0 Technical annexes

- Annex 5.1: Preliminary performance league table (key indicators) 2006
- Annex 5.2: The education sector response to hiv/aids
- Annex 5.3 Progress in the implementation of h.e's manifesto 2006-20011
- Annex 5.4 Departmental workplans for FY 2006/07
 - 5.4.1 Pre-primary and primary department
 - 5.4.2 Secondary education department
 -
 - 5.4.18 Physical education and sports department

Source: ESAPR2006 <http://www.education.go.ug/Final%20ESAPR%202006.htm>

Box 5

Uganda: Secondary Education Department Work Plan

5.4.2 SECONDARY EDUCATION DEPARTMENT

Objective	Planned Activities	Key outputs	Performance Indicators
Training of staff	Retreat of Departmental staff	One Retreat for SE Department	-No. of retreats made -No. of retreat reports -No. of staff who attend
	Regional workshops for leadership management and policies	4 Regional workshops conducted	-No. of workshops conducted -No. of BOGs sensitized
	Regional workshops for Headteacher, Deputies and teachers on policy issues / matters	4 Regional workshops conducted	-No. of workshops conducted -No. of Head teacher sensitized
	Annual workshops for Headteacher	4 required workshops conducted and 1 national	-No. of workshops conducted -No. of H/teachers trained
	Training of staff in ICT	8 Regional workshops conducted	-No. of workshops conducted -No. of H/teachers trained
Universal Post Primary Education And Training (Uppet)	Publicizing UPPET	Publication in the media (print, radio and TV)	-No. of publications made -No. of prints made -Type of media used
	Study tours for the staff of the UPPET sub-sector	Pick lessons and examples of good practices from countries already implementing USE/UPPET	-No. of staff able to go -No. of countries visited
	Regional stakeholders sensitization workshops on the implementation guidelines	5 regional workshops conducted	-No. of workshops conducted -No. of stakeholders involved -Type of stakeholders
	Recruitment of 1 st phase of 2000 teachers to cover the current deficit	Teachers recruited for various discipline in critical need areas	-No. of teachers recruited -Reduction in deficit -Deployment

Source: ESAPR2006 <http://www.education.go.ug/Final%20ESAPR%202006.htm>

C. The MTEF

1. What is an MTEF?

An MTEF allocates resources among ministries/sectors, and eventually programs and activities, over the medium term within the overall resource envelope defined in the Medium Term Fiscal Framework. It is aimed at: (i) reinforcing the fiscal discipline through assessing the sustainability of budget policies; (ii) improving the effectiveness of resource allocation, through making possible to devise a path toward gradually achieving policy objectives which frequently require a sustained multiyear effort in order to be attained; and (iii) providing managers with greater predictability and providing a framework for monitoring performance.

An MTEF presents expenditure projections over a period of three to four years. It is prepared and rolled over annually. The MTEF does not replace the budget, expenditure payments being authorized through the annual budget. The first year of the MTEF is in line with the budget, while subsequent years are indicative and subject to revision during preparation of the subsequent MTEF. The MTEF encompasses all expenditures whatever their economic nature (both recurrent and capital expenditures) and financing source (both domestically and externally financed expenditures).

Beyond these common features, what is an MTEF varies from one country to another. Concerning the degree of detail of expenditure projections:

- The most basic forms of MTEF focus on intersectoral, or interministerial, resource allocation. They are sometimes termed medium-term budget framework (MTBF) or "global MTEF". An MTBF supports the policy debate on intersectoral priorities. It is often used to frame line ministries' budget preparation.
- More sophisticated of MTEF deal with both inter-sectoral and intra-sectoral resource allocation, and are structured by program, and eventually activity. They are aimed at both improving the effectiveness of resource allocation at the sector level and providing managers with greater predictability in public expenditure management. Such MTEFs consist of sector MTEFs framed by sector expenditure ceilings. In some countries, the MTEF takes the form of a performance or program budget, and includes performance indicators. The "program-budgets" found in Francophone West Africa countries are similar to some Anglophone sector MTEFs.

The coverage of an MTEF may be either the same than the central governmental annual budget or wider. In some countries, the MTEF covers extra-budgetary funds, in other countries subnational government's MTEF are prepared in coordination with the central government MTEF.

The MTEF processes are as important as the MTEF documents. The MTEF and budget preparation procedure should be fully unified. They should be aimed at building financial constraints into the budget process and encouraging line ministries to prioritize their programs and activities, in conformity with the fiscal objectives defined in the MTEF. The MTEF should include only existing programs and programs agreed during the MTEF-budget

preparation processes. The MTEF is not a pledging document showing a financing gap for donors to fill.

The MTEF should not be a mere set of expenditure projections. It should include budget policy statements, presenting the fiscal targets and the budget policy over the medium-term, including adequate information on the intended policy changes (Box 6 presents the outline of a sector MTEF). It should be aimed at revealing the political choices. The political aspects of the policy dialogue must be acknowledged and the decision makers must be involved at the key points of the MTEF processes.

For accountability, the budget, and consequently the MTEF, must be structured by ministry. The so-called sectoral MTEFs will be preferably ministerial MTEFs. If a sector MTEF covers several ministries, each ministry MTEF must be clearly identify within the sector MTEF. Cross-ministry MTEFs are mere paper-exercises, when arrangements to manage them are unclear or differ from arrangements to manage the budget. On the other hand, they may lead to blurred accountability requirements or over-centralised budget management when the responsibilities of the sector ministries are transferred to a central ministry for supervising the cross-ministry MTEF.

Compared to a public investment program, one of the objectives of an MTEF is to unify recurrent and capital expenditures programming processes. Therefore, in the MTEF of a line ministry both capital and recurrent expenditure should be grouped into programs. A bridge table between the MTEF structure and the budget classification must imperatively be established.

The MTEF or a public investment program annexed to the MTEF, and fully consistent with the MTEF, should detail the investment project included in the MTEF. However, if the processes are not disciplined, detailed MTEFs risk being only mere wish lists of activities.

2. Budget and MTEF processes

Countries with a disciplined budget-MTEF process have often divided the annual budget preparation cycle into two stages: (i) a "framework" or "strategic" stage, during which the fiscal aggregates are set, sectoral resource allocations are made for a multi-year period, and expenditure ceilings established for the annual budget under preparation; and (ii) an "estimates"¹² stage, during which line ministries prepare their draft budgets and sectoral programmes, within these expenditure ceilings. Such a procedure makes line ministries responsible for making trade offs among their expenditure programmes. It can limit bargaining on individual projects and activities during budget preparation and place the policy dialogue at the right level. At each of these two stages a policy dialogue within the government and a combination of bottom-up and top-down processes is required.

Figure 5 illustrates a possible MTEF process:

- *During the framework stage the following activities are carried out:*

¹² Terminology used by Allen Schick in Managing Public Expenditure. World Bank. November 2001

- *Line ministries* (i) prepare the *baseline*¹³ for year t+1 Budget and years t+1 to t+3 MTEF preparation. They update the costs of the years t to t+2 MTEF prepared the previous year and roll it forward, on the basis of economic parameters communicated by the ministry of finance; and (ii) prepare proposals for identify policy changes, including new programmes. The baseline and the proposals for policy changes form an initial MTEF¹⁴
- *Central ministries (the Ministry of Finance*¹⁵ *and, for major policy issues, the Prime Minister Office)*: (i) prepare an MTEF; (ii) estimate the room for manoeuvre (difference between the MTEF overall ceiling and the MTEF baseline); and (iii) prepare sector ceilings by allocating the margin of manoeuvre, and eventually additional savings, among sectors on the basis of government priorities.
- ***Once these preliminary works completed, a Cabinet or High Committee meeting/seminar:*** (i) reviews the budget policy paper; and (ii) decides on fiscal targets and sectoral expenditure ceilings. Then, the *Prime Minister (or the ministry of finance)* notifies the expenditure ceilings to line ministries.
- ***During the "estimates"stage:***
 - *Sector ministries:* (i) draft the ministry's budget within the sector ceilings; (ii) revise initial MTEF estimates to ensure that they fit in with sector ceilings.
 - *Ministry of Finance*¹⁶-*Sector ministries-Prime Minister office:* review of the annual budget estimates by the ministry of finance, budgetary conferences ministry of finance-sector ministries, dialogue and negotiation, strong disagreements are submitted to the arbitration of the Prime Minister.
 - *Ministry of Finance:* (i) finalise the draft budget; (ii) prepare a budget policy paper including multi-year financial projections.
 - *Cabinet:* approve the draft budget and the budget policy paper, which are subsequently tabled in Parliament.

In practice, such a process is implemented in different manner and to different degree. In some countries (e.g. South Africa), detailed multi-year estimates are prepared during the estimates stage, while in other countries the estimates stage concerns only the annual budget.

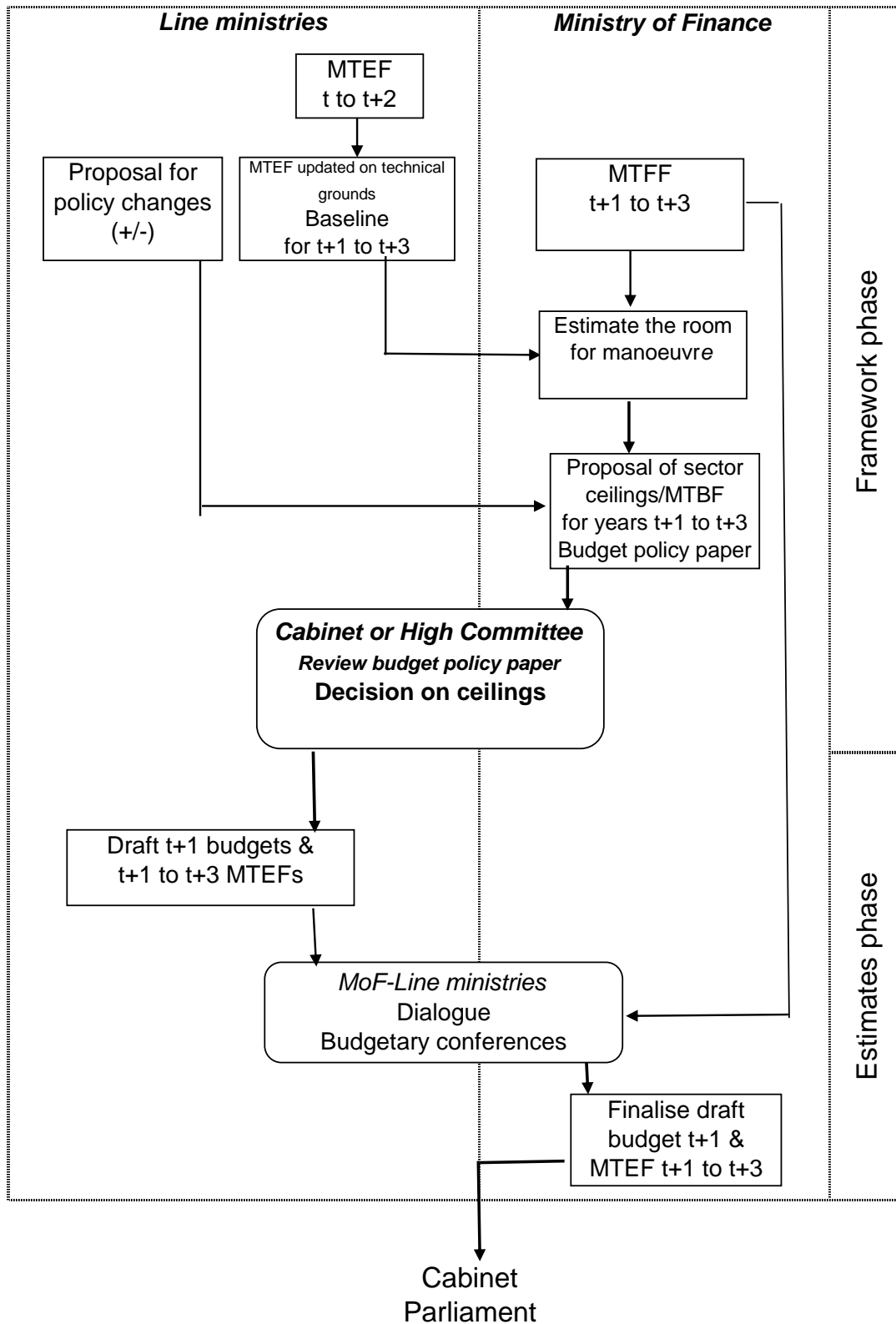
¹³ In some developed countries, the baseline is prepared by the ministry of finance, not by the sector ministries.

¹⁴ Some say a "bottom-up" MTEF. If the MTEF is a rolling framework, a large part of the "bottom-up" MTEF (the baseline) has been already determined by the programme prioritization made the previous year.

¹⁵ Could also include Ministry of Economy/Planning

¹⁶ And the ministry of planning, if it is responsible for the investment budget.

Figure 5. Illustrative MTEF-Budget preparation process
(year t+1 budget prepared the year t)



Box 6
Morocco. Outline of sector MTEFs

1. The sector strategy and management of the sector
 - 1.1. Situation of sector and key objectives
 - 1.2. Policies, measures and challenge
 - 1.3. Management of the sector
 - 1.4. Public expenditure in the sector: recent trends
2. Expenditure programming over the MTEF period
 - 2.1 The MTEF programs ("*domaines*") and responsibilities
 - 2.2. The MTEF: data and analysis
Financial tables
3. The MTEF programs
This section gives for each MTEF program, a programme profile form which includes: (i) programme objectives; (ii) programme activities; (iii) performance indicators; and (iv) financial tables
4. Annexes
Of which an investment project annexes

Source: CDMT guide méthodologique. Ministère des Finances. Morocco. 2006
<http://www1.worldbank.org/publicsector/civilservice/frenchadmin/Maroc%20CDMT%20Guide%20m%E9thodologique.pdf>

3. Difficulties and pitfalls

a) Panacea or avoidable distraction?

The reviews of MTEF experience in African countries show that results are uneven and sometimes disappointing¹⁷. In many developing countries, MTEFs are prepared without taking into account the MTEF prepared the previous year. Moreover, there are often very significant differences between the years t+2 and t+3 of the MTEF t+1 to t+3, prepared the year t and the MTEF t+2 to t+4 prepared the year t+3, as well as between the first year of the MTEF and the annual . This makes the exercise purely formal and non-credible. Various reasons explain the difficulty in implementing a true rolling expenditure planning process, including, among others, uncertainty on donors' funding, willingness to re-assess all expenditure programmes every year, and lack of stability within the government. Whatever the reasons, the fact that this key feature of the MTEFs appears difficult to implement in many developing countries poses problem.

Implementing an MTEF may sometimes absorb ineffectively time and distract attention from the immediate needs for improving the annual budget processes, especially when the MTEF is detailed by activities and outputs. Box 2 presents the conclusions of the Global Monitoring Report for 2006 and the pre-requirements to implement an effective MTEF according to this report.

b) The sector MTEFs

As noted a sector MTEF should be seen as the component of a national MTEF. In the context of donor support to sectors, many sector MTEFs have been developed¹⁸. Sometimes, these sector MTEF have been developed in isolation from the budget processes or even from pre-existing multi-annual expenditure programming exercises¹⁹. The role of such MTEFs is unclear.

Some of these sector MTEFs are more similar to a preliminary strategy costing exercise than to an MTEF. They do not comply with the MTEF and they may include financing gaps. These

¹⁷ Malcom Holmes and Alison Evans "A review of Experience in implementing MTEFs in a PRSP context : a synthesis of eight country studies". ODI. 2003. Philippe Le Houerou and Robert Taliencio "Medium Term Expenditure Frameworks: From Concept to Practice. Preliminary Lessons from Africa". World Bank. 2002. Selected African Countries: IMF Technical Assistance Evaluation—Public Expenditure Management Reform. IMF. 2006.

¹⁸ Thus, the guidelines on European Commission support to sector programmes (February 2003) require the preparation of a sector MTEF to benefit from EC sector budget support. These guidelines are in the process of being revised, however.

¹⁹ For example, in 2006, in Tunisia, the education sector MTEF was not used for preparing the budget. In Mali, the government has been preparing "programme-budgets" for several years. These programme-budgets are similar to a sector MTEF, nevertheless, to meet donors' requirements in a few sectors the preparation of a second document called sector MTEF has been launched.

MTEF are not *frameworks*. More worrisome than a mere vocabulary issue, they pose problems because they are sometimes seen by the donors as being a financial commitment of the government, while line ministries are disheartened because the efforts made for preparing their sector MTEF has not lead to any change in their budget.

If their costing is somewhat realistic, such stand alone "sector MTEFs" may be used to support the budget negotiations with the ministry of finance or for seeking new external financing. Nevertheless they should not be seen neither by the donors nor by the line ministries as being a commitment from the government. It should be clear that they do not provide predictability in budget management. In the immediate their status and their function should not be over-emphasised. In the longer run, the objective should be to include them in a government-wide MTEF-budget procedure framed by an MTFF.

c) Sequencing issues

Developing a policy based budgeting approach requires a progressive approach. The sequencing of the measures will depend on the country context, and should take into account the results already achieved. Logically, the first step should consist of strengthening the information base, preparing a sector strategy and streamlining the budget procedure. In parallel the ministry of finance should develop an MTFF (this is often already done, at least by the IMF). Within the context of FTI, annual plan consistent with the budget will be prepared.

Subsequently, *if* the sector strategy is already costed, or at least costed in the larger part and *if* multi-year sectoral ceilings are prepared, it can be considered to prepare a sector MTEF. Performance indicators will be implemented, or improve, progressively.

Box 7

Implementing an MTEF: Concerns and Requirements

The reviews of the MTEF experience in African countries show that the results are uneven and sometimes disappointing. According to an IMF review and the 2006 Global Monitoring Report:

Developing comprehensive MTEFs can be effective when circumstances and capacities permit. Otherwise, it can be a great consumer of time and resources and might distract attention from the immediate needs for improving the annual budget and budget execution processes. The MTEF, as a feasible means of improving budgeting, requires the following:

- Reliable macroeconomic projections, linked to fiscal targets in a stable economic environment.
- A satisfactory budget classification and accurate and timely accounting to produce a detailed pattern of expenditures over a past period of time.
- Technical capacity for separating the cost of policy changes from that of continuing policies and disciplined policy decision making.
- Budgetary discipline—large deviations between what is budgeted and what is spent tend to undermine the usefulness of multiyear budgeting.
- Strong institutional support and political discipline for fiscal management.

Before introducing an MTEF, one should raise a question: Is the country ready for such an exercise in the sense of having adequate support for the above preconditions? When this support was not adequate in a number of African countries, the MTEF was introduced prematurely and is turning out to be merely a paper exercise.

Sources:

Selected African Countries: IMF Technical Assistance Evaluation—Public Expenditure Management Reform. IMF. 2006.

Global Monitoring Report. World Bank-IMF. 2006

D. Conclusion

This reviews shows that developing a policy based budgeting approach required to develop different types of instruments and processes.

To be effective these instruments and processes should be tailored to the country context. As noted by the 2006 Global Monitoring Report, for the MTEF, before developing an instrument one should raise a question: Is the country ready for such an exercise in the sense of having adequate support for the above preconditions?

Sequencing the development of a policy based budgeting approach is a key issue. Such sequencing must be both realistic and shows that progress can be achieved.