Report:

Medium-Term Expenditure Framework on Subnational Level in Vietnam

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Table of Contents

List of Abbreviations

BFP	Budget Framework Policy
IMF	International Monetary Fund
MTBF	Medium-Term Budgetary Framework
MTBPS	Medium Term Budget Policy Statement
MTEF	Medium-Term Expenditure Framework
MTFF	Medium-Term Fiscal Framework
MTEP	Medium-Term Expenditure Planning
MTFP	Medium-Term Fiscal Planning
MTPF	Medium-Term Performance Framework
MoF	Ministry of Finance
MoSF	Ministry of Strategy and Finance
PBB	Performance-Based Budgeting
PRSP	Poverty Reduction Strategy Papers
SBL	State Budget Law
WB	World Bank
3YFBP	3-year Financial-Budgetary Plans
5YFP	5-year Financial Plans

1. Introduction

Between the years 1990 and 2008, most Medium Term Expenditure Frameworks (MTEF) were adopted in a various number of countries in the world. While high-income countries introduced MTEF to support budgetary targets, to improve expenditure prioritization and to foster enhanced government; "low- and middle- income countries adopted MTEFs primarily because, MTEF was seen by donors as a method to ensure a multiyear commitment of resources to the policies included in poverty reduction strategy papers (PRSPs)" and embedded MTEF into their budget reforms" (Word Bank, 2012). Despite the introduction of MTEF, reforms on performance-based budgeting (PBB) are another key element in improving public financial management systems that have been recognized. PBB allows a higher focus on outcome of government expenditure and therefore an increased efficiency in the allocation of public resources.

Increasingly facing difficulties in government debts, budget transparency and consistency, Vietnam has noted the associated benefits of applying MTEF to address these issues. Improving fiscal discipline, intra- and inter-sectoral allocation of budget resources, expenditure prioritization, budget predictability, and efficiency in public finance usage are along many other potential benefits of MTEF (World Bank, 1998: 46). When in 2007 the Vietnamese Government had realized that the State Budget Law (SBL) needed revision, it was understood that the legal framework to introduce MTEF in Vietnam required a legal backing to the extension and upgrading of medium term fiscal and expenditure planning (MTFP & MTEP). Main line ministries and agencies were chosen to join the piloting the phase, before implementation takes places entirely on the central level of government as well as on subnational level.

Many challenges are ahead on the way of a successful implementation. Therefore, the question is to ask whether MTEF on subnational level is applicable and suitable in the case of Vietnam. It will discuss experiences of three countries, namely Albania, South Korea and South Africa, which had introduced the MTEF approach in the past and show similarities to Vietnam in terms of economic stage of transition, political framework, historic development or cultural background.

In order to so, this study attempts to answer the following questions:

a) Is medium term expenditure framework as an instrument of PFM applicable on subnational level in Vietnam?
b) Is an MTEF on subnational level always appropriate or are there different approaches that can be drawn from other country cases?
c) What requirements must be met to pave the way for a MTEF on subnational level to succeed?

The aim is to draw lessons and learn from international experiences on the implementation of MTEF approaches of selected countries on subnational level and providing recommendation for further steps in the implementation of MTEF in Vietnam.

2. Medium Term Expenditure Framework in Theory

2.1 General Characteristics

A various number of definitions of MTEF are circulating among public finance experts and researchers. While some researchers see MTEF as “a multi-year public expenditure planning exercise” (Pearson, 2002: 01) or “a rolling budget covering the current budget year and next two years” (Economic Commission for Africa), others believe that it is “a whole-of-government strategic policy and expenditure framework” (World Bank, 1998: 48).

However, there are common aspects of MTEF that all experts agree on: MTEF is an integral part of the annual budget cycle, comprising of 1) a top-down resource envelope coherent with macroeconomic stability and policy priorities, 2) a bottom-up approach consisting of current and medium term cost estimations of existing programmes and activities, and 3) an “iterative process of decision –matching costs and new policy ideas with available resources over a rolling 3-5 year period (Nguyen Thi, 2012: 15).

Ever since, international organizations such as the World Bank or the International Monetary Fund (IMF) have advocated the adoption of MTEF, “as a key to increasing predictability and strengthening the links between policy, planning and budgeting and associated institutional mechanisms facilitating the making and enforcement of strategic resource allocation decisions” as well as promoting transparency and accountability (Nguyen, 2012: 3).

MTEF can be structured in three stages, while every stage is build up on the previous stage. According to the World Bank (2013) three stages are:

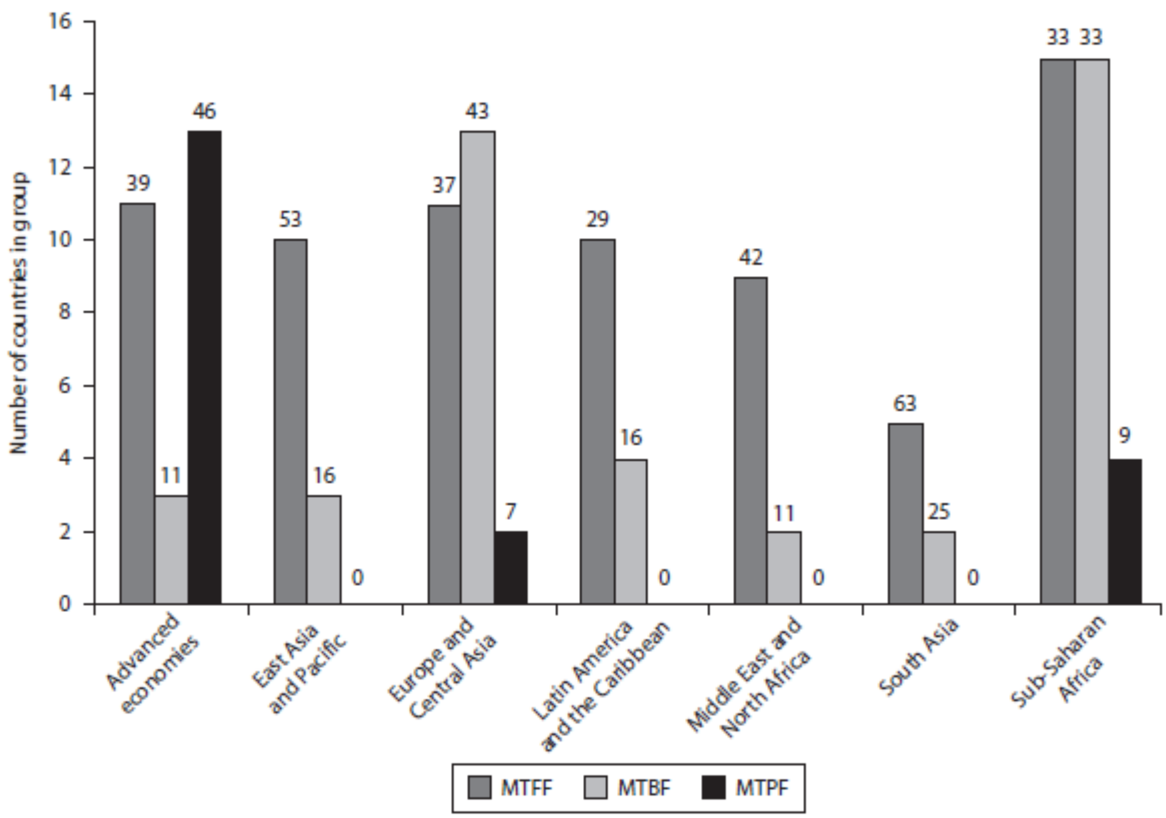
A Medium-Term Fiscal Framework (MTFF) is the very first step of a MTEF and comprises fiscal policy objectives; a medium term macroeconomic and fiscal targets (Oxford Policy Management, 2000) as well as a top down specification of the resource envelope and resource allocation (World Bank, 2013).

A Medium-Term Budgetary Framework (MTBF) is the second stage of the MTEF and also the most common and basic type of MTEF (Oxford Policy Management, 2000). It encompasses bottom up determination of resource needs of spending agencies, as well as the reconciliation of resource envelope (World Bank, 2013). Resources are allocated to the strategic priorities of the country within a MTBF. Further, under MTBF these allocations are ensured to stay consistent with the overall fiscal goals.

A Medium-Term Performance Framework is the final stage within the MTEF allowing refocusing of inputs to outputs emphasizing measurement and evaluation of performance (World Bank, 2013). Further, elements such as output based budgeting can be added to improve value of money of public expenditure (Oxford Policy Management, 2000).

Further, the World Bank argues that the higher the stage, the more advanced the level of development of MTEF in that country and most likely its advancement in economy, which can be observed in the figure below. The most advanced stage, MTPF, can be found in 13 countries in the group of “Advanced economies”, in two countries in the group of “Europe and Central Asia” and surprisingly in four countries within the group “Sub-Saharan Africa”. Therefore, the most economical advanced countries also recognize higher level of MTEF. While less developed countries, such as the groups of “Middle East and North Africa”, “East Asia and Pacific” as well as “Sub-Saharan Africa”, are dominated with countries in the stage of less advanced MTEF: MTFF and MTBF. It can be argued that advanced economies are more likely to have more developed MTEF than less advanced countries as well as that better developed MTEF lead to an improved and more reliable budget management system and therefore positively effect a country’s economy through better political and institutional frameworks.

Figure 3.2 MTEF Adoption in the Advanced Economies and Developing-Country Regions, 2008



Source: World Bank.
Note: MTBF = medium-term budgetary framework; MTEF = medium-term expenditure framework; MTPF = medium-term performance framework. Percentage of countries in the region are displayed at the top of the bars.

Figure: MTEF Adoption around the World, World Bank (2012)

2.2 Why MTEF?

In the beginning MTEF, was launched accompanied with the introduction of a Poverty Reduction Strategy Paper (PRSP) in many developing countries, as donors were providing standard advice on budget reforms (World Bank, 2013: 28). Especially, the post-Asian crises have raised attention towards promoting and safeguarding fiscal discipline. While for advanced economies, MTEF was of interest in modernizing their budget reforms; low income and emerging economies are aiming for an improved linkage between mobilization and use of public resources as well as the achievement of goals (World Bank, 2013: 28).

MTEF can give answers to problems, countries are facing that only rely on traditional budgeting and therefore experience poor budgeting outcomes. Poor budgeting results in traditional budgeting is especially due to the failure to build linkages between policies, planning and budgeting, the inability to predict funding and to direct resources within strategic priorities as well as the lack of authority and responsibility of line managers to manage resources at their disposal (World Bank, 1998: 31f.). All these factors lead to a massive mismatch between what government policies are aiming for and what is actually affordable. In addition, annual budgeting will also become more chaotic leading to misallocations and disorientation (World Bank, 1998: 31f.).

Major goals and benefits resulting from a successful implementation of MTEF are in general an improved macroeconomic balance through consistent and realistic resource framework, a better allocation of resource to strategic and national priorities and increased commitment of line ministries towards policies and funds so that programs can be sustained (World, 1998: 48).

Jang Kiringai and Geofrey West (2002: 20) emphasized three objectives that developing countries need to concentrate on - allocative efficiency, fiscal discipline and operational efficiency. Allocative efficiency is achieved when allocated expenditures meet national and development priorities. Fiscal discipline is achieved through providing line agencies with increased autonomy and hard budget constraints, so that efficient use of funds is incentivized (Kiringai & West, 2002: 20). Finally, Kiringai and West (2002: 20) explain operational efficiency is accomplished when public spending meet explicit outputs at minimum cost by making use of performance targets.

2.3 Requirements for Effective MTEFs

To meet all the goals described in 2.2 and to assure a successful implementation of MTEF on national and subnational level, certain requirements need to be met. According to the Korean researcher, Seo-kyun Hur (2004: 9) seven major requisites need to be taken into account:

Good Macroeconomic Policies and Reliable Forecasting are necessary to create credibility and the feasibility of MTEF to succeed.

Adaptable Fiscal Policy and Instruments are needed for a MTEF to build on. "Future expenditure is based on reasonable estimates of prospective resources.

Reprioritization and Reallocation is especially important, as annual budget is a poor mechanism for shifting resources, therefore "MTEF provides a better mechanism for aligning budgets with policies."

Budgetary Discipline need to be assured "based on a hard aggregate budget constraint derived from what is affordable" as well as compliant behavior of line ministries with their budget allocations.

Institutional Conformity and Absence of Bias assure a supportive institutional base, "one in which the various actors use MTEF as a framework within which expenditure decisions are made. MTEF must be accepted as a means by which resources are allocated.

Appropriate Parameters are required to be set in advance, when designing an MTEF. These parameters are for example: the definition of aggregate expenditure, the organizational structure of the government, content of expenditure envelopes, etc.

Transparency in policies as well as fiscal transparency is of importance as they "improve he accountability of actors engaged in the MTEF process". While fiscal transparency describes the degree of openness of the government about fiscal policy intentions, public sector accounts and fiscal projections. Policy transparency means being open to the public about policy intentions, their outcome and related costs. Furthermore, transparency covers also the meaning of reporting "actual performance with quality of outputs and results achieved.

According to the World Bank (2013: 57) four key institutional determinants of the performance of MTEF are the commitment to a new approach to budgeting; organizational adaptability and technical capacity; appropriate macro fiscal policies and institutions as well as sound budget systems and a properly sequenced public financial management (PFM) reforms.

Commitment to a new approach to budgeting is essential for MTEF to succeed. Political support and government involvement are necessary to mobilize MTEF and to be implemented effectively as well as to be integrated into the annual budget process.

Organizational adaptability and technical capacity are especially important since under MTEF all political institutions are required to fulfill their strategic role and provide guidance on priorities and policies (World Bank, 2012: 57). The core institution within the MTEF is the MoF; usually its responsibilities focuses on macro-fiscal framework, the technical aspects of setting spending plans, managing and evaluating programs (World Bank, 2012: 57). Within MTEF the MoF acts a gatekeeper as the overseeing role of all aspects of MTEF preparation. The Ministry now has a broader role compared to its role in annual budgeting. As the leader in MTEF, the MoF provides guidance to inter-sector priorities, resolves interagency conflicts and sets expenditure ceilings but is not allowed in making decisions concerning detailed spending (World Bank, 2012: 57).

Appropriate macro fiscal policies and institutions are required to introduce reforms that foster macroeconomic stability and reduce fiscal imbalances. The World Bank emphasizes that appropriate macro fiscal policies must oversee short-term changes and long term structural issues (World Bank, 2012: 57). In order for MTEF to realize its full potential, there is the need to create a “balance between constraining fiscal policy over medium term and allowing short term flexibility (…) usually by strengthening surveillance mechanisms and imposing effective sanctions in the event that flexibility is abused” (World Bank, 2012: 57).

Sound budget systems and properly sequenced PFM reforms are additional prerequisites for a MTEF to function. MTEF were often less successful in countries where budget systems are weak and annual budgets lack credibility. Therefore, MTEF should be implemented when basic financial compliance is assured.

3. Current Situation of MTEF in Vietnam

3.1 Overall MTEF

With the decision of the Vietnamese Government to introduce a multi-year approach, Vietnam piloted MTFF and MTEF between 2006 and 2011 for some line ministries at central level and provinces “towards reaching a modern, transparent, and effective management in public expenditure” (Nguyen Thi, 2012:60). These line ministries include the Ministry of Transport, the Ministry of Agriculture and Rural Development, the Ministry of Education and Training, the Ministry of Health and the provinces Hanoi (incl. Ha Tay), Binh Duong and Vinh Long (Nguyen Thi, 2012:60). The aim was to gain experience within MTEF, their mechanisms, required policies and procedures for PFM.

The very first piloting phases of MTEF between 2006 and 2008 was supported and financed by the World Bank and the British Government Department for International Development under the program “Reform of Public Financial Management” (Nguyen Thi, 2012: 60). The development of MTEFs under the lead of the MoF aligned with the annual budget process and its timetables. International consultants were also involved in the finalization of the MTEF concerning the form and process for applying and implementing MTEF at national and provincial level.

Currently, the Draft Decree[1] on “Detailed Regulations Stipulating the Formulation of 5-year Financial Plans and 3-year Financial-Budgetary Plans” covers a more detailed overview of the scope, basis, requirements, content, procedure, responsibilities, involved authorities as well as the implementation of the 5-year financial plan (5YFP) and 3-year financial-budgetary plans (3YFBP) and is under the final revision by the MoF in Vietnam. Very first steps have been taken towards drafting a comprehensive and precise Circular and technical manual.

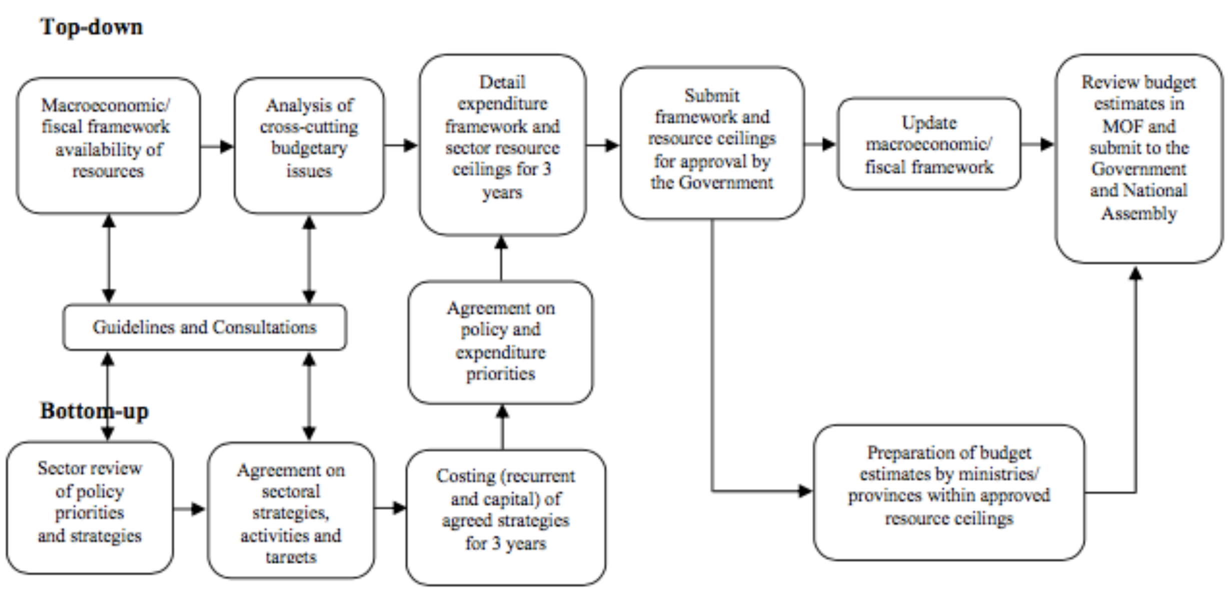
Both the 5 years financial plan as well as the 3 years financial budgetary plan are formulated and submitted by provinces and centrally administered municipalities, duties and authorities of relevant agencies. Subject of application will be on national and subnational level. While the

[1] Status: December, 2016

5YFP is developed alongside with the 5 year socio-economic development plan, the 3YFBP is formulated annually for 3 years, known as the rolling method, whereas the first year represents the budget year providing detailed estimates of revenues and expenditures, structure of revenues, expenditures and budget deficit. The two outer years are providing the forecasts of of state revenue, expenditure and budget deficit and other relevant contents to be guiding the priorities of resource allocations for each sector for budget estimates of the respective year.

3.2 MTEF at national level

As mentioned, MTEF has been piloted in some line ministries and provinces in the recent past and Vietnam is gradually introducing reforms towards output-based or performance based budgeting. MTEF implementation on national level in Vietnam aims to enable a more consistent and realistic resource framework, a better resource allocation, higher commitment to policies and funds, and improved transparency and accountability for the use of public resources. To achieve that significant changes in the current budget management system are required and a model provided by the World Bank comprising a suitable MTEF at national level in Vietnam has been set in several stages:



Budget concept/ Medium-term expenditure framework	Annual budget
- Outcome orientation (linked to services/outputs from budget institutions).	- Institution-based
- Strategic-multi-year, sectoral (mapped to budget institutions).	- Single year
- Integrated recurrent/capital expenditure, central/local government, budget/off-budget	- Detailed - item focused within ceilings

Figure: Stages of MTEF in Vietnam, MoF (2008)

Given a MTEF for Vietnam by the World Bank, the MTEF need to be integrated into the annual budget preparation process. The process of MTEF in Vietnam, illustrated as follows (Figure xx), represents requirements and necessary linkages to annual budgeting needed to embed medium-term financial planning within the budget process:

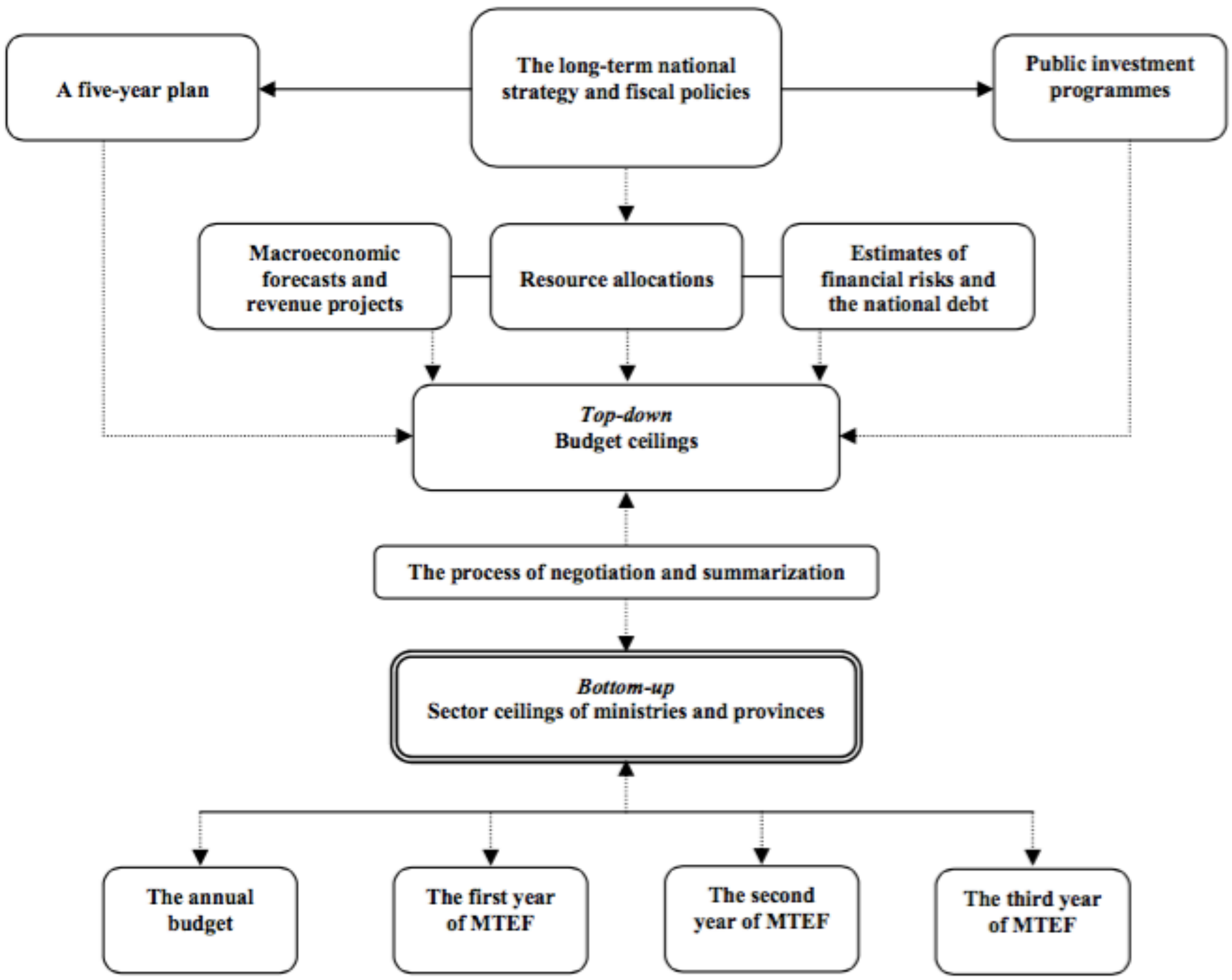


Figure: The process of MTEF in Vietnam, Su Dinh Thanh et al. (2005: 182)

According to Nguyen Thi (2012: 75), the integration into the annual budgeting preparation is an "important improvement leading to the coordination between the pilot and actual work in the budget process." She further explains that from the piloting phase, the integration provides great conditions through practical experiences to increase quality of annual budget estimates and complete MTEF model in Vietnam (Nguyen Thi, 2012: 75). Pilot ministries and provinces have understood the necessity for MTEF implementation as integral part of the state budget process. MTEF will help to improve transparency, feasibility and effectiveness of budget estimates in annual, medium and long-term period compared to the current status (Nguyen Thi, 2012: 75).

3.3 MTEF at subnational level

Despite a piloting phase of MTEF with three pilot plans in four selected provinces, there is no existing MTEF on subnational level in Vietnam. Within the pilot of MTEF, it became clear that provincial budgeting is subordinated and highly dependent on the national MTEF plan and vice versa. When the four provinces have been developed the very first MTEF, four main sectors have been focused on namely, education and training, health, agriculture and rural development as well as transport – sectors that dominated high amounts of public expenditures (Nguyen Thi, 2012: 77). The four provinces were expected to deliver two documents, part A and B, as a result of the MTEF at provincial level underlying guidelines of the MoF (2008). Part A is a document providing general information and an overview consisting:

- *Executive summary* of the implementation of socio-economic development task during previous three years.
- *Economic forecasts* of the province's economy as basis for revenue forecasting covering key macroeconomic variables of coming three year period.
- *Revenue policies and tax forecasts* relevant to the province demonstrating the potential availability of resources for public expenditure over the medium-term.
- *Deficit financing and debt policies* must set out the borrowing plans of the province, which also demonstrates a province's sustainability.
- *Aggregate fiscal framework* is included to provide a province's expenditure over the medium-term considering revenues and borrowings.
- *Expenditure policies and forecasts* are demonstrating the relation of the high-level expenditure policies and priorities of a province and its strategic objectives as well as its expenditure forecasts by sectors and economic classification.
- *Fiscal risks* are determined to identify uncertainties and potential risks of forecasts and fiscal impacts.

Part B is a more detailed document addressing MTEF of sectors- education and training, health, agriculture and rural development, and transport (MoF, 2008):

1. *Scope of submission* – defining what needs to be submitted and all budgetary-using units that the sector encompasses.
2. *Trends and issues* – providing the current situation and environment of the sector and its outlook.
3. *Sector priorities, strategies and policies* – clarifying how the sector is responding to its trends and issues, and sets its priorities accordingly.
4. *Funding* – giving an overview of all funding sources for revenue.
5. *Medium-term expenditure plans* – setting out the expenditure plans of one sector for the medium-term with its constraints and priorities.
6. *Liabilities* – providing the current debt situation of the sector.

Through the piloting of MTEF in four provinces in Vietnam, it made a very first and important step towards a MTEF implementation. In the "Conference for the Review of medium-term expenditure framework piloting" many however many challenges for the pilot MTEF implementation at provincial level have been identified and summarized in the Report No. 45/BC-BTC on 19 June 2008 of the MOF, consisting of:

- Limited capacity for macroeconomic analysis and forecasts at national and provincial level affecting the quality and reliability of forecasts. Despite the facts, that most ministries and provinces have an organ for macroeconomic analysis and forecasts, lack of coherence and coordination, poor information systems in financial management result in inconsistent, inaccurate and fragmented financial data.
- Current mechanisms and policies on public financial management are not harmonising with MTEF. For successful MTEF application, policies addressing performance-based budgeting and accrual basis of accounting are required, however, both is currently not applied in Vietnam.
- Local nature and spread investment. For MTEF to work, it relies highly on effective resource allocation and efficiently budgetary use in key areas of activities and programmes that have pervasive influence on other sectors and regions instead of having the state of pull on resources among sectors, localities, especially the local nature and spread investment.
- Lack of active measures to handle a budget shortfall in balancing between expenditure demands and expenditure ceilings especially in the medium-term plan because expenditure demands always exceeds expenditure ceilings and therefore provinces highly relate on the support of the central government.
- Lack of integration of MTEF work into decision-making. MTEF process is still seen as very technical, information producing process to an information using process for improved decision-making.

Implementing MTEG in Vietnam is a very complex exercise and "therefore requires careful attention to the interface between technical analytical work and decision-making at the political level (Nguyen Thi, 2012: 84).

4. Medium Term Expenditure Framework in Practice

At first glance, Albania, South Korea and South Africa might have little in common with Vietnam, however if seeing under the surface, these three countries share many similarities with the Socialist Republic of Vietnam.

While South Korea is seen as a high-income economy, Albania and South Africa are considered as a middle- and upper income economies, similarly to Vietnam, with a dominating service sector. These countries have made great efforts and experienced major transformations in social, economic and political dimensions. In addition, they are all a strong central government and centralized politics.

In the case of Albania, a great change in political system was made, when after a long communist era, the Socialist Republic was dissolved and a parliamentary republic was established. Despite the post communism, Albania was successful in transitioning towards a capitalist mixed economy. As Vietnam, Albania is divided in smaller counties and municipalities. Its territory is divided in 12 administrative counties and 61 municipalities, which causes similar complexity in the implementation of MTEF.

Unlike Vietnam, South Africa is a multi-ethnic society which is facing the problem of high rate of poverty and unemployment, as well as the increasing gap of income levels considered as a newly industrialized country and an upper middle income economy. However, similar to Vietnam is has a high number of provinces, districts and municipalities that need to be considered in applying MTEF. Even though, South Africa has fewer similarities with Vietnam, it is one of the countries with a more developed medium-term financial planning system; Vietnam can learn many lessons from.

4.1 Albania

Medium-Term Expenditure Framework was firstly introduced during 2001 and 2003, as a piloting “Medium-Term Budget Plan (MTBP)”, parallel to the Government Poverty Reduction Strategy (GPRS). Initially, the piloting covered five pilot sectors: education, health, infrastructure, labor and social affairs, and transport; and was later in 2006 extended to all sectors. MTEF, advocated to the MoF, in Albania was introduced to provide a mechanism for translating policy priorities of the GPRS into budgetary policy and actions aiming for a more realistic macro-fiscal framework for developing GPRS proposals, promote budget transparency and accountability (World Bank, 2012). The basic features of the MTEF consist of a 3-year rolling framework with fixed expenditure ceilings, in which all spending agencies and categories of spending are covered. A macro fiscal framework comprises of a resource envelope and is routinely overestimated due to optimistic revenue forecasts, often revenue shortfalls due to global financial crisis were not acknowledged. The strategic objective of budget allocations was to support GPRS, however budgets, policies, and objectives are not yet well aligned. Even though in Albania, MTEF preparation is the first stage in annual budget cycle and the Mof is in the lead and guided by MTEF steering committee in consultation with interministerial and sector and working groups, the parliament does not approve the MTEF resulting in a lack of sustained political support. Because the MoF is leading the MTEF strongly, it has developed the necessary capacity over time, however spending agencies do no possess the required skills yet. It can be said that with the MTEF, the quality of budgeting in Albania increased, as now budgets are more strategic, budget preparation is cooperative, and fiscal discipline and spending composition have as well improved. Only the optimistic revenue forecasts and budget credibility remain an issue. Further, more attention needs to be paid to complementary budgetary and public financial management reforms, e.g. cash management, procurement, audit, and parliamentary oversight, to create a more reliable and sustainable MTEF.

4.2 South Korea

MTPF in South Korea was piloted in for the first time in 2004. Back then four agencies were participating in the piloting process, namely the Public Procurement Service, National Tax Service, Korea Customs Service, Korea Fair Trade Commission and later in 2005, it was extended to all spending agencies. Prior to MTPF, an informal MTFF was leading fiscal policy and budget formulation. South Korea had championed comprehensive fiscal reform, comprising MTEF performance and management and financial management information system addressing several challenges. The fiscal reform was aiming to change strategic priorities of the government from economic growth towards social welfare, to increase pension and health costs to responding the problem of aging population, as well as addressing the growing complexity of ministerial programs and difficulties controlling spending, and finally deteriorating fiscal sustainability after the Asian crisis. South Korea wanted to establish a new institutional framework to combat the challenges and enhance the effectiveness and transparency of fiscal policy, as the philosophy of the party at that time promoted a decentralized financial system with less participation government. The current MTPF is designed for a 5-year rolling framework, including a budget year, with out year ceilings, which are not binding successive MTEF or budgets. Within the MTPF all central government agencies and categories of spending are covered and broken down by sector or objective. For the medium to long-term planning, instruments exist on the level of the individual ministries but there is no separate planning agency. The whole process of MTEF is under the lead of the Budget Office, a smaller department under the Ministry of Strategy and Finance (MoSF). In the very first step, the Budget Office collects 5-year estimates of the medium-term costs for major programs in order to set their ceilings. Then spending ministries will prepare those budgets and send it to the MoSF. Meanwhile the MosF is preparing the macro fiscal framework and the Tax Office, also an organ of the MoSF, prepares the revenue forecasts. Generally, macroeconomic and fiscal forecasts provide a sound policy framework for budgeting and South Korean top-down approach is well established, providing clear policy guidance (IMF, 2014: 63).

Improvement for South Korea, lies in the identification of risks as they are not well defined nor quantified. Furthermore, the IMF (2014:63) emphasizes its significant portion of government spending through special accounts, extra-budgetary funds, and dedicated revenues, that are not subject to annual review or appropriation. Even though, there is still a lot to improve for the MTEF in South Korea, as it has been instrumental in improving fiscal responsibility and enhancing spending efficiency. Further, MTEF strengthen medium-term perspective in budgeting and planning capacity of spending ministries, maintaining fiscal soundness over medium term.

4.3 South Africa

The background of the introduction of MTEF in South Africa goes back to the post period after the governmental election in 1994 with the president Nelson Mandela, when he faced a number of budgetary challenges, such as fiscal deficits, a need for more efficient reallocation of spending and expenditures, providing social services to the entire population instead of only to white middle class and restructuring public spending and extending it to provinces and local governments (Stevens, 2004). MTEF was firstly introduced in 1997/1998 and was used to define a new fiscal strategy at macroeconomic level with more realistic estimates of tax revenues, better debt service projections and borrowing need as well as an aggregate spending envelope. MTEF was introduced across all ministries in a single year, since then it has been deepened and extended downwards to provinces later on. It concludes a multi - year budgeting in which departments are required to submit program spending proposals for the full 3 year period, that forces them to overlook there balance between wage bill, overhead and capital. Departments are also required to provide an objective for each program, and to specify the targets, mostly outputs, against which progress can be monitored to foster greater efficiency and effectiveness (Stevens, 2004). Further, MTEF combines top down ceiling setting with bottom up formulation of spending proposals and introduced a budget classification instead of keeping the line item format to create budget transparency and prioritize spending linked with objectives (Stevens, 2004). According to Stevens (2004) the budget preparation cycle in South Africa consists of the following:

1. The National Treasury seeks inputs from line ministries on their priorities, through “ministerial letters”.
2. These are consolidated and summarized in a Budget Framework Policy (BFP) paper by the National Treasury describing the ministerial priorities to current economic developments and the consequent fiscal envelope, consistent with the latest macroeconomic forecasts and the cost of servicing debt.
3. The BFP paper is then going to be discussed in a cabinet retreat and in intergovernmental committees, in which the fiscal strategy and spending priorities are agreed and the Medium Term Budget Policy Statement (MTBPS) is prepared and circulated.
4. The MTBPS is tabled in the legislature but not voted upon. Thereafter, budget proposals are called for within three - year ministerial ceilings, which reflect those priorities.

All these measurements create a strong framework for accountable public financial management, including the regular publication of fiscal reports, and annual reports by departments on how they have used public resources. It also institutionalizes the MTEF, and enables accounting officers to manage while at the same time holding them accountable. Overall, the South African MTEF has been highly successful in helping the government to reduce the deficit and borrowing situation. It also greatly helped the government re-prioritize spending, and coordinate better national with subnational spending.

As follows, a summary of the preliminary lessons and characteristics of each country, Albania, South Korea and South Africa, is represented.