MEDIUM TERM EXPENDITURE FRAMEWORK (MTEF)

BUDGETING MANUAL FOR LOCAL GOVERNMENTS IN ZAMBIA

With support from the Zambia-Germany Development Co-operation

February 2009
Forward

The Government of the Republic of Zambia is undertaking various reforms under the overall Public Service Reform Programme (PSRP) in order to improve service delivery by Central and Local Government institutions to the people of Zambia. One of the thematic areas of these reforms is the Public Expenditure Management and Financial Accountability Reforms (PEMFAR) whose main objective is to improve transparency, accountability and tracking of financial resources from the Sub-District Structures, District and Provincial to the National levels.

The Ministry of Local Government and Housing (MLGH) appreciates the importance of planning and budgeting in the management of financial resources to enhance efficient and effective service delivery by Local Governments established under the Local Government Act (Cap 281 of the Laws of Zambia).

Despite Local Governments being introduced to the Activity Based Budgeting (ABB) system in 2004, they however continued to prepare their budgets in an incremental line item method. The incremental line item budgets were prepared according to an annual cycle without taking into consideration events outside the annual cycle particularly the expected revenues and the longer term needs of the Local Governments spending policies.

It is against this background that the Government decided to extend the MTEF/ABB budgeting to Local Government. Under the MTEF, each Local Government will be expected to identify programmes with their three/five year strategic plan instead of a one year budget. The Budget will then be based on the activities identified per each programme chosen for the three /five year period. In this regard, the Ministry of Local Government and Housing (MLGH) through the assistance rendered by the Germany Technical Co-operation to Zambia (GTZ) commissioned a consultancy to prepare a user friendly Medium Term Expenditure Framework/Activity Based Budgeting/ (MTEF/ABB) Manual for use by Local Governments in Zambia.

I have no doubt that Local Governments will find this MTEF/ABB Budgeting Manual very useful in the preparation of realistic and attainable budgets. It is therefore imperative that the staff in the Planning, Finance and other departments have to apply the principles contained in this manual to the Local Government’s Planning and Budgeting process. The Manual should be used together with the Local Government Finance and Audits Manuals.

My Ministry and other stakeholders expect the implementation of the MTEF /ABB principles to the planning and budgeting process to go a long way in improving the capacities of Local Governments to prioritize their limited local resources to enhance efficiency in service delivery to the competing needs of the communities.

Hon. Benny Tetamashimba MP
MINISTER OF LOCAL GOVERNMENT AND HOUSING

February 2009
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Stephen Gumboh
MTEF/ABB Budget Manual Consultant

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<th>Description</th>
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<tbody>
<tr>
<td>ABB</td>
<td>Activity Based Budgeting</td>
</tr>
<tr>
<td>ACF</td>
<td>Activity Costing Form</td>
</tr>
<tr>
<td>AWPB</td>
<td>Annual Work Plan and Budget</td>
</tr>
<tr>
<td>BG</td>
<td>Budget Guidelines</td>
</tr>
<tr>
<td>BFP</td>
<td>Budget Framework Paper</td>
</tr>
<tr>
<td>CBO</td>
<td>Community Bases Organization</td>
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<tr>
<td>COA</td>
<td>Chart of Accounts</td>
</tr>
<tr>
<td>DPO</td>
<td>District Planning Officer</td>
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<tr>
<td>GDP</td>
<td>Gross Domestic Product</td>
</tr>
<tr>
<td>GRZ</td>
<td>Government of the Republic Of Zambia</td>
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<tr>
<td>FNDP</td>
<td>Fifth National Development Plan</td>
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<tr>
<td>FMS</td>
<td>Financial Management System</td>
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<tr>
<td>IMF</td>
<td>International Monetary Fund</td>
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<td>BMT</td>
<td>Budget Management Team</td>
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<tr>
<td>MTEF</td>
<td>Medium Term Expenditure Framework</td>
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<tr>
<td>MLGH</td>
<td>Ministry of Local Government and Housing</td>
</tr>
<tr>
<td>MPSA</td>
<td>Ministries, Provinces and Spending Agencies</td>
</tr>
<tr>
<td>NDP</td>
<td>National Development Plan</td>
</tr>
<tr>
<td>NGO</td>
<td>Non-Governmental Organization</td>
</tr>
<tr>
<td>PSF</td>
<td>Programme Summary Form</td>
</tr>
<tr>
<td>PLGO</td>
<td>Provincial Local Government Officer</td>
</tr>
<tr>
<td>PE</td>
<td>Personnel Emoluments</td>
</tr>
<tr>
<td>PEM</td>
<td>Public Expenditure Management</td>
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<td>ZRA</td>
<td>Zambia Revenue Authority</td>
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Introduction

I.I Public Expenditure Management (PEM) Cycle

The Medium Term Expenditure Framework (MTEF) shall be seen in the context of the overall PEM cycle as illustrated in the figure below. Although the MTEF process covers only the first three stages in the cycle, the improvements to planning and budgeting have to be carried over into the other stages of budget execution i.e. budget implementation and control, monitoring and accounting and evaluation and audit.

Public Expenditure Management Cycle

1. Policy Analysis and Review
   - Review of the MTEF budgets
   - Identification and estimation of the expenditure implications of agreed policies.

2. Resource Projections and Allocation
   - Total resources are projected
   - Three year ceilings (broad based and integrated) are updated

3. Strategic Planning and Budget Preparation
   - Strategic plans are reviewed through stakeholder and SWOT analysis.
   - Institutions’s budgets are prepared based on the strategic plans

4. Budget Implementation and Control
   - Work plans and Cash flow forecasts (resource requirements schedule) are prepared
   - Institutions begin spending

5. Evaluation and Audit
   - Perform variance analysis between planned and actual revenues and expenditures (activities, results and objectives) to evaluate budget

5. Monitoring and Accounting
   - Ensure funds are spent and results produced within plans and budget
   - Ensure revenues are collected as planned
   - Identify budget implementation problems

For an effective MTEF, all the stages in the PEM need to be carried out. Thus with the MTEF, all plans need to be based on an analysis of the results of implementing previous budgets.
I.II Overview of MTEF

In its simplest form, the MTEF is defined as a multi-year, integrated, broad based and performance-oriented budgeting process:

- **Multi-Year** – this is a departure from single year budgeting to three (3) year budgeting.
- **Integrated** – the process integrates both local and donor resources and recurrent and development (i.e. capital) expenditures so that the recurrent costs arising from new capital projects can be programmed for once the capital project is completed and operations starts.
- **Broad-Based** – this involves the multi-sectoral allocation of resources.
- **Performance-Oriented** – the process is based on agreed and targeted levels of deliverables drawn from Local Governments’ strategic plans.

In other words, it is a framework within which available resources (both local and donor) are divided between sectors on the basis of achieving government objectives. It can also be described as a process for matching limited resources with unlimited needs. It is called “medium-term” because it projects budget data for the budget year \( (n) \) and for following two years \( (n+1 \text{ and } n+2) \).

In summary, the MTEF can be seen as a four stage process of “top down” and “bottom up” procedures as follows:

**Top Down**

- Projecting total resources available to support Local Government’s expenditure programmes for a three year period, from both domestic and donor sources (as well as from prudent borrowing).
- Dividing these resources between sectors and individual Local Government on the basis of government priorities and policies.

**Bottom Up**

- Individual Local Government estimating the costs of implementing policy and achieving agreed outputs through the preparation of three year, integrated, performance based budgets.
- Providing this information back to the Ministry of Local Government and Housing so that adjustments in the allocations between sectors and Local Government are based on the costs of implementing priority policies and programmes.

I.III Key Principles of MTEF

The MTEF is based on the following principles:

- Local Governments operate within the known revenue base
- A performance basis is introduced into budget preparation and implementation,
• The Local Government’s mission, objectives and outputs form the basis of the budget
• Local Governments have to prioritize between competing demands
• Greater emphasis is on service delivery and meeting the needs of priority stakeholders
• Implementation of budgets should follow priorities set in the budget preparation.

I.IV Key Features of an effective MTEF

An MTEF is a process through which scarce resources are allocated to priorities areas. The process to be effective requires:

• **Willingness by the political leadership and donors** to allocate and reallocate resources in line with agreed priorities. Political leadership and donors have to make difficult decisions on reallocation of resources and then abide by these decisions in the implementation of the budget.

• **Development of detailed and comprehensive information** on the costs of policy needs including data on all donor funds, so that meaningful decisions on reallocations between sectors can be made. This increases transparency on where funds are to be spent and the purpose for which they are to be spent. Increased transparency means that politicians and the general public can begin to ask questions about the allocation and effectiveness of public funds.

• **An interactive process of linking Strategic Plans and National Development Plans to the budget.** Budget estimates should reflect the costs of activities as defined in the plan and if resources are insufficient to implement all activities, the plans should be modified to include only those affordable activities.

• **Forward planning of activities and expenditures** - Local Governments prepare forward estimates of expenditure so that they can plan for the most effective and efficient use of all resources over the medium term.

• **Predictability in flow of funds** - For Local Governments to make effective and efficient use of resources they need assurance that they will receive funds as planned, allowing for changes in the macroeconomic situation that may necessitate changes in the overall level of resources.

• **Authority for better allocation and use of resources** – Local Governments need to have the authority to use resources in the most efficient and effective manner.

• **Accountability** - Local Governments should be held accountable for living within their agreed budget allocations and for producing the agreed outputs (numbers of pupils to be taught) leading to the agreed outcomes (improvements in the level of education). This will differ from the previous focus on the use of inputs. Effective incentive and sanctions frameworks need to be in place to ensure accountability.
• The development of Local Government structures - The development of Local Government structures and responsibilities will have an impact on the operation of the MTEF process and the roles of Local Government and the links between central and Local Government need to be clearly defined.

I.V MTEF as a Management Tool

MTEF can be used as a management tool for all Local Governments in that:
  • It involves senior management in the budget process
  • It can be used to assess whether the activities are the most effective means of achieving objectives
  • It can be used to assess the cost effectiveness (greatest impact for least cost) and cost efficiency (greatest output for least cost) of institution’s operations and activities
  • Local Governments move away from the shopping list approach (starting from the costing of inputs) to performance budgeting (planning the costs of outputs and activities linked to objectives)
  • Management considers all expenditures (Recurrent and Capital) and resources at their disposal i.e. local and donor.
  • Management is able to plan ahead for achievement of objectives, rather than attempting to implement all activities in one year
  • Management is able to plan for service activities arising from new investment

I.VI Purpose of the Manual

This manual is designed to assist Local Governments to prepare MTEF budgets so that the programmes and activities they budget for annually are set in a multi-year framework that is linked to the priorities in the strategic plans, adjusted for any revisions there may be in the estimated level of resources available. The manual presents the MTEF processes and technical requirements for preparing Local Government budgets in an ABB format. This manual is intended for officers involved in the planning and budgeting in Local Governments.

I.VII Structure of the Manual

The manual has eight chapters. Chapter 1 looks at the MTEF approach for Local Government in Zambia. Chapter 2 looks at the Management of the MTEF process in Local Governments. Chapter 3 considers the MTEF policy analysis and determination and allocation of resources. Chapter 4 explains the MTEF Performance Budget Reviews. Chapter 5 provides an explanation on the MTEF strategic framework. Chapter 6 presents the MTEF budget submission process. Chapter 7 covers the MTEF budget implementation process. Chapter 8 looks at MTEF monitoring, evaluation and reporting.
Chapter 1

MTEF Approach for Local Governments in Zambia

1.0 Purpose for the Chapter

The chapter provides the background to the introduction of the MTEF in the budgeting process in Zambia. The objectives and benefits of the MTEF to Local Government are explained in the chapter.

1.1 MTEF Process in Zambia

The Medium Term Expenditure Framework (MTEF) was adopted by the Government of Zambia in 2004. It was adopted as a budgeting mechanism to correct the many deficiencies of the incremental system of budgeting. In the incremental line item budgeting, the recurrent budgets were presented on a line item basis showing the types of expenditures (i.e. salaries and wages, fuel, oil and lubricants, stationery etc.), while the capital budget was presented by project. The difficulty with this type of budgeting was that the budget documents did not present any further information on budget allocations.

The major deficiency of such type of budgeting was the optimism of annual budgets in relation to resource availability and implementation capacity. Furthermore, the goals, objectives, outputs and allocations in national planning documents were not adequately considered in the annual budgeting and implementation cycle. Lack of effective prioritization of programmes and expenditures related to prioritized goals and objectives in planning documents also led to wide gaps between plans and actual achievement. The reason to adopt the MTEF by government was aimed at addressing deficiencies in the incremental line item budgeting as stated above.

Since the inception of the MTEF in government’s budget formulation process, the process had only been limited to Central Government i.e. Ministries, Provinces and Spending Agencies (MPSAs). In the fifth year of implementing the MTEF budget at Central Government level, the Government decided to extend the MTEF budget formulation process to the Local Government to enhance budgetary efficiency at that level.

In the context of this manual, Local Governments will mean “Councils” as defined in the Local Government Act of Zambia. In this sense, a Local Government will mean a City Council, Municipal Council or District Council.

1.2 Why MTEF for Local Governments in Zambia?

Local Governments were first introduced to the ABB principles in 2004. However, not all Local Governments have been able to set their budgets in that context properly. This was due to differences in understanding of what activity based budgeting consisted of and as such continued implementing an extended version of the incremental line item budgeting. These incremental budgets continued to be prepared according to an annual cycle without taking into consideration events outside the annual cycle particularly the expected revenues, and the longer-term needs of Local Government’s spending policies.
Further, most of the Local Governments, despite having strategic plans, district development plans or integrated development plans of three to five years duration in place, did not make a direct connection between their strategic plans, district development plans or integrated development plans and the preparation of their perceived activity based budgets and their day-to-day activities.

For budgets to be formulated well and to contribute to high-quality and sustainable services, they must take into account such events as stated above. This is why annual budgeting cannot be performed properly in isolation but has to be linked to planning, in the context of a multi-year framework. This is where MTEF for Local Governments fits in.

1.3 MTEF “Classic” Objectives

The major aim of introducing MTEF into the Central Government budgeting process is to achieve the three “classic” objectives of an MTEF which are:

1. **Overall fiscal discipline** – this is to be achieved by ensuring that overall budget planning is undertaken within the context of a fiscal framework that provide a realistic estimate of available resources over the medium term;
2. **Allocative efficiency**- this is to be achieved by improving the allocation of public resources to Local government’s strategic priorities as identified in medium term planning documents; and
3. **Operational efficiency** – this is to be achieved by ensuring that the best way of achieving the objectives of these priority areas are attained by the adoption of Activity Based Budgeting (ABB)

1.4 Benefits of MTEF to Local Governments

In contrast to the incremental line item budgeting, MTEF will provide the following expected benefits to Local Governments in their budget planning and formulation:

- The budget will be set within a three year framework including all resources both local and donor;
- Projections will be made for all types of expenditure, both statutory and discretionary within the framework;
- Local Governments will make clear trade-offs between service delivery areas based on clearly defined priorities;
- Local Governments will develop comprehensive plans focused on achieving agreed objectives and outputs(targets), including both local and donor resources;
- Local Governments will be able to prioritize their activities to fit within the ceilings, moving away from the shopping list approach;
- Local Governments will increase focus on performance and improving service delivery.

1.5 Stages in MTEF Process

The MTEF approach for Local Government will follow the principles of the PEM as outlined in 1.4 above. It is a combination of a top down and bottom up process.
Taking the first three steps of the PEM (Policy analysis and review, resource projections and sectoral allocation and strategic planning and budget preparation), an outline of the key stages to be followed in the MTEF process is given in figure 1.1 below:

Figure 1.1: Stages in the MTEF Process for Local Government

Detailed steps followed in the MTEF Budget process are:

**Stage One: Formulation and Issuance of the MTEF budget guideline**
- MLGH analyses the MTEF budget guidelines as issued by the MoFNP;
- MLGH re-issues the MTEF budget guidelines to Local Governments;

**Stage Two: Departmental Review Process**
- Departments review their budget performance for the past year;
- Departments submit the review reports to the Local Government treasury as an input into the budget guidelines to be issued.

**Stage Three: Budget Guidelines**
- Inputs from Departmental reviews are consolidated with into proposals for departmental ceilings for the MTEF period to be presented to the Budget Management Team in a budget document for discussion and approval;
- Budget Guidelines sent to Departments to guide preparation of MTEF budget.
Stage Four: Departmental Budget Framework Papers and MTEF Budget Estimates

- Departments prepare budget framework papers (BFPs) including departmental goals and outcomes, to which the Local Government policy framework, objectives, programmes, outputs and activities are linked;
- Departments cost activities for three-year period and prioritize them to fit within ceilings;
- Departments identify issues that need to be resolved;
- Technical Scrutiny of departmental BFPs and MTEF budget estimates with Local Government Budget Management Teams (BMTs).

Stage Five: Finalization of the BFPs and MTEF Budget Estimates

- Departments update their BFPs and MTEF budget estimates in cooperating comments from the BMT;
- Local Government treasury consolidates departmental BFPs and MTEF budget estimates into the Local Government budget document;
- MTEF budget document is submitted to the Finance and General Purposes committee of the Local Government for;
- Local Government finalize its annual budget and forward estimates based on comments of the Finance and General Purposes committee;
- Finalization of MTEF document and annual estimates by Local Government treasury;
- Budget hearings held with the Provincial Local Government Officer (PLGO) to agree on the budget objectives and priority programmes;
- Submission of the Local Government’s MTEF document and Annual estimates to full Council;
- Adoption of the Local Government’s MTEF document and annual estimates by full Council;
- Review of the MTEF document and annual estimates in MLGH and presentation to the Minister for approval.

1.6 Summary

This chapter provided a brief description of the MTEF budget process in Local Governments and the procedures to be followed in the process.
Chapter 2

Management of the MTEF Process in Local Governments

2.0 Purpose of the Chapter

The chapter looks at how the management of the MTEF budget process in Local Governments will be done. These roles of the key players in the budget process are then streamlined to the MTEF process.

2.1 Budget Process in Local Governments

According to the provision in the Local Government Act (LGA) Cap 281, section 39, Local Governments are required to prepare their estimates of revenue and expenditures at least sixty (60) days before the commencement of the financial year to which the estimates relate and submit such estimates for the approval of the Minister. The general process of budgeting is provided in tabular form in table 2.1 below:

Table 2.1: Budgeting Process in Local Governments

<table>
<thead>
<tr>
<th>Activity</th>
<th>Responsibility</th>
<th>Time frame</th>
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</thead>
<tbody>
<tr>
<td>Issuance of budget guidelines</td>
<td>MLGH</td>
<td>June</td>
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<tr>
<td>Interpretation of the budget guidelines and re-issuance to Chief Officers/Departmental Heads with expenditures ceilings</td>
<td>Director of Finance/ District Treasurer</td>
<td>June</td>
</tr>
<tr>
<td>Preparation of detailed departmental AWPB</td>
<td>Chief Officers/Departmental Heads</td>
<td>July</td>
</tr>
<tr>
<td>Submission of departmental AWPB to Director of Finance/ District Treasurer</td>
<td>Chief Officers/Departmental Heads</td>
<td>August</td>
</tr>
<tr>
<td>Consolidation of the section, departmental and committee budgets</td>
<td>Director of Finance/ District Treasurer</td>
<td>August</td>
</tr>
<tr>
<td>Submission of departmental AWPB to Standing Committees for adoption and modification</td>
<td>Chief Officers/Departmental Heads</td>
<td>August</td>
</tr>
<tr>
<td>Balancing the Consolidated Local Government budget</td>
<td>Chief Officers/Departmental Heads</td>
<td>August</td>
</tr>
<tr>
<td>Submission of Local Government AWPB to Finance and General Purposes Standing Committees of the Local Government for adoption and modification</td>
<td>Town Clerk/Council Secretary</td>
<td>September</td>
</tr>
<tr>
<td>Adoption and modification of Local Government AWPB</td>
<td>Finance and General Purposes Standing Committees of the Local Government</td>
<td>September</td>
</tr>
<tr>
<td>Submission of Local Government AWPB to Full Council for approval</td>
<td>Town Clerk/Council Secretary</td>
<td>October</td>
</tr>
<tr>
<td>Approval of Local Government AWPB</td>
<td>Full Council</td>
<td>October</td>
</tr>
<tr>
<td>Submission of the Local Government AWPB to MLGH minister for Final Approval</td>
<td>Town Clerk/Council Secretary</td>
<td>October</td>
</tr>
<tr>
<td>Approval of the Local Government AWPB</td>
<td>MLGH Minister</td>
<td>November - December</td>
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</table>
2.2 Local Government Budget Management Team (BMT)

Arising from the structural set up of the MTEF process, it is imperative that the budget management process in Local Governments is streamlined to suit the requirement of the MTEF process. A specific group needs to be fully responsible for the MTEF implementation at all levels of Local Government. This is to ensure that the MTEF process achieve its objectives through effective management and co-ordination. The formation of MTEF Budget Management Teams (BMTs) in each Local Government is to ensure that the team takes the responsibility to prepare and manage the MTEF budget at Local Government level.

2.2.1 Specific Roles of the BMT

The BMTs are expected to perform the specific roles as outlined below:

- To divide the total Local Government resources between the various departments based on the priorities set out in the strategic and/or development plans;
- To ensure that the Local Government’s Budget Framework Paper and three – year estimates are prepared in line with the budget guidelines provided by MLGH;
- To ensure that departments prepare annual work plans and quarterly funding profiles for submission to Local Government treasury.

2.2.2 Composition of the BMT

All departmental heads in each Local Government should form the BMT. To ensure consistent and effective co-ordination of the MTEF Budget Process at Local Government level, the Chief Executive Officer of the Local Government should be the chairperson of the BMT with the Director of Finance/District Treasurer as Secretary.

For the effective management of the MTEF process at Local Government level, it is expected that senior management and all other affected personnel will have full commitment to the process.

2.3 Roles of the Chief Executive Officer of the Local Government

The primary roles of the Chief Executive Officers of the Local Government (Town clerk/Council Secretary) in the MTEF budget process are:

i. Supervising the preparation of the budget plan and budget.
ii. Ensuring the plans and budgets are prepared in a participatory manner from grassroots to the district levels.
iii. Ensuring the plans and budgets are prepared in accordance with the guidelines and policies; and obtain approval from the relevant authorities within the Local Government.
vi. Giving clear guidance on the Local Government’s priorities in line with the government policies.
v. Ensuring that adequate explanations and justifications are provided with regard to planned revenues and/or expenditures stating the objectives, programmes and activities involved, expected output and financial implications.
vi. Ensuring that the budget estimates are realistic and accurate and include all foreseeable revenues and expenditures.

vii. Ensuring that the Local Government’s budget committee is effective and efficient.

2.4 Roles of Departmental Heads in the MTEF Process

At the specific level of the Local Government, the departmental heads are assigned with the responsibility of managing the MTEF budget. This is the second level to the BMT.

Such person(s) are responsible for the following:

i. To coordinate the preparation of the departmental budget.

ii. To ensure that the cost of departmental programme/activities do not exceed the level of departmental ceilings decided by the BMT for the next budget year.

iii. To set up realistic priorities within the programme’s activities and ensure that next year’s delivery of services through well defined outputs can correspond to the needs of the stakeholders, equitably and be delivered efficiently and effectively.

iv. To coordinate the preparation of performance monitoring reports, quarterly reports and annual performance reports aimed at measuring the performance of the activities implemented through the departmental programmes. Results must be provided at the output level and measured with performance already identified during the initial budget planning process.

2.5 Roles of the Local Government Finance and General Purpose Committee in the Budget Process

The Finance and General Purposes Committee of the Local Government is set in the standing Orders of the Local Government. The main responsibilities of the Committee among others are:

- To look at all the financial aspects of all Local Government operations;
- To source for funds for Local Government projects and operations;
- Carry out tasks as outlined by the Standing Orders under the powers and duties of the Finance and General Purposes Committee.

(Refer to page 32 of the Council Standing Orders)

2.6 Roles of the PLGO in the MTEF Budget Process

The main roles of the PLGO are to:

- Review the Local Government budget document in line with the Budget guidelines from the MLGH;
- Consult other stakeholders on the budget priorities;
- Hold budget hearings with the Local Government treasury to agree on the objectives and priority programmes;
- After receiving inputs from stakeholders and outcome of the budget hearings, refer back the Local Government budget document to Local Government standing
committee of Finance and General Purposes, to incorporate advice and provide explanation for or against any observations made.

2.7 Stakeholder Roles in the MTEF Process

In the context of this manual, the term stakeholder is used to mean persons, institutions, organizations and groups of people who have either a direct or indirect relationship/interest to the budgeting process and activities thereof at any or all levels of the Local Government’s structure. Stakeholder participation in the MTEF budget process has a lot of benefits to the Local Government and the general public.

Some of the benefits to the Local Government that could be derived from the stakeholder participation in the budget process are:

- **Increases public ownership** - enhances the spirit of oneness and public ownership of development programs and projects
- **Leads to the creation of a common vision** - promote the creation of a common vision and understanding which in turn leads to the appreciation of Local Government’s challenges.
- **Facilitates capacity building** - Stakeholders begin to understand how the particular Local Government works since they are exposed to the skills and knowledge related to budgets and budgeting. They also get to know their rights and obligations as stakeholders.
- **Enhances political legitimacy and support from the stakeholders** - the engagement of stakeholders in the budget decision making process enables the Local Government to respond to needs that are relevant to the stakeholders. The stakeholders are in a position to understand the capacity and constraints of the Local Government with regard to provision of services and development. Increased legitimacy also enhances the possibilities of the creation of lasting partnerships between the Local Government and its stakeholders. In other words it helps to establish an atmosphere of trust and confidence between the Local Government and its stakeholders.
- **Matches priorities to available resources** – it also articulates participatory strategic planning processes and their implementation, whilst at the same time also assisting Local Government to match priorities approved with available resources.
- **Increased interest in monitoring and evaluation of development projects** - Where stakeholders are not part of the decision making process, they often lack interest in getting to know the results. Where they are involved, they are the 'eyes and ears of Local Government" with regard to progress and results of development programs. This ensures that: (a) project implementation is on target, (b) resources are applied in accordance with agreements, and (c) quality control is in place. This ultimately assists in guarding against abuse of public office and resources.

To the stakeholder, some of the benefits to their participation in the budgetary process are:

- **Improved democratic governance** - Democracy gives stakeholders a say in matters that concern them. Their participation in the budgetary process enhances accountability and transparency in public finance management.
Empowerments to stakeholders – stakeholders at all levels are able to be empowered with vital information. Thus, they are able to meaningfully participate in decision and budgetary making processes including the identification of development projects.

Enhances communication and information sharing - channels of communication are enhanced through feedback meetings. Parliamentarians take information from constituents to Parliament and then feedback is provided to them.

Deepening stakeholder participation in the budgetary process allows them to participate in the entire cycle of budgeting and implementation, monitoring and evaluation of development projects and the management of public resources. The benefits above are the more reasons why the Local Governments are expected to embrace stakeholder participation in the budget process.

2.8 Ownership of the MTEF Process

In order for this MTEF budgeting process to work successfully, it is imperative that the Local Government Chief Executive and the entire management team are fully involved. This involvement means initiating actions according to the annual planning and budgeting process, described in detail in this manual. It also requires active participation from these key players in order to encourage sound thinking from the technical personnel involved. If this can be achieved then the process should yield the required results.

2.9 Summary

This chapter provided a brief description of the budget process in Local Governments and the procedures followed. The roles of the main actors in the planning and budget preparation and management in the Local Governments were also outlined and were then streamlined to the MTEF process.
Chapter 3

MTEF Policy Analysis and Determination and Allocation of Resources

3.0 Purpose of the Chapter

The chapter explains the first and second stage in the MTEF process. The chapter considers the Policy analysis in the MTEF process and the determination and allocation of resources in Local Governments.

3.1 MTEF Policy Analysis

As earlier stated, the MTEF process is iterative top-down and bottom-up, in the sense that while the policy framework is being developed at the top (MLGH), this allows for policy reviews by the Local Governments at the bottom level.

The policy review process in Local Governments is to start with the update of their Strategic Plans, by reviewing outcomes, objectives, outputs, and activities as the logical framework of their budgets. However, the details of the review process are outside the scope of the manual.

3.1.1 Purpose of Policy Reviews

The main purpose of the policy review is for Local Governments to update and justify their broad expenditure requirements for the coming year. The economic analysis of expenditure is also to be undertaken by Local Governments during policy reviews to identify areas of overlap and duplication, while enforcing collaboration between Local Governments. After reviewing their strategic plans, Local Governments will prioritize their activities under each output and cost them within the resource allocations, at the activity level.

3.1.2 Policy Review Meetings

At the policy meetings with the Ministry of Local Government and Housing, policy issues are to be discussed and considered or agreed to. The issues agreed to are to be taken into consideration in the determination of the MTEF Budgets. The details of the policy analysis and reviews will a subject of the development of strategic plans, which is outside the scope of this manual.

3.2 Determination and Allocation of Resources in Local Governments

Local Governments are one of the key stakeholders for enhancing governance, development and poverty alleviation in the communities they serve. They are charged to effectively mobilize and allocate the public resources under their budgets in order to effectively provide local level priorities as well as support the implementation of the aforementioned national programmes.
3.2.1 Sources of Local Governments Revenues

The financial provisions for Local Governments are contained in part VI of the Local Government Act, chapter 251 of the laws of Zambia. There are various other laws that have financial implications for the Local Governments among which are the rating act, the trade licensing act and the personal levy act etc.

The three main revenue sources are
1. Locally generated revenues,
2. Transfers from central government and
3. Loans from financial institutions (domestic borrowings).

1. Locally generated revenues

Locally generated revenues are own source revenues generated from revenue bases within the Local Government. Locally generated revenues are critically important in order to enhance local accountability between Local Governments and their residents and improve efficiency in budget allocation. The main ones include monies derived from property rates, ground rent, levies and licenses, commercial undertakings and service charges etc.

i. **Property Rates** – These are annual payments on the ratable value (theoretical ratable value) of occupied land and buildings. They are generally paid by the owner. Government or private valuers are hired by the Local Government and they value business and individual property for rating and produce, for each property a ratable value.

ii. **Personal Levy** – This is a statutory contribution of workers under lawful and gainful employment within the jurisdiction of the Local Government. Workers contribute a fixed percentage of their annual salary to the Local Government.

iii. **Trade license fees** - Trade licensing is governed by the Trade Licensing Act Cap 393. Local Governments are empowered to regulate and mobilize revenue from Zambian owned businesses operating within the jurisdiction of the Local Governments. According to statutory Instrument no 125 of 2008, there are fourteen types of trading licenses some of which are: wholesalers, traveling wholesalers, retailers, commercial travelers, agents, travel agents, auctioneers and forwarding agents liquor, retail trading, manufacturing, market levy, etc.

iv. **Market fees** – These are essentially user charges to provide better services in the markets and to the communities.

v. **Commercial undertakings** – These are revenues that the Local Governments collect by operating rest houses, bottle stores and bars, hiring out of vehicles and halls, etc as profit making ventures.

vi. **Interest income** - Interest earnings are governed by the Local Government Act and financial regulations and are controlled through the Local Government’s treasury management function.

vii. **Other receipts** – These are miscellaneous receipts that come in by way of fee-paying for graves, billboards and burial permits etc.
2. Transfers from Central Government

Government grants are transfers from the central government to meet recurrent and development cost of providing services in Local Governments. The grants are either general purpose (unconditional) or specific purpose (conditional).

i. General purpose grants (unconditional)

The General Purpose Fund (GPF) is the main unconditional grant to Local Governments. The general fund is used to finance the provision of goods and services.

ii. Specific purpose grants (conditional)

Under section 45 (1) of Local Government Act Cap 251, the Minister of Local Government and Housing may, on such terms and conditions as may be determine, make constituency development grants or loans of money to a Local Government for the purposes of the discharge by the Local Government of any of its functions. Further under 45 (2), any constituency development grant or loan made by the Minister shall be paid out of the moneys appropriated by Parliament for the purpose.

Section 45 (3) of Local Government Act stipulates the specific grants that the Government is expected to make to Local Governments such as for:

a) Water and Sanitation;
b) Health Services;
c) Fire services;
d) Road Services;
e) Police Services;
f) Primary Education;
g) Agriculture Services.

The mechanisms and appropriate guidelines are annually provided to Local Governments by the MLGH.

3. Domestic Borrowing

In addition, sections 47, 48 and 49 of the Local Government Act give Local Governments the authority to borrow sums of money as may be required for the purpose of discharging its functions in all or any of the following ways:

- By the minister making constituency development grants or loan of money to a Local Government for the purpose of the discharge by the Local Government of any of its functions,
- By issue of stock or bonds,
- By mortgage,
- By temporary loan overdraft from a bank or other sources,
- By loan from any other source.
4. NGO and other Donor Funds

Notwithstanding the provisions stipulated above, article 45 of the act state that no Local Government shall borrow money or receive grant of money from a foreign government or foreign organization.

- However, NGOs and some donors may support specific activity or development projects in Local Government.

3.3 Revenue Estimating and Forecasting for the MTEF Period

Revenue estimation is an important aspect for Local Governments in the MTEF budgeting process. Preparing an MTEF budget requires a Local Government to make a reasonable estimate of how much revenue will be available for spending in the MTEF period.

3.3.1 Estimating Locally Generated Revenues

The logic in estimating revenue is to determine how much revenue a Local Government is capable of generating if it puts in its best efforts to exploit the potential given prevailing constraints (internal and external). It requires the Local Government to:

i. Clearly understand its revenue bases (what are included, what are exempted) – what is the revenue base?

ii. Estimate the revenue potential from the bases – what revenue would accrue if the Local Government uses best efforts and effective rates/charges.

iii. Compare the estimated revenue potential with current performance – this requires that the Local Government maintains complete data on revenues collected by source.

iv. Develop achievable strategies that will be implemented in the budget year to realize growth in revenues from the various bases.

v. Set target performance (determine the percentage increase for each revenue type). Determine the forecasted revenue by subjecting the current collection to grow by the percentage imputed.

1. Estimating Revenues from markets, commercial undertakings, property rates and trade licenses.

Estimating revenues from markets, commercial undertakings, property rates and trade licenses will depend on the particular venture and the prevailing situations at the time.

Generally, the steps below may be followed:

Step 1: Review and update the inventory of all revenue ventures in the Local Government

The inventory could be reviewed and updated by doing the following:

i. Compiling a list of all the markets and the schedule of market fees by various categories and then assembling the data on revenue collection from each market for the closing year;

ii. Updating the Valuation roll for all properties within the jurisdiction of the Local Government;
iii. Specifying, for each commercial undertaking, the capacity of the venture and particular use of the venture; the location of the facility; what class of users are attracted – high, medium or low; the business patterns and seasonal fluctuations common in the venture; the market rates that other ventures of a similar size and comparable location managed in a competitive manner charge and problems that have been affecting operation in the previous year.

iv. Updating the trade licenses register in a comprehensive manner to capture all businesses operating within the Local Government’s jurisdiction. The register may be updated at least every quarter to take into account new businesses. Businesses should be classified by:
   - Categories i.e. transport, retail trading or manufacturing etc.
   - Sizes e.g. staff numbers, sales turnover etc, and
   - Locations i.e. urban or rural etc.

Step 2: Estimate revenue potential from the markets, commercial undertakings, property rates and trade licenses.

i. For markets, information collected through market surveys in the course of the year may be used to determine the potential revenue from ticket sales, stall rentals or trading licenses payable in the markets. This can be done by:
   - Adding all the data from the various surveys in the year and dividing by the number of surveys conducted to determine the weekly average collection;
   - Multiplying the weekly average collection by 52 (number of weeks in a year) to derive the estimated annual collection (potential revenue)

ii. For property rates, the potential revenue could be estimated by:
   - Establishing the assessed values of the properties as contained in the rolls and then grouping them according to applicable classes of properties or areas for which different rates apply. This is taking into consideration the exempted properties, government properties and properties that qualify for remission.
   - Establishing the values of properties and land in areas that have not yet been declared ratable or which have not been assessed or which are not assessable but from which a fixed sum is presently being levied.
   - Determining the rates that will be applicable in the budget year.
   - Estimating the revenue potential from property rates by multiplying the assessed values of properties (different categories where applicable) by the expected rates and then adding them up.

iii. For commercial ventures, the estimate for potential revenue could be done by projecting the monthly and annual revenues from each of these ventures and then multiplying the capacity of the venture by the prevailing market rates that similar ventures in the same use are capable of generating.

iv. For trade licensing, the estimate could be done by first establishing the current stock of categorized businesses from the updated register by multiplying the current stock by the rate by which businesses are estimated to grow. The revenue potential could be estimated by multiplying the estimated stock (in the different categories) by the expected fees and adding them up.
Step 3: Compare current level of collection with the potential revenue

For each category compare the current level of collection with the estimated potential and establish why performance is poor. List all the possible reasons and where necessary consult, user, business communities, property owners – who generally appreciate property rates as a benefit tax.

Step 4: Develop achievable strategies for improving revenue in the MTEF period

For each of the reasons constraining revenue performance, propose what the Local Government would do in the year as a remedy, develop an action plan for effecting the proposal. The strategy should be realistic and achievable – take into account circumstances beyond the control of the Local Government within the budget year.

Step 5 Set revenue target to be attained in the MTEF period

Using the strategy developed, the Local Government Treasury could be in a position to set a target to be attained (over and above the current collection taking into account inflation) during the budget year.

Using the same concepts, estimates for revenues for other sources that have not been discussed above could be done.

3.3.2 Estimating Government grants

In consideration that the Local Government budget has to be submitted and approved by December of each budget year, Local Governments need only to include the most possible grants such as the constituency development funds (CDF) and donor project funds. The other expected grants may only be communicated to Local Governments by the MLGH after the parliamentary approval of the Central Government budget.

3.3.3 Estimating donor funds

Estimates of direct funding to Local Governments from donors should be based on the mutual agreement with the respective donors. Such agreements would spell out the mechanism and agreed amounts to be spent in a particular year.

3.4 Developing Broad Expenditure Allocations

Once the total resources are estimated, including donor inflows, the next stage for Local Government is to provide for:

- Statutory expenditures, i.e. those expenditures for which Local Government has a legal obligation. These include debt payments, pensions, ZRA, personal levy and earmarked revenues for special funds.
- Contractual commitments for the payment of personnel (until retirement and pension entitlements after that)
- Domestic arrears and, in some cases, contracts for the delivery of goods and services that extend between budget periods

There is a possibility that some broad expenditure policies might influence the allocation of resources. These include:

- appropriate levels of staffing and structure of the Local Government
- wage policies and any planned salary increases
- balance between personnel, other recurrent costs, and capital expenditures
3.5 Issues that Determine the Allocation of Resources

The decisions about how to allocate resources between department and sections is based on a combination of the following factors:

- Allocation of funds to achieve set Local Government objectives
- An analysis of the issues within the Local Government and the constraints to achieving planned outcomes to guide resource allocations.
- Clearly defined sectoral linkages, such as the need for roads in the agriculture and tourism service delivery area, so as to define the requirements for roads expenditures.
- The role of Local Government in the service delivery area, i.e. whether Local Government is:
  - a provider of services and infrastructure,
  - a facilitator of private sector development,
  - a regulator of private sector activity;

The role of Local Government is important as it helps to determine the levels of resources required in a particular area. For example, although housing and community amenities are priority service delivery areas for Local Government, Local Government’s role in these sectors is mainly to facilitate and regulate private – public sector development. Therefore the resource requirements are not as high as if Local Government were providing services in these service delivery areas. This is different with water and sanitation service delivery areas were the Local Government is the provider and the resource requirements are high.

3.6 Importance of Prioritizing within the Local Government

In recognising the scarcity of resources, Local Government needs to prioritise within their own set up to make use of limited resources. The factors that would guide the allocation of resources within Local Governments are the same as those at the national level, i.e.

- those programmes that achieve Local Government objectives with the least cost and within the resources (both financial and human) available to the Local Government;
- based on the role of Local Government for the particular programme, i.e. if Local Government is the main provider of a service then the expenditure requirements would be higher than if the Local Government is mainly facilitating private sector growth;
- whether there are options for involving the private sector and/or NGOs and communities in the delivery of services, as well as other options such as charging for services e.g. user fees etc.

3.7 Summary

The chapter explained the first and second stage in the MTEF process. The chapter considered the Policy analysis in the MTEF process and the determination and allocation of resources in Local Governments.
Chapter 4

MTEF Performance Budget Reviews

4.0 Purpose of Chapter

The chapter outlines the MTEF performance review process. It explains how the performance review in the context of the MTEF budgeting could be done. It explains how the Local Governments are to conduct their budget performance reviews prior to planning for the next budget. The types of reviews and the format of these reviews are explained.

4.1 MTEF Budget Performance Review

4.1.1 Types of MTEF Reviews

There are a number of reviews that need to be undertaken in the budget process prior to the formulation of the subsequent year’s budget. The manual focuses only on the quarterly and annual reviews which link to the MTEF budget process. The two are outlined below:

i. Quarterly budget performance review

The basic review of service delivery is done quarterly, within the preceding month of the quarter ending. The format for the quarterly expenditure review format is presented in Appendix 4.1.

ii. Annual budget performance review

It is also important to prepare an annual budget performance review of the MTEF. The main purpose of this review is to assess:

- whether the annual outputs were achieved.
- the expenditure incurred to achieve the outputs
- the expenditure in relation to the approved budget.
- factors for success and failure.

This review should be issued from each Local Government by the end of end of January of the next budget year.

4.1.2 Dimensions of MTEF Budget Review

Each MTEF review should centered on two dimensions:

- Service delivery
- Capacity building to support service delivery

i. Service delivery

It is essential that the Local Government’s management consider what has and has not been achieved by way of service outputs. Resources have been consumed on the basis of activities being performed to achieve the outputs. If achievement has been positive,
according to budget, then the Local Government has performed well. If all outputs have not been achieved then management must establish the reason why. Is it an external factor (funds have not been granted to the correct amount at the proper time)? Is it an internal factor (management and supervision have been lax to the point that no one cares what is being delivered)? Either way, it is important to be frank when drawing these conclusions.

ii. Capacity building

For Local Governments, some outputs to be achieved may be dependent on a prior investment in capacity building.

- Was an output dependent on staff being employed and/or trained?
- Were the service outputs dependent on basic equipment being supplied or internal procedures being changed?
- Were the planned infrastructure investment undertaken?

It is therefore necessary to be clear about whether the capacity building has taken place and whether it has had the desired impact in terms of improving productivity, to allow the specific outputs to be achieved.

For example, if the service outputs, within the objective of increasing community school enrolment, are to increase the provision of education in location X from A to B, then two things may be required.

- First will be the employment of trained community facilitators.
- Secondly, will be the construction of a school. As with capacity building, it is necessary to establish if the school is not constructed as planned, why not? Again, is it an external factor (no release of funds; general apathy)

The reason for identifying the external or internal factor (or indeed, a combination of the two) is to isolate the possible strands of corrective or even remedial action to be taken.

4.2 Annual MTEF Budget Performance Reviews

The MTEF budget performance review takes into consideration two parts of the review which are last year's performance and the current year's progress. The conclusions to previous year’s performance offer both strategic and operational signals on how to improve or maintain performance. The current year's review is more concerned with practical implementation and rates of expenditure. However, these reviews have a bearing on what is being planned for next MTEF period. The review parts i.e. performance previous year and progress in the current year are both outlined in turn.

4.2.1 Details of Previous Year's Performance

It is necessary to ask four questions when assessing the previous year’s performance of the programme. These are:

- Have the service outputs been achieved as planned?
- Has the capacity building been achieved as planned?
- Has the capital investment been achieved as planned?
- Has the expenditure been incurred, as budgeted?

The best way to respond to these questions is to present a table for each programme.

4.2.2 Review Format per Programme

The review format per programme is based on Appendix 4.2 to be completed for each programme. Thus, if a Local Government has ten programmes, it will have ten tables with explicit reference to each of the programme's prioritized outputs.

4.2.3 Drawing Conclusions from Previous Year's Performance.

It is necessary to assess performance in terms of the resources consumed against the outputs achieved. If all outputs are achieved and all budgeted resources have been consumed, then the Local Government has performed as planned. If, however, the Local Governments has not achieved a significant portion of its outputs and yet, has consumed all its resources, then something is wrong; the Local Government has consumed all its resources for doing only part of the planned job (resources have been incorrectly allocated or wasted).

These sorts of questions are fundamental to MTEF budgeting. The issue rests on whether the resources consumed have generated the activities to achieve the planned outputs. In the longer term, are these outputs achieving the objective, specified in the strategic plan and illustrated in the review summary for the Local Government? The conclusions should therefore be fed into any updating required to the three-year strategic plan. Operational issues should also be signals to avoid a repetition in the current year's performance.

4.3 Quarterly Reviews - Progress in the Current Year

The MTEF/ABB budget submission will need to include the review of the current year's progress. The format is precisely the same as that for previous year's budget. However the conclusions drawn are more detailed. First the review looks at progress in achieving outputs set for the year. Secondly, it also looks at rates of expenditure in relation to the work programme for the year (the structure and purpose of the work programme is explained later). Therefore, the same tabular presentations should be used for each programme and for the entire Local Government.

4.4 Resource Deployment Implications

The importance of the current year's assessment of progress is to identify the corrective measures to be taken for the rest of the year. These corrective measures are concerned with implementation and levels of expenditure. The centre may determine that even the modest funds promised are simply not available. The Local Government may determine that despite all its efforts, it does not have the capacity to consume the resources as planned. Either way, adjustments have to be made to the expenditure pattern for the rest of the year. That is the purpose of the current year's review of progress.
4.5 Summary

The chapter explained how the Local Governments were to conduct their budget performance reviews prior to planning for the next budget. The types of reviews and the format of these reviews were also explained.
Chapter 5

MTEF Strategic Framework

5.0 Purpose of the Chapter

The purpose of this chapter is to explain the strategic framework in the MTEF budget process. The framework provides the steps followed in strategic planning and costing of programmes and activities.

5.1 Strategic Plan

In the MTEF process, the strategic plan plays a significant role. This is because the strategic plan is the logical framework for the MTEF. A strategy plan is derived from a set of strategies that a Local Government intends to take to achieve its objectives. It is in the strategic plan that Local Governments elaborate or update their specific actions in line with overall priorities, to include priority objectives and outcomes as well as ways in which the actions are to be implemented over the medium term.

5.2 MTEF Strategic Framework

The link between the strategic plan and the MTEF is based on the relationships as portrayed in the strategic framework in figure 5.1

Figure 5.1: Strategic Planning Framework

Each of the above is explained in turn:
1. Vision

The vision is normally a set of goals that govern the direction the Local Government aspires to reach.

Thus, for example, the Kabwe Municipal Council vision is:

“To provide adequate and accessible social services to improve the community’s standard of living”

2. Mission Statement

The mission is a declaration or a broad definition of the type of Local Government, its main purpose for existence, its stakeholders, core business and its values. It gives the Local Government’s direction as to what its scope of work should be. A mission statement sets out the main activities of the Local Government and its targeted beneficiaries.

The mission statement may be derived from legislation that describes its set up and the exact role of each respective Local Government. The mission is often constant, changing very little over time.

For example, the mission statement of the Kabwe Municipal Council is:

“To promote the provision of social services in order to attain sustainable development of the Kabwe community”

3. Objectives

Objectives are broad definitions of what a Local Government sets out to achieve in the medium term, in order to realize its mission. The objectives are “ends” and not “means” to an end. These are specific statements that contribute to Local Government’s overall mission. Objectives have to be SMART i.e.

- **S** - Specific (explicitly stated to avoid differing interpretation)
- **M** - Measurable (in terms of quantity, quality, cost, time)
- **A** - Achievable (Relevant to problems strategies and resources)
- **R** - Realistic or Results Oriented (Challenging and Meaningful)
- **T** - Time Bound (with specific time period of achieving them)

This is the operational definition of SMART that will be used in the manual.

Each Local Government defines its set of objectives in its strategic plan.

Taking the Kabwe Municipal Council as an example, some of the SMART objectives defined in the strategic plan are:

“To establish and maintain a consultative and collaborative system in order to improve service delivery”
“To broaden the revenue base and increase collection levels of Kabwe Municipal Council in order to improve service delivery”

“To promote the participation of women in decision making process in Local Government affairs in order to improve service delivery”

4. Outputs and Outcomes

The definition of the set of objectives is followed by the identification of deliverables or outputs for each objective and the outcomes.

i. Outputs

Outputs are the goods and services to be produced in a given period in order to achieve stated objectives. Outputs are expected to be the “means” for achieving the objectives. They establish the performance of the Local Government in terms of measurable deliverables by whom and when.

An example of a SMART output from Kabwe Municipal Council strategic plan could be:

“To put in place an enabling revenue legislation by December, Year X”.

ii. Outcomes

Outcomes are likely or achieved short-term and medium-term impacts of an activity’s outputs. An outcome is a result of Local Government and other stakeholder activity.

Examples of outcomes:

- Increases in the number of people paying Local Government property rates that would result from improvement in the revenue collecting system.
- Increases in property development in the district resulting from improved land allocation services.
- Reductions in infant mortality in the district resulting from improved health care services.

A point to note is that individual Local Governments are not completely in control of the outcomes. For example in health service delivery, it is also the willingness of the mothers to attend antenatal clinics that will determine whether there is a reduction in infant mortality.

5. Policies and Strategies

Below the outputs/outcomes are Policies and Strategies.

i. Policies

Policies are general principles which show the direction to be taken to achieve all objectives.
In simpler term, policies are what a Local Government chooses to do or not to do. There are the general approaches to achieving the objective rather than the concrete actions to be implemented.

Examples of policies are:
- Public - Private Partnership in provision of services
- Promotion of solid waste management
- Promotion of Community Based Organizations

As for the Kabwe Municipal Council, an example of policy could be: “Public - Private Partnership in management of bus station and markets”

ii. Strategies

Strategies are the most feasible causes of action to achieve pre-determined and agreed objectives. For example, a strategic plan will include construction of housing units but will also indicate the process by which the results will be achieved. The strategy therefore concerns the statement of the general process involved.

For example, in the Kabwe Municipal Council's strategic plan, there is an objective:

“To broaden the revenue base and increase collection levels of Kabwe municipal Council in order to improve service delivery”

One of strategies to achieve this objective is:

"Establish more revenue collection points”

From that process specific outputs can be generated.

6. Programmes

Programmes are a set of activities required to implement the strategy and achieve the objectives. It can be a group of activities or interventions intended to contribute to a common set of outcomes, priority objectives and outputs that are verifiable, consisting of a defined output and a given budget and other necessary resources.

Arising from the objective above which is “To broaden the revenue base and increase collection levels of Kabwe Municipal Council in order to improve service delivery”

One of the programmes to achieve such objective could be:

“Sensitization of the community on revenue measures”

7. Activities

Activities are actions taken or work performed through which inputs, such as funds, technical assistance and other types of resources are mobilized to deliver specific outputs.
Local Governments have to define activities to be undertaken in order to deliver the outputs. An example of an activity to the programme, “Sensitization of the community on revenue measures” above could be:

“Hold community sensitization workshops on the revenue measures”

8. Inputs

Inputs are the resources (financial, human and material) used in an activity or intervention. The inputs are required in certain quantities, and with certain frequencies. The inputs are required in certain quantities, and with certain frequencies.

5.3 The Link between strategic plan and MTEF budgets

The link between the strategic plan and the MTEF budget is shown graphically below.

As the above diagram shows, the strategic plan and MTEF budget interface at the programme level.

5.4 MTEF Planning and Costing of Outputs, Programmes and Activities

The MTEF budget process provides the six steps to follow in planning and costing programmes and activities for the three year MTEF periods.

The six steps are:

Step 1: Planning (the number of) outputs for each objective.

Step 2: Planning (the number of) activities

Step 3: Identifying the inputs required for each activity

Step 4: Estimating the cost

Step 5: Comparing resources available (Local and Grants)
Step 6: Prioritising programmes and activities to match resources

The figure 5.2 below outlines the MTEF budget process from the objectives up to the inputs level.

**Figure 5.2: MTEF budget process**

The six steps are therefore explained as follows:

**Step 1: Planning Outputs over the MTEF period**

Outputs for the MTEF period may be proportionately planned over the three year period. Outputs can be planned to be done in three phases i.e. one third could be outputs for year X, the next third for year Y and the final third for year Z.

An example in table 5.1 below shows illustration for the three year and annual outputs.
Table 5.1: Presentation of Three-year and Annual Outputs

<table>
<thead>
<tr>
<th>Code</th>
<th>Three-Year Strategic Output</th>
<th>All Annual Outputs prioritized through ranked coding</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Annual service delivery outputs</td>
</tr>
<tr>
<td>1</td>
<td>Increase the efficiency of financial management and accounting in Local Governments from 60% to 75% in Year Z</td>
<td>01: Establish accounting units in all Local Governments</td>
</tr>
<tr>
<td></td>
<td></td>
<td>05 Have an updated stock of public debts.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>05 Install area network linking departments with the central payment office (Finance)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>05 Install a local area network, connecting departments and other key units in the treasury.</td>
</tr>
</tbody>
</table>

The service outputs are self-evident. The capacity building outputs are those measures required to ensure that the services are provided. The capital output is where, say, a new facility must be provided to allow the service to be delivered. These outputs are presented in ranked order (1-10).

**Step 2: Planning of Activities**

Activities are actions to achieve the specific outputs. Activities are vital for two reasons. First, they allow for a clear differentiation between an output and its resulting outcome. Activities also offer the bridge between the outputs and the inputs required for each activity. This is the basis for estimating.
2.1. Types of Activities

There are three types of activities namely: service activities; capacity building activities and capital investment.

- **Service activities**: these activities are involved in providing the service to the public, which is the main reason for the existence of a Local Government.

- **Capacity building activities**: these activities are involved in the developing the capacity of the Local Government in order to improve its ability to deliver the services. These activities may involve the acquiring of capital assets either through purchase or construction.

**Table 5.2: Service and Capacity building Activities**

<table>
<thead>
<tr>
<th>Service</th>
<th>Capacity Building (Human and Capital)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Refuse collection in communities</td>
<td>Appointment of new accounting staff</td>
</tr>
<tr>
<td>Maintenance of community halls</td>
<td>Training workshops that relate to improving the</td>
</tr>
<tr>
<td></td>
<td>provision of service</td>
</tr>
<tr>
<td></td>
<td>Construction of markets</td>
</tr>
<tr>
<td></td>
<td>Purchase of computer systems</td>
</tr>
<tr>
<td></td>
<td>Purchase of large items of equipment</td>
</tr>
</tbody>
</table>

In planning of the types and number of activities, the following issues need to be borne in mind:

- **Appropriateness of activities**: In preparation of the MTEF, all activities should be reviewed to ensure that they are the most appropriate and effective means of achieving the objectives;

- **Ensuring activities are required**: the aim is to ensure that activities are required to achieve the objectives and not only included because donor funding is available for the activities;

- **Phasing of activities**: As the budget preparation involves a three year perspective it is possible to phase the activities over the three year period rather than attempting to implement all the activities within one year;

- **Planning of all stages of implementation**: the preparation, development of new services or investment and actual implementation needs to be included in the planning of activities. For example, if a new service is to be introduced, activities should include undertaking a feasibility study, the investment in computer systems and training, and the activities involved in the actual provision of the service;

- **Planning investment activities**: priority should be given to investment that are relevant to the achievement of the agreed objectives;

- **Planning service and investment activities** should be based on the available resources as indicated in the ceilings provided.

2.2. Defining Assumptions/Parameters for Activities

The first stage in the planning of activities to be implemented for the three year period is the definition of assumptions/parameters for such activity. These assumptions/technical parameters need to be stated clearly. These need to be defined as such:
• How many people/beneficiaries are to be involved?
• The volume of goods or services to be provided?
• Distance to be traveled to provide service.
• The geographical coverage of the service.
• The time period – how many days/weeks/months?
• Numbers of personnel, vehicles or other equipment involved.
• Is the service provided by Local Government or contracted to the private sector?

2.3. Identifying Activities with Outputs

The point is that once the outputs have been set properly, their activities and inputs can then be identified. If the outputs are clearly stated, the list of activities will easily be formulated. This is the basis for preparing estimates. The examples below best illustrate the identification of activities to outputs:

**Working Example 1**

An output example from the Kabwe Municipal Council;

Output: ‘To conduct the periodic maintenance of 5.000 km of district roads by December, year Z’.

The activities identified to achieve that output could be as follows:

• Survey the 5,000 km of district roads by April, year X
• Mobilize necessary labour and materials by May, year X
• Does the actual maintenance work by June, year X
• Carry out monthly work inspection.

This is a clear and a simple set of actions to achieve the output of periodic road maintenance by year Z.

**Working Example 2**

Chibombo District Council output” A reviewed Council policy on Market management in the district produced by December; year X' could have the following activities to achieve that output:

• Conduct the review by June, year X
• Produce the review report by July, year X.

2.3. Planning Outputs and Activities for the MTEF period

The examples below illustrate the planning of output and activities over the MTEF period.
Working Example 1

The planning of output and activities over the MTEF period could be illustrated as in table 5.3 below:

**Table 5.3: Planning of Outputs and Activities**

**Example:** Periodic maintenance of district roads in Kabwe Municipal Council

<table>
<thead>
<tr>
<th>Objective</th>
<th>To improve co-ordination in the provision of good road network in the country</th>
</tr>
</thead>
<tbody>
<tr>
<td>Programme</td>
<td>District Roads Programme</td>
</tr>
<tr>
<td>Strategy</td>
<td>Periodic maintenance of district roads</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Year X</th>
<th>Year Y</th>
<th>Year Z</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Output</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5000km of district</td>
<td>1000</td>
<td>2500</td>
<td>1500</td>
</tr>
<tr>
<td>roads maintained by</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>December year Z</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Activities</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Surveying</td>
<td>1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mobilisation</td>
<td>1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Actual Maintenance</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Monthly Inspections</td>
<td>12</td>
<td>12</td>
<td>12</td>
</tr>
</tbody>
</table>

**Step 3: Identifying the Inputs required for each Activity**

For every activity, there will be a set of inputs required. In identifying the inputs, there are steps to follow before the actual costing could be done.

**Example:** Entrepreneur development - Livingstone City Council

**Stage 1:** Before starting to cost the activity, it is important to firstly consider the outputs and assumptions for the activity. These can be derived from the work plans. Outputs and assumptions set out in the work plan are essential in calculating costs.

In this case, the outputs relevant to the calculation are:
- to train a total of X entrepreneurs per year, 25 per quarter
- to hold a total of X workshops of 10 days duration each per quarter

**Stage 2:** Having considered the outputs/assumptions, the next step is to identify the inputs and unit measure for each input for each activity.

In this example, the following inputs are identified for this activity as listed and unit measures established as follows:
<table>
<thead>
<tr>
<th>Input</th>
<th>Unit Measure</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pens</td>
<td>Box</td>
</tr>
<tr>
<td>A4 Photocopy Paper</td>
<td>Ream</td>
</tr>
<tr>
<td>Pencils</td>
<td>Box</td>
</tr>
<tr>
<td>Fuel</td>
<td>Litre</td>
</tr>
<tr>
<td>Conference Room</td>
<td>Lump sum</td>
</tr>
<tr>
<td>Board and Lodging</td>
<td>Lump sum</td>
</tr>
<tr>
<td>Consultancy Fees (2 Lecturers)</td>
<td>Day</td>
</tr>
<tr>
<td>Transport Charges for Participants</td>
<td>Person</td>
</tr>
<tr>
<td>Subsistence Allowances</td>
<td></td>
</tr>
<tr>
<td>For one Driver</td>
<td>Night</td>
</tr>
<tr>
<td>For two Officers</td>
<td>Night</td>
</tr>
<tr>
<td>Electronic Calculators</td>
<td>Each</td>
</tr>
<tr>
<td>Overhead Projector</td>
<td>Each</td>
</tr>
</tbody>
</table>

Once listed, each input should be classified according to the appropriate budget code. (The MTEF code structure will be provided in the Chart of Accounts for Local Governments).

**Stage 3:** Here, you calculate the total number of units required per year

A slightly different approach may be required for each input calculation. However entries must be as specific as possible.

Below are examples of how to calculate some of the inputs listed above:

(i) Calculation of the total number of pens will need such parameters:
   - Number of persons per course
   - Number of pens for each person per course
   - Number of courses per year
   - Number of pens in a box

Annual requirements will therefore be:

No of pens/person x no of persons per course x no of courses = X pens per year.

Since one Box = X pens, then 4X boxes would meet the annual requirement. This is the figure which should be entered in Column, "Quantity" on the MTEF Activity Costing Form (ACF) provided as Appendix 5.1 This form is a tool that allows for accurate and efficient determination of the cost of the activities outlined under each programme/Output.

(ii) To calculate the quantity of fuel required for this activity the following assumptions/parameters are required:

   Number of courses in the year
   No of kilometers to be covered per litre
   Distance to be travelled
The total number of litres required per year will be:
(Distance to be travelled divided by no of km per litre x no of courses in the year = amount of litres per year.

This is the figure which should be entered in Column: “Quantity” on the ACF.

(iii) As for subsistence allowance for officers such assumptions/parameters are required:
No of officers
No of courses = X per year
Each course = no of days (or nights duration)

Total number of units required per year is:
No of officers x no of courses x no of days (nights) = X nights

This is the figure you transfer to Column: “Quantity” on the ACF.

(iv) Some items may require straight-forward calculation, especially those of a capital nature.
For example if requirements are:

\[ Y \text{ Calculator per Person} = \text{No of person} \times \text{calculators per course.} \]

The figures entered are:

\[ Y \text{ for Calculators in Column: Quantity.} \]

Stage 4: Establish the cost per unit

Goods and services used by Local Government are normally purchased. Therefore cost per unit for most goods and services can be obtained from suppliers' price lists or in cases such as allowances, current rates approved by Local Government should be used.

Unit costs per input are entered into Column "Cost/Unit".

Stage 5: Completing the Activity costing form

Once the costs per unit of inputs have been entered, the rest of the form should be completed according to the requirement of the form.

In completing the ACF, you first enter the information on the name of institution, objective, output, programme and activity as well as the code and priority ranking to be provided in the Chart of Accounts.

The Following information also needs to be entered on the ACF:

- **Location of Activity**
  Local Governments are requested to indicate the constituency and ward where the activity is to be implemented in the space provided on the activity costing form. This is important information and budget submissions which do not
indicate the location of activities will be returned to the respective Local Governments as incomplete.

- **Funding Source**
  The source of funding should be clearly indicated in the space provided, i.e. local or donor.

- **Funding Type**
  There are three types of funding listed; local, grant and loan. The grant and loan apply to donor funds and central government.

- **Account Type**
  Local Governments will use the Chart of Accounts as embedded in the software.

**Stage 6:** The data on the activity costing sheet is then transferred on the MTEF Programme Summary Form (PSF) provided as Appendix 5.2.

Below are the worked out examples to clarify further the identification of inputs.

**Table 5.4: Identifying Input for Each Activity**

**Working Example 1 – Kabwe Municipal Council**

**Output 1:** 5,000 Kilometers of district roads periodically maintained by June, year Z.

<table>
<thead>
<tr>
<th>Activities to achieve the Output</th>
<th>Inputs required for each Activity</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Survey the 5,000 km of road network by April, year X</td>
<td>1. Per diem for survey (x days x no. of people x rate).</td>
</tr>
<tr>
<td></td>
<td>2. Stationery (qty per item x unit cost) reams.</td>
</tr>
<tr>
<td></td>
<td>3. Equipment (no. x unit cost).</td>
</tr>
<tr>
<td></td>
<td>4. Fuel, oil and lubricants (no. of litres x unit cost).</td>
</tr>
<tr>
<td>2. Mobilise necessary labour and materials by May, year X</td>
<td>1. Casual labour (no. of people x days x rate)</td>
</tr>
<tr>
<td></td>
<td>2. Materials (no. x unit cost).</td>
</tr>
<tr>
<td></td>
<td>3. Equipment (no. x unit cost)</td>
</tr>
<tr>
<td></td>
<td>4. Work camps/equipment &amp; furnishings (x 5 x cost per camp)</td>
</tr>
<tr>
<td>3. Do the actual maintenance work by June, year Z</td>
<td>1. Equipment maintenance (no. x unit cost).</td>
</tr>
<tr>
<td></td>
<td>2. Equipment running (no. x litres x unit cost).</td>
</tr>
<tr>
<td></td>
<td>3. Vehicle maintenance (no. x unit cost).</td>
</tr>
<tr>
<td></td>
<td>4. Vehicle running (no. x litres x unit cost).</td>
</tr>
<tr>
<td></td>
<td>5. Casual labour wages (no. of people x day’s x rate).</td>
</tr>
<tr>
<td></td>
<td>5. Per diem for supervision (x days x no. of people x rate).</td>
</tr>
<tr>
<td>Carry out monthly work inspection</td>
<td>1. Per diem (x days x no. of people x rate).</td>
</tr>
<tr>
<td></td>
<td>2. Travelling (no. of people x fare).</td>
</tr>
<tr>
<td></td>
<td>3. Stationery (qty per item x unit cost).</td>
</tr>
</tbody>
</table>

**Working Example 2 – Chibombo District Council**

**Output 2:** Reviewed Council policy on market management produced by June, year Z.

<table>
<thead>
<tr>
<th>Activities to achieve the Output</th>
<th>Inputs required for each Activity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Conduct the review by May year Z</td>
<td>1. Stationery (qty per item x unit cost).</td>
</tr>
<tr>
<td></td>
<td>2. Per diem (10 people x 25 days x rate).</td>
</tr>
<tr>
<td></td>
<td>3. Premises (rental cost per day x no. of days).</td>
</tr>
<tr>
<td></td>
<td>4. Office supplies (qty per item x unit cost).</td>
</tr>
<tr>
<td></td>
<td>5. Transport expenses (fare per person x no of people)</td>
</tr>
<tr>
<td>Produce the review by June year Z</td>
<td>1. Stationery (qty per item x unit cost).</td>
</tr>
<tr>
<td></td>
<td>2. Binding expenses (no. x unit cost).</td>
</tr>
<tr>
<td></td>
<td>3. Per diem (4 people x 10 days x rate).</td>
</tr>
<tr>
<td></td>
<td>4. Transport expenses (fare per person x no. of people).</td>
</tr>
</tbody>
</table>
Step 4: Estimating the Costs of Inputs for each Activity

In the MTEF process, it is important that inputs are quantified. This helps to give each estimate a logical basis. The principle is that all inputs should be quantified and costed, according to the activity to be performed. Before costing could be done, it is important that they are identified first and then costed.

In estimating the cost estimates for the MTEF, the Activity based Budgeting (ABB) approach is used. The ABB approach determines the quantity of inputs and other financial requirements for each activity.

In simpler term, ABB:
- determine the allocation of resources to individual activities;
- involve determining which activities incur costs within the Local Government by establishing the relationships between them, and then deciding how much of the total budget should be allocated to each activity;
- place responsibility and accountability on Local Governments to manage their activities to achieve their planned outputs;

4.1. Types of Costs

In the MTEF costing process, it is important to understand the different types of costs and cost behaviour so that proper allocation of costs to goods and services can take place. To the common understanding, there are two types of costs namely:

i. Direct costs- These are those costs that can be specifically and exclusively identified with a particular cost object. Examples of direct costs will be labour costs, consumables, equipment, maintenance etc. These are the costs related to specific objectives such as for service delivery, capacity building and capital investments.

ii. Indirect costs- These are costs which cannot be specifically identified with a cost object. These are mainly costs related to administrative activities. Examples of indirect costs are rentals, salaries, legal fees, office cleaning, office consumables, printing and publications, maintenance, travel and transport, financial charges and other overheads, etc.

What need to be noted is that for some activities, costs will vary from year to year, particularly large investment activities such as construction of buildings and roads.

4.2. Assignment of Costs to Programmes

Costs are assigned to programmes based on the amount of inputs that are used directly plus an appropriate portion of resources that are not assigned to any specific technical programme (human resources management, electricity, and some information technology).

The first step in building a programme budget is to establish a baseline by calculating the costs of programmes for the current year. This involves:
- Identifying the programmes to be costed;
- Identifying and assigning the direct costs incurred in undertaking the programme;
Identifying the indirect costs of programmes and assigning them to the General Administration programme; and
- Add other costs for each programme to achieve the full cost for each programme.

For example, using the baseline information for the year X budget, and budget ceilings to be provided, Local Governments will have the starting point for calculating the MTEF budgets.

4.3. Costing Direct Costs

These are those costs that relate to the provision of service, capacity building or investment in new capital.

The process of costing activities starts with estimating the average costs of one activity. For example, rather than costing all of the HIV/AIDS demonstrations to be held in the district, it is possible to estimate the costs of an average demonstration taking account of the different distances that will be travelled, the different numbers of participants, etc. and arriving at an average. Thus if the demonstrations were to involve travelling range of between 20 and 50 kilometers, the average distance to be travelled could be taken as 35 kilometers. Using the average will reduce the time and effort in costing.

4.4. Quantifying and Costing the Inputs

The activities to be quantified require inputs, such as labour, material etc. The inputs are required in certain quantities, and with certain frequencies. Inputs will be identified later in the subsequent chapter.

The product of the unit cost, the quantity and the frequency of the Inputs will give the total input cost. The sum of all such input costs, gives the activity cost. These are added up to arrive at the output cost, the objective cost and eventually the Local Government budget estimates.

4.5. Estimating Costs to an Activity

To estimate costs to an activity such as MTEF budget workshops for example:

Start with costing an average activity e.g. rather that costing all MTEF workshops by
- Estimating the number of participants,
- Size of venue,
- Indicate the inputs required,
- Estimate the unit costs of inputs,
- Estimate the quantities of inputs required .i.e. the litres of fuel, allowance, stationery etc,
- Estimate the frequency with which the inputs will be required .e.g. the number of nights allowances.
- Multiply the quantities required by the unit costs to arrive at the total cost of the input

This should be repeated for all the inputs required for the activity to arrive at the cost of one activity, such as running one MTEF training workshop.
4.6. Estimating Administrative Expenses

In estimating administrative expenses, for each of the items/administrative overheads:
- Estimate the quantities and the frequencies required e.g. the number of officers requiring hotel accommodation (quantities) and the numbers of nights per person (frequency),
- Estimate the unit costs of inputs (travel allowances rates)
- Estimate the quantities of inputs required i.e. the litres of fuel, allowance, stationery etc,
- Estimate the frequency with which the inputs will be required e.g. the number of nights allowances.
- Multiply the quantities required by the unit costs to arrive at the total cost of the input
- Provide a brief justification of the inputs and quantities required.

This should be repeated for all inputs required for administration.

4.7. Estimating Personnel Emoluments (PE) and Related Costs

Local Government’s are required to cost PEs comprehensively, that is, to include each employee for the period January to December on a monthly basis. Besides the basic salary, PEs must include all components such as allowances, arrears, leave and long service bonus. PE Costing Form is on Appendix 5.3

Taking the **Output**: A reviewed Council policy on market management in the district produced by June, year Z for Chibombo District Council as an example, the costing of inputs can be done as tabulated in table 5.5 below:

**Table 5.5: Costing Inputs for an Activity**

<table>
<thead>
<tr>
<th>Input</th>
<th>Unit cost (1)</th>
<th>Quantity (2)</th>
<th>Target (3)</th>
<th>Total (1x2x3)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stationery</td>
<td>20,000</td>
<td>10</td>
<td>1</td>
<td>200,000</td>
</tr>
<tr>
<td>Per diem</td>
<td>100,000</td>
<td>10</td>
<td>25</td>
<td>25,000,000</td>
</tr>
<tr>
<td>Premises</td>
<td>100,000</td>
<td>1</td>
<td>25</td>
<td>2,500,000</td>
</tr>
<tr>
<td>Office Supplies</td>
<td>50,000</td>
<td>100</td>
<td>1</td>
<td>5,000,000</td>
</tr>
<tr>
<td>Transport Expenses</td>
<td>100</td>
<td>10</td>
<td>25</td>
<td>25,000,000</td>
</tr>
<tr>
<td><strong>Total for one activity</strong></td>
<td></td>
<td></td>
<td></td>
<td><strong>54,000,000</strong></td>
</tr>
</tbody>
</table>
4.8. Activity Costing for Three-Year Period

Where an activity is to be repeated over the three-year period, the process can be simplified by costing one activity and multiplying the activity costs by the frequency or number of times the activity is to be implemented in each of the three years.

Taking activity in table 5.5 above as an example, the following obtain:

<table>
<thead>
<tr>
<th>Frequency of activities</th>
<th>Year X</th>
<th>Year X</th>
<th>Year Z</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>Annual Total Cost</td>
<td>54,000,000</td>
<td>118,000,000</td>
<td>54,000,000</td>
</tr>
</tbody>
</table>

4.9. Average Activity Costing

The process of estimating three year activity costs can be simplified by using average costs and multiplying the number of activities to be implemented by the average cost, rather than estimating the cost of each activity on an individual basis. The approach means that the same average cost is used for each of the three years and therefore that the costs are estimated in constant prices i.e. no allowance is made for inflation. A standard inflation factor can be applied to the total estimates once all the costs have been developed.

The process of estimating the average cost of activities for Lusaka City Council as an example is given in table 5.6 below:

**Table 5.6: Average Activity Costing**

**Activity 1: Distribution of Refuse Bins to Communities**

<table>
<thead>
<tr>
<th></th>
<th>Year X</th>
<th>Year Y</th>
<th>Year Z</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of Bins/Households</td>
<td>200</td>
<td>230</td>
<td>250</td>
</tr>
<tr>
<td><strong>Average Cost</strong></td>
<td>K 350,000</td>
<td>K 350,000</td>
<td>K 350,000</td>
</tr>
<tr>
<td><strong>Total Costs</strong></td>
<td>K 50,000,000</td>
<td>K 50,500,000</td>
<td>K 55,500,000</td>
</tr>
</tbody>
</table>
Activity 2: Running a Cholera Prevention Campaign

<table>
<thead>
<tr>
<th></th>
<th>Year X</th>
<th>Year Y</th>
<th>Year Z</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of Campaigns</td>
<td>10</td>
<td>15</td>
<td>20</td>
</tr>
<tr>
<td>Average Cost</td>
<td>K 2,000,000</td>
<td>K 2,000,000</td>
<td>K 2,000,000</td>
</tr>
<tr>
<td>Total Costs</td>
<td>K20,000,000</td>
<td>K30,000,000</td>
<td>K40,000,000</td>
</tr>
</tbody>
</table>

Activity 3: Community Police Street Patrols

<table>
<thead>
<tr>
<th></th>
<th>Year X</th>
<th>Year Y</th>
<th>Year Z</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of Patrols</td>
<td>250</td>
<td>300</td>
<td>200</td>
</tr>
<tr>
<td>Average Cost</td>
<td>K 500,000</td>
<td>K 500,000</td>
<td>K 500,000</td>
</tr>
<tr>
<td>Total Costs</td>
<td>K 125,000,000</td>
<td>K 150,000,000</td>
<td>K 100,000,000</td>
</tr>
</tbody>
</table>

Step 5: Comparing Resources Available (Local and Grants)

Once the programme activities have been costed, its financing has to be determined. There are three sources of finance available:-

- Grants (Central Government and Donors)
- Local revenues and

The details for these revenue sources are provided in Chapter 4.

Step 6: Prioritizing Programmes and Activities

It is also likely that the costs of the programmes and activities may exceed the ceilings. It is therefore important for Local Governments to prioritize programmes and activities in order to fit within the ceilings. Programmes will have been ranked in order of priority as explained in the earlier chapter.

The lower priority programmes and related activities need to be reviewed so as to identify those that can be:

- Dropped altogether
- Scaled back by reducing the scope of the Programme or activity, e.g. reducing the outputs to be produced or coverage of the service to be provided
Produced but at a lower cost by taking the options of reducing the costs of programmes and activities to produce the same outputs.

The factors for prioritizing programmes and activities include:
- The impact of the programme/activity.
- The least cost approach to achieving the objectives/output.
- The least time or most direct means of achieving the objectives/output.

It should be noted that those programme/activity that enable your Local Government to achieve the agreed outputs should be higher priority.

A detailed illustration of MTEF Strategic Planning and Budget Preparation Process is given in Appendix 5.4

5.5 Summary

The chapter explained the six steps in the MTEF budget process. These are the steps followed in MTEF strategic planning and costing of programmes and activities. It outlined the process and modalities for setting outputs and also illustrated the method for identifying the activities to achieve those outputs. This concludes the technical requirements for preparing the MTEF budget.
Chapter 6

MTEF Budget Submission Process

6.0 Purpose of the Chapter

The purpose of the chapter is to explain the budget presentation process. The chapter describes the process for submitting MTEF budget estimates. Further the chapter explains the conduct of the Budget Hearings and the areas of the discussion of the Budget Framework Papers and estimates.

6.1 Local Government Planning and Budget Process

The planning and budget process in Local Government’s start upon receiving the budget guidelines from the MLGH. These guidelines and the review portion of MTEF process are the basis for detailed planning and budgeting. The budget guidelines should be with the Local Governments by July of each year. Each Local Government’s budget must be submitted in accordance with these guidelines.

6.2 Budget Guidelines

The budget guidelines present procedures for preparing the budget, Local Governments responsibilities and the budget frame. They also outline the information required and the timetable for submission.

6.3 Budget Documents

The information required from each Local Government is as follows:

- Budget Policy Document (BPD)
- Budget Framework Paper (BFP)
- Budget Estimates in ABB format.

The estimates must include a table for each annual output to be achieved for the next year. The strategic information required is contained in each Local Government's Strategic plan. Additionally, each output must have an estimate table completed. These tables make up the second part of the MTEF budget submission.

6.4 Budget Framework Papers (BFP)

In the MTEF Budget process, Local Government’s are required to submit their Budget Framework Papers (BFP) to the MLGH indicating their expenditure priorities for the MTEF period. The BFP is intended to provide a summary of Local Government’s priorities to be discussed during budget hearings.

Each Local Government has to use the BFP to justify programmes and activities to be implemented in the medium term. The Budget Framework Paper should therefore be prepared in such a way that it presents key issues and recommendations to MLGH in line with the NDP and the strategic focus.
6.5 The Structure of the BFP

Below is the standard structure of the BFP:

- Foreword by the Town Clerk/ Council Secretary;
- Mandate and Mission statement for the Local Government as per approved strategic plans, district development plans or integrated development plans;
- Review of the medium term past performance in the MTEF period, with particular emphasis on progress made with regard to implementation of FNDP programmes;
- Identification of key issues to be addressed in MTEF period;
- Local Government policy framework, objectives and programmes;
- Prioritization of programmes and activities;
- For each programme the related objective, outputs and activities for the MTEF period;
- Counterpart requirements for foreign financed programmes with copies of the signed agreements;
- Three year estimates (including revenue projections from the internal sources);
- The conclusion and recommendations such as need for policy change, expenditure pressures or any other matters. Local Government Recommendations need to focus on:
  - Any changes to the Local Government objectives and strategies as defined in the Local Government Strategic Plan;
  - The objectives and outputs that can be achieved within the ceiling;
  - Any policy issues that need to be addressed in order for the Local Government to better achieve the sector and Local Government objectives;
  - Priority programmes and activities that have been dropped or scaled back to fit within the ceiling;
  - Specific recommendations on the above. These recommendations are the ones presented in the BFP.

6.6 Technical Budget Scrutiny

Every Local Government's budget is scrutinized by the PLGO. This is a technical exercise to ensure that the estimates submitted conform with:

- the strategic concerns of the budget guidelines;
- the estimate ceilings for the Local Government;
- the strategic priorities for the Local Government.

The analysis of the technical review forms the basis for discussion in the budget hearings.

6.7 Budget Hearings

After technical scrutiny, the PLGO may convene meetings with respective heads of Local Governments. This is the stage of budget hearings and is done mainly to discuss unresolved questions arising from the detailed scrutiny.
6.7.1 Issues for the Budget Hearings

In order to prepare for the Hearings, Local Government BMT needs to ensure the following:

- Budget Framework Papers have been prepared following the guidelines as provided in this manual;
- Budget estimates are within the ceiling and realistically phased over the three year period;
- Estimates for revenues generated by the Local Government are included in the submission;
- Estimates include all donor funds, based on consultation with the relevant department in MLGH/MoFNP;
- The allocation of resources within the Local Government can be justified in terms of being in line with Local Governments priorities;
- The BFP and estimates should have been discussed and agreed by the BMT and signed by the Mayor/Chairperson;
- The BFP should include recommendations on policy options for improving the Local Government contribution to achieving Local Government and Decentralization sector objectives;
- The Local Government is able to justify programmes in terms of how they are to achieve Local Governments and sector objectives.

6.8 Final Adjustments to the Local Government’s Budget and Approval.

After the budget hearings and adjustments made, the budgets are then taken to the Minister of Local Government and Housing for approval. If the minister approves the budget with amendments, the Local Governments through the MLGH are required to make final adjustments to their estimates as well as their budget document.

6.9 Summary

This chapter has outlined the submission process for MTEF budgets. The chapter provided the contents of the budget framework papers and how Local Governments were to make recommendations for the Budget and the areas of focus in making the recommendations. Further the chapter explained the conduct of the Budget Hearings and the areas of the discussion of the Budget Framework Papers and estimates.
Chapter 7

MTEF Budget Implementation Process

7.0 Purpose of the Chapter

The main purpose of this chapter is to explain the budget implementation process and the measures to strengthen the process. The chapter will consider preparation of annual work plans and quarterly funding profiles.

7.1 Budget Implementation

Budget implementation is the phase where resources are used to execute policies incorporated in the budget. Successful budget implementation depends on numerous factors such as the ability to deal with changes in the economic environment and implementation capacities of Local Governments. Budget implementation involves a number of players than budget preparation.

Both budget implementation and budget preparation are linked to ensure that signals given in the budget are transmitted and taken into account feedback from actual experience in implementing the budget.

Budget implementation is important for:

i. Ensuring that the budget will be implemented in conformity with the authorizations granted by law, both in fiscal and policy aspects;
ii. Adopting the execution of the budget to significant changes in the economic environment;
iii. Resolving problems arising during implementation; and
iv. Managing the purchase and use of resources efficiently and effectively.

7.2 Budget Implementation Measures

There are a number of measures in the MTEF process for strengthening budget implementation in Local Governments. Some of the measures are:

- Preparation of departmental annual work plans.
- Submission of quarterly funding profiles by departments which include summary of progress in the previous quarter in terms of activities and expenditures. The quarterly funding profiles are used as the planning tool for budget releases for the quarter while the monthly funding of departments is based on the activities in the budget to be implemented in that month.
- Preparation of procurement plans.

7.3 Preparation of Annual Work Plans

From the start of the financial year, the treasury will release funds monthly to departments keeping in view the approved budget and overall the resource availability. As the fiscal year progresses, departments are expected to prepare monthly/quarterly requests for funds on the basis of the seasonality of programmes and activities approved by the Minister in
their Budgets. After the purchase of goods and services departments will be required to submit actual expenditure returns (and revenue) for the previous month/quarter.

1. Producing annual work plans

MLGH approval of the budget is only the start of Local Governments spending. That spending has to be reviewed in relation to the total expenditure and the outputs set for the year. The basis for that review is the work programme. As soon as the Local Government is informed by MLGH of its approved budget, it must submit a work programme for the year. That programme must be in the form of planned expenditure for each month. A format for that Annual Work Plan is attached as Appendix 7.1.

In the MTEF process, the annual work plan is of vital importance in the execution plan of the budget. The preparation of the annual work plans and cash flow forecasts for the MTEF process needs to be managed and co-ordinated by the Local Government BMT.

The preparation process will require each department to:
- review outputs and activities in the Strategic Plan
- take out those which are not included in estimates agreed with PLGO
- identify which months the activities will be implemented (assess the start date, implementation period and completion date)
- assess when the expenditure is required and payments to be made for the activities planned for each quarter
- ensure total expenditures are within total estimates as agreed with the PLGO.

7.4 Procurement Plan

Arising from the annual work plan, it is necessary that each Local Government should produce an annual procurement plan indicating when and what will be procured to enable the orderly procurement of goods and services and to ensure that only the goods and services included in the annual work plans are procured. A procurement plan is simply a list of what goods and services need to be procured and when in order to implement the plan. Procurement planning is essential and need to govern expenditures. In this regard, each Local Government is required to commence the tendering process immediately after the budget approval. This is to accelerate implementation of programmes and avoid accumulation of unspent cash balances at the end of each quarter. MTEF Procurement Plan format is provided in Appendix 7.2.

7.5 Quarterly Funding Profile

In order to enhance resource predictability during the course of the year, the Local Government treasury will require that all departments submit quarterly funding profiles indicating their resource requirements. Once submitted these profiles are to be matched against the available resources. The departments are to be informed of the available resources against which they are expected to adjust their profiles to be re-submitted for funding. All fundings are based on the adjusted funding profiles and the treasury will not have to consider ad hoc funding requests.
The quarterly funding profiles will have to be submitted by each department to the Local Government treasury for every quarter of the budget year. The profiles assist the Local Government treasury in resource planning for the ensuing year.

Quarterly funding profiles will show:
- planned implementation and actual implementation of activities
- planned implementation and funding requirements by activities for each month in the current quarter

Further, funding profiles does not require inclusion of programmes and activities to be funded directly by donors. Rather a separate profile (simple excel spreadsheet) for programmes and activities to be funded under the facility are to be submitted for records and ease of monitoring of the facility.

For proper preparation of funding profiles, each department should prepare a comprehensive work plan for the year by:
- Aligning the implementation plan to the funding profile by identifying the months in which the activities are to be implemented (assess the start date, implementation and completion dates). The profiled amounts should relate to when the payments are required to be made for the activities.
- Identifying programmes and activities to be funded under donor arrangement and clearly indicating that they will be funded as such; and
- Ensuring that total expenditures are within the total estimates as approved by the Minister.

Local Governments’ treasury must:
- receive and check funding profiles, from departments;
- aggregate cash flows from departments for their Local Governments;
- ensure totals do not exceed approved budget; and
- provide to the treasury, a summary of programme implementation for the previous quarter.

Departments must prepare and submit well thought out quarterly funding profiles to the Local Government treasury by the 15th of the month prior to the beginning of the next quarter. The proposed schedule for submission of funding profiles is provided in table 7.1 below.
7.6 Virements of Funds

Local Governments continually monitor their financial performance and have to adjust their spending plans to respond to changes in demand/need of services. All Local Governments are advised not to vary funds on approved programmes. However where a situation necessitates this action, Local Governments are only be allowed to vary up to a certain percent of the approved allocations on any programme.

Virements are transfers between appropriation items that enable Local Governments to reallocate appropriations without having to seek the approval of Minister. They are based on rules set out in the Local Authorities Financial Regulations no.125 of 1992. Virements do not affect the base budgets for future years. Examples of Virements are:

- Transfers between line items, up to a certain limit of the same expenditure category (Line items with the goods and services or within capital)
- The Minister can approve requests, up to a certain limit, from Local Governments for Virements between expenditure categories.
- Typically, Virements to/from personnel expenditures are not permitted (this is associated with the desirability of keeping central control of over any expansion in the wage bill).
- Expenditure can only be incurred against a budget line if the appropriate delegated authority has been given as set out in the financial regulations.

Expenditure is not permitted if budget provision is inadequate to accommodate Virements of funds. Where Virements is not possible, supplementary estimates may be considered.
7.7 Supplementary Estimates

A supplementary estimate is a temporary or permanent addition to a budget provision. All supplementary estimates must be approved by Minister. Supplementary estimates can be allowed if they meet one of the following criteria:

- Circumstances of an exceptional nature, which are not directly within the control of the Local Government and could not have been foreseen;
- A change in national policy, either in providing a new service or an existing service, which was not known at the time the estimates were prepared;
- The rephrasing of payments for schemes in progress, which involves no change in the overall cost, but the adjustment of budget provisions from one year to another.

7.8 Summary

This chapter explained the budget implementation process and the measures to strengthen the process. The chapter also considered preparation of annual work plans and quarterly funding profiles.
Chapter 8

MTEF Monitoring, Evaluation and Reporting

8.0 Purpose of the Chapter

This chapter explains monitoring and evaluation and reporting processes to be followed by Local Governments. It also explains some of the monitoring and evaluation concepts to be used in the MTEF review process. It provides the monitoring and evaluation formats.

8.1 Defining Monitoring

Monitoring is a mechanism of checking that programme implementation is going on according to plan. It is a continuous process of assessing progress of an undertaking over time.

8.2 Why Monitor?

With regard to MTEF, it is important to monitor the implementation of programmes to ensure that implementation does not deviate from planned objectives and output targets. Monitoring enables justifiable adjustments to be made to a plan during implementation.

8.3 What makes Monitoring to fail?

Monitoring can fail in the event that indicators are not defined systematically at planning stage. The other fact could be as a result of fault collection method of the data i.e. data not collected systematically in line with the defined indicators. The lack of standardized and systematic reporting systems in line with the defined indicators could also be another cause of failure. In addition, monitoring can fail if funds are not available for the planned activities.

8.4 What would make Monitoring to work?

Monitoring and Evaluation should be:

- Systematically programmed at planning stage;
- Backed by an effective and sustainable data collection system; and
- Within a standard reporting system of Local Government in assessing progress in programme implementation.

8.5 Process of Monitoring

Monitoring involves assessing performance of input, output and process indicators. These indicators are defined during the planning process through the planned strategies, programmes and activities. Progress is reported on the activities through the Local Government arrangement using the monitoring tools and formats.
8.6 Monitoring Terminologies

Some terminologies used in monitoring are the same as the ones provided in the logical framework approach to MTEF planning. These include among others:

8.6.1 Input Monitoring

This involves analysing the flow of inputs used in the implementation of a programme. Funding reports and Expenditure returns for both domestic and donor funds are the basic sources of data for this analysis.

8.6.2 Output Monitoring

This is an analysis of goods and services produced under a particular programme. It involves field inspection and verification of field reports to assess value for money and consistency with planned outputs.

8.6.3 Outcome Monitoring

This is the point in time activity which involves analysis of utilisation of provided goods and services. This is usually done monthly, quarterly, annually or at the end of the programme implementation. Surveys and studies are mainly used to do this assessment at the end or after the end of the programme implementation.

8.6.4 Impact Monitoring

This is the point in time activity which involves an assessment of the changes in the well being of society as a result of the activities. Statistical Office undertakes various surveys to monitor socio-economic indicators (quarterly, annually, bi annually or periodically).

8.7 Monitoring and Reporting Formats

The following are the monitoring and reporting formats that could be used in the MTEF process:

- Funding reports
- Expenditure Returns
- Inventory forms

Note: These forms are the basic source of data for inputs and outputs performance tracking and progress reporting.
Table 8.1: Monitoring and Evaluation Format

<table>
<thead>
<tr>
<th>Programme</th>
<th>Inputs</th>
<th>Outputs</th>
<th>Impact</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Budget Allocation</td>
<td>Disbursements</td>
<td>Local Grants</td>
</tr>
<tr>
<td>1</td>
<td></td>
<td></td>
<td>Local</td>
</tr>
<tr>
<td>2</td>
<td></td>
<td></td>
<td>Local</td>
</tr>
<tr>
<td>3</td>
<td></td>
<td></td>
<td>Local</td>
</tr>
</tbody>
</table>

**Note:** The monitoring form is a summation of information from the monitoring processes. This form therefore serves as a basic monitoring reporting format.

8.8 **Defining Evaluation**

Evaluation is an assessment of impact, efficiency, effectiveness and sustainability of an intervention. It is the weighing of the impact based on set objectives.

Evaluation involves **Outcome** and **Impact** indicator monitoring. These indicators are defined during the planning process through the planned **goals** and **objectives**. Progress on these indicators is mainly reported through **survey reports** and **study reports**.

8.9 **Why Evaluate?**

In MTEF, it is necessary that the programmes are evaluated to assess their impact, efficiency, effectiveness and sustainability to achieving the intended objectives.

The assessment could be mainly on programmes:

- **Relevance** – assess whether the programme was a good idea. Did it deal with priority needs of target group?
- **Effectiveness** – Assess whether specific set targets have been achieved and the extent to which the targets have been achieved. If targets have not been achieved an evaluation of why this was the case could be explored.
- **Efficiency** – Evaluation whether inputs (time & human financial resources) were used in the best possible way to achieve outcomes.
- **Impact** – Evaluate to what extent the activities implemented have impacted on the long term goals of the Local Government.
8.10 What makes Evaluation to fail?

Evaluation can fail in the event that indicators are not defined systematically at planning stage. The other fact could be as a result of fault collection method of the data i.e. data not collected systematically in line with the defined indicators. The lack of standardized and systematic reporting systems in line with the defined indicators could also be another cause of failure.

8.11 What would make Evaluation to work?

Evaluation should be:

• Systematically programmed at planning stage;
• Backed by an effective and sustainable data collection system; and
• Within a standard reporting system of Local Government in assessing progress in programme implementation.

8.12 Evaluation Terminologies

Some terminologies used in Evaluation are the same to the ones provided in the logical framework approach to MTEF planning. The common terminologies in evaluation have been provided in the glossary.

8.13 Performance Measurement

In measuring performance, it is important to take recognizant of the fact that performance is not an easy concept to measure. From the onset, one has to understand as to the objective why performance needs to be measured.

The following provides the reasons why performance needs to be measured:

• To ensure transparency and accountability for the use of public funds;
• To help Local Government make the correct budget decisions and contribute to service delivery improvement;
• To assess progress towards achieving predetermined goals;
• To identify problems and make corrections;
• To show our failures and successes; and
• To make comparisons across Local Governments, etc.

Performance measures attempt to answer the following questions:

• Are the services expected being delivered?
• Are the services being delivered at an acceptable cost?
• Are the services being delivered within a reasonable time frame?
• Do our services meet the given standard?
8.13.1 Performance Measurement Procedure

In measuring performance, there is need to first identify suitable outputs and performance measures (performance indicators and related targets) which are consistency with the desired level of performance. These must appear as the desired level of service delivery:

8.13.2 Defining Outputs for Each Programme.

The outputs as earlier defined are the products, capital goods and services which result from a development activity - e.g. number of vaccinations. It may also include changes resulting from the activities which are relevant to the achievement of outcomes. Selected outputs should clearly indicate what services a Local Government will be delivering during the fiscal year with the resources they have been provided. Wherever possible, outputs should be formulated in a sex-disaggregated or gender sensitive way (e.g. number of vaccinations of girls and boys).

The first thing to do is to identify for each output at least two performance indicators with respective targets that will enable budget coordinators to monitor the activities they implement according to the relevance of the situation. Five types of performance indicators can be used:

1. Quantity: e.g. Number of Local Government staff completing training per year;
2. Cost: e.g. Cost per unit of materials used;
3. Quality: e.g. Number of customer complaints filed;
4. Efficiency: e.g. Proportion of case reviews conducted by due date;
5. Effectiveness: e.g. Decrease in street vending as a consequence of Local Government intervention etc.

8.13.3 Format for Performance Measurement

Each Local Government must prepare a table based on the below template. This information must be part of a three-year MTEF budget.

Table 8.2: Format for Performance Measurement for a Programme

<table>
<thead>
<tr>
<th>Priority Objectives</th>
<th>Outputs</th>
<th>Performance Indicators</th>
<th>Performance Targets</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
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</tr>
</tbody>
</table>
There are a few things that need to be taken into account when designing performance measures:

- There is need to agree upon the results (outputs) expected to be delivered;
- There is need to decide what to measure, to compare what happened to what was intended;
- There is need to set a system that will allow demonstration of progress and achievements.

Priority objectives and outputs have been adequately covered in the previous chapters. Here concentration will be on performance indicators and performance targets.

### 8.13.4 Performance Indicators

These are a statement of what will be measured but the statement should not include the target or level of performance. This is to ensure indicators are not changed year after year. When defining performance indicators, it is important to ensure that a programme can be held accountable for achieving the level of performance. If they cannot, then it is probably not an appropriate performance indicator. Performance indicators describe what is to be measured such as:

- Quantity: What units will be measured?
- Cost: What cost will be measured?
- Quality: What standard will be achieved?
- Efficiency: Is the delivery date measured or how often the service is provided?
- Effectiveness: The degree to which the intended priority objective of the service delivered is being met.

When measuring performance, we are basically trying to answer the following questions:

- How efficiently are the inputs translated into outputs?
- How effective are these outputs at producing the desired outcomes?
- How economically are inputs being used?

At least 2 indicators for each output should be used. Below are some of the indicators to consider:

#### 1. Quantity Indicators:

Quantity describes outputs in terms of how much or how many. It requires a unit of measurement such as number, kilogrammes, litres, kilometres, etc;

Examples of quantity measures include:

1. Number of Local Government staff completing training per year;
2. Number of customers requesting a service;
3. Number of inspections completed;
4. Business licensing permits processed; etc
2. **Cost Indicators:**

Cost measures reflect the cost of producing an output. They are expressed as a cost per unit of quantity.

Examples of cost measures include:
- i) Cost per unit of materials used;
- ii) Cost per client served, etc.

3. **Quality Indicators**

Quality measures reflect service standards. They are based on customer needs, customer satisfaction, access and other issues.

Examples of quality measures include:
- i) Number of customer complaints filed;
- ii) Percentage of accuracy for information entered into a database; etc.

4. **Efficiency Indicators:**

Efficiency measures provide a limit for how often, or within what time frame outputs will be delivered. Efficiency is measured by turnaround times, waiting or response times.

Examples of efficiency measures include:
- i) Whether the brief and instructions to the Minister have been completed within deadlines;
- ii) Percentage of audit responses answered within a given time line; etc.

5. **Effectiveness Indicators**

The effectiveness indicators measure the degree to which the intended priority objective of the service is being met. An example of indicators is provided below:

<table>
<thead>
<tr>
<th>Outcome Indicator</th>
<th>Baseline data</th>
<th>Latest data</th>
<th>Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Proportion of people having access to clean water</td>
<td>2002 25%</td>
<td>2005 35%</td>
<td>2010 75%</td>
</tr>
<tr>
<td>Percentage of Women Councillors elected</td>
<td>2002 15%</td>
<td>2005 20%</td>
<td>2010 30%</td>
</tr>
</tbody>
</table>

8.13.5 **Performance Targets: The quality or level of service**

Performance targets are benchmarks against which actual performance are measured. They are set to improve the cost-effectiveness, efficiency and overall effectiveness of service delivery measures:
These include:

- Quantity: How many units?
- Cost: The cost per unit.
- Quality: Standard to be reached.
- Efficiency: By when or how often?
- Effectiveness: The degree to which the intended priority objective of the service is being met.

In the above targets, it is important to state actual number or level. There is need to be realistic in stating the numbers involved.

When setting performance targets remember that there is a cost implication associated with it. The level at which the performance target is set implies that a certain amount of outputs must be produced. This obviously has a resource implication. If they are not then the budget should be increased to make the target achievable.

### 8.14 Monitoring, Evaluation and Reporting

Monitoring, evaluation and reporting are important elements in the planning and budget processes in Local Governments. In the MTEF process, they need to be effectively carried out for the purpose of improving Local Government’s performance. Monitoring and evaluation are intended to determine movement towards or away from the set goals and objectives; and to ascertain how funds are utilized. It is aimed at ensuring that the budget is being implemented as planned and also at identifying achievements and bottleneck during budget execution for the purpose of taking necessary remedial measures.

There are a number of forms which could be used for monitoring budgets in Local Governments, some of which are:

- Monthly Receipts and Payments Accounts
- Expenditure returns on Grants etc.

However, reporting formats need to be rationalised in terms of layout and information content in order to harmonise submissions and eliminate duplications. Local Governments are therefore required to prepare analytical reports for the purpose of effective monitoring and evaluations of programme and activity expenditure and performance. This is intended to assist the MLGH to ensure public funds are being used efficiently and effectively.

### 8.15 Summary

This chapter the monitoring and evaluation and reporting processes to be followed by Local Governments in the MTEF budget process. It also explained some of the monitoring and evaluation concepts to be used for the MTEF budget reviews. This is the final stage in the MTEF budget cycle.
APPENDICES
## Appendix 4.1: Quarterly Review Format

<table>
<thead>
<tr>
<th>Council</th>
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<tbody>
<tr>
<td>Department</td>
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<td>Programme</td>
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<tr>
<td>Objective</td>
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<tr>
<td>Strategy</td>
<td></td>
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</table>

<table>
<thead>
<tr>
<th>Planned Outputs</th>
<th>1st Quarter</th>
<th>2nd Quarter</th>
<th>3rd Quarter</th>
<th>4th Quarter</th>
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<td>Code</td>
<td>Annual Outputs</td>
<td>Approved Estimates</td>
<td>Planned</td>
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57
Appendix 4.2: Review Format per Programme

<table>
<thead>
<tr>
<th>Performance indicators (Not Annual Outputs)</th>
<th>Budgeted Amount</th>
<th>Allocated Amount</th>
<th>Variance: Allocated against Budgeted (%)</th>
<th>Disbursed Amount</th>
<th>Variance: Disbursed against Allocated (%)</th>
<th>Intended Outcome</th>
<th>Achievement</th>
<th>Reasons why intended outcome not achieved</th>
</tr>
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<tbody>
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## Appendix 5.1: MTEF Activity Costing Form

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</thead>
<tbody>
<tr>
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</table>

<table>
<thead>
<tr>
<th>Council</th>
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<tbody>
<tr>
<td>Department</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Output</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Activity</td>
<td></td>
<td></td>
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</tbody>
</table>

### FUNCTIONAL CLASSIFICATION (REFER TO CHART OF ACCOUNTS)

| Function: |      |      |
| Class |      |      |
| Sub-Function |      |      |
| Province |      |      |
| District |      |      |
| Constituency |      |      |

### INPUT DATA ENTRY FORM

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<th>Account</th>
<th>Subhead</th>
<th>Item</th>
<th>Sub Item</th>
<th>Sub Sub</th>
<th>Year X</th>
<th>Year Y</th>
<th>Year Z</th>
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<td>Type</td>
<td>Code</td>
<td>Code</td>
<td>Code</td>
<td>Item Code</td>
<td>Unit Cost</td>
<td>Quantity</td>
<td>Total</td>
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59
## Appendix 5.2: MTEF Programme Activity Summary Form

<table>
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</tr>
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<table>
<thead>
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<th>NAME</th>
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### Council
- Department
- Unit
- Programme
- Objective
- Output
- Strategy

<table>
<thead>
<tr>
<th>Status</th>
<th>On-Going</th>
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<tr>
<td>New</td>
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<tr>
<td>Revived</td>
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</table>

### Activity Code
- Activity Description
- Budget Estimate
- Year X
- Year Y
- Year Z

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<th>Activity Description</th>
<th>Budget Estimate</th>
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<th>Year Y</th>
<th>Year Z</th>
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### Appendix 5.3: Personal Emoluments Costing Form

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<tr>
<td>Unit</td>
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<td></td>
</tr>
<tr>
<td>Programme</td>
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<td>Objective:</td>
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<td>Strategy</td>
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<td>Activity</td>
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<td>Status</td>
<td>On going</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>New</td>
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</tr>
<tr>
<td></td>
<td>Revived</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Outputs</td>
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<td>Activity name</td>
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**FUNCTIONAL CLASSIFICATION (REFER TO CHART OF ACCOUNTS)**

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<thead>
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<th>Province</th>
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<tr>
<td>Function:</td>
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<td>Sub-Function:</td>
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<td>Constituency</td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Title of Post (filled/not filled)</td>
<td>Name of Holder (if position filled)</td>
<td>Man Number (if position filled)</td>
</tr>
<tr>
<td>----------------------------------</td>
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<td>---------------------------------</td>
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</tbody>
</table>

**SUMMARY**

<table>
<thead>
<tr>
<th>Account Type</th>
<th>Subhead</th>
<th>Item</th>
<th>Sub Item</th>
<th>Sub Sub Item</th>
<th>A Total Cost Filled Positions</th>
<th>B Total Vacant Posts</th>
<th>C Total PE Estimates</th>
</tr>
</thead>
<tbody>
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<td>(A+B)</td>
</tr>
</tbody>
</table>

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Appendix 5.4: Detailed illustration of MTEF Strategic Planning and Budget Preparation Process

The six steps to be taken in preparing a MTEF budget can best be illustrated by preparing a budget for a specific programme in a specific department. The district roads maintenance programme for Lusaka City Council is taken here to illustrate the six steps to be undertaken by the Roads Development Agency (RDA).

Starting point is the strategic framework for the RDA as outlined below:

Vision

The vision for RDA would be “Qualitative road infrastructure which can stand the test of time by the year 2030”

The Mission Statement

The mission statement may read, “To develop and maintain the national road communications network”

Objective

The above mission could be linked to the “improve co-ordination in the provision of good road network in the country” objective as defined in the NDP.

Policies

In order to effectively achieve its mission, the Agency has to define certain policies which give clear direction as to how its mission will be best achieved, e.g.

- what will be the role of the private sector,
- when will community/labour intensive methods be used,
- how the class of an extension to the network will be determined etc.

Strategies

Some of the strategies that can apply are:

- Improve existing road infrastructure (periodic maintenance)
- Community mobilization

Programmes

The programme is where the MTEF budgets start (but how these programmes are implemented must be in line with the policies and strategies in the strategic plan).

In this case, the agency may implement its policies and strategies through certain programmes e.g.
urban roads programme,  
a peri-urban roads programme,  
a pontoon maintenance programme etc.

The mission statement, policies, strategies and programmes are described in detail in the infrastructure Chapter of the FNDP and from the strategic framework for the preparation of the MTEF Budget.

Below, the six steps to be taken in preparing a MTEF budget are illustrated with reference to the peri-urban roads programme in Lusaka district.

**Step 1: Setting Outputs**

Taking the peri – urban roads programme cited above, we have:

**Output**: Periodic maintenance of 5.000 km of district roads by December, year Z’’

**Step 2 – Planning the activities**

Before planning for activities for a programme, it is important to have a clear objective of the programme. In this case it is the objective of the peri-urban roads programme which is taken as an example.

The objective of the peri-urban roads programme is to ensure that access from farming areas to main trunk roads is provided and maintained. The objective of a programme should be defined in, and extracted from district’s strategic plan.

In order to successfully achieve this objective, the Council Agency will have to undertake certain activities which will include:-

* Maintenance grading  
* Heavy grading  
* Heavy grading and spot gravelling  
* Full regravelling  
* Labour based rehabilitation

**Step 3: Identifying input resource requirements (Example: Heavy Grading)**

To undertake heavy grading, the following **EQUIPMENT** is required:

* one Grader  
* one Roller  
* one Water Bowser  
* one Light vehicle

To undertake heavy grading, the following **MATERIALS** are required:

* petrol, diesel and oils  
* spare parts/serving

To undertake heavy grading, the following **PERSONNEL** are required:
one grader operator and two general workers

To undertake heavy grading, the following **ALLOWANCES** are required:

* lunch for grader operator

**1. Stating Assumptions/Parameters**

For our example of **heavy grading**, we have to make assumptions concerning:-

* the quantity/quality of equipment and level of skills available.
* the feasible work output for a grader team doing heavy grading
* the technical parameters governing the use of materials during the activity

For the purpose of illustration, we assume that:-

- Two heavy grading teams (each made up of a grader, roller, water bowser and light vehicle and operated by a grader operator and two general workers) are available for three calendar months during the year.
- The general workers are recruited locally on a casual basis for the period of the work.
- A grader team can do an average of 2 kms of heavy grading in a day and works an average of 22 days a month.
- At this work rate, a grader team requires 250 litres of diesel, 20 litres of petrol and 1 litre of oil per day.

**2. Setting targets**

Targets should be set such that they are:-

* Challenging but achievable (Mutually understood and agreed upon)
* Specific and measurable (Results not activity oriented)
* Time-specific (Equitable in terms of workload allocation)

Targets can be set so that an activity meets the desired level of:-

* accuracy
* quality
* quantity
* cost effectiveness
* timeliness
* relevance

Given the assumptions/parameters stated above, you then go about setting targets for a heavy grading operation. In this case, targets would be set in liaison with the grader team(s). They would be based on the human skills and equipment available in the team(s) and set in terms of length of road graded by considering the work outputs feasible in a given period of time to grade a specified length of district road to the required standard. In our example the output would be about 2km*22days/month*2 grading teams*3months = 264kms.
Step 4: Estimating the cost

Calculating the cost of an activity at the targeted level can best be estimated by constructing a series of price/quantity/cost matrices for the materials, personnel and allowances needed. The cost of undertaking heavy grading on 264 kms of peri-urban roads using two grader teams for three months is estimated as in table below:

Matrix for Estimating the cost of an Activity

<table>
<thead>
<tr>
<th>Materials</th>
<th>Price</th>
<th>Quantity</th>
<th>Target</th>
<th>Cost (K)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Petrol</td>
<td>5,600/lt</td>
<td>20lts/day</td>
<td>132 days</td>
<td>14,784,000</td>
</tr>
<tr>
<td>Diesel</td>
<td>6,200/lt</td>
<td>250lts/day</td>
<td>132 days</td>
<td>204,600,000</td>
</tr>
<tr>
<td>Oil</td>
<td>13,200/lt</td>
<td>1lt/day</td>
<td>132 days</td>
<td>1,724,400</td>
</tr>
<tr>
<td>Servicing</td>
<td>K2m/service</td>
<td>Service/month</td>
<td>6 mths</td>
<td>12,000,000</td>
</tr>
<tr>
<td><strong>Total Material Cost</strong></td>
<td></td>
<td></td>
<td></td>
<td><strong>233,126,000</strong></td>
</tr>
</tbody>
</table>

| Personnel      |               |          |         |             |
| Grader Operator| 1,200,00/mth  | 2 Operators/mth | 3mths | 7,200,000   |
| General Worker | 900,000/mth   | 4 Workers/mth  | 3mths | 10,800,000  |
| **Total Personnel Costs** |               |          |         | **18,000,000** |

| Allowances     |               |          |         |             |
| Lunch (Operator)| 100,000/day   | 2 Operators | 132 days | 26,000,000  |
| **Total Allowances** |               |          |         | **26,000,000** |

| Total Activity Cost |               |          |         | **277,526,400** |

In the same way the costs of the other activities under the Peri-urban roads programme can be estimated and compiled as in table below:

Estimating the cost for a Programme

<table>
<thead>
<tr>
<th>Peri-urban Roads Programme</th>
<th>Activity</th>
<th>Output</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Maintenance Grading</td>
<td>380 kms</td>
<td>K 570,000,000</td>
</tr>
<tr>
<td></td>
<td>Heavy Grading</td>
<td>264 kms</td>
<td>K 269,000,000</td>
</tr>
<tr>
<td></td>
<td>Heavy Grading with spot gravelling</td>
<td>90 kms</td>
<td>K 150,000,000</td>
</tr>
<tr>
<td></td>
<td>Full regravelling</td>
<td>35 kms</td>
<td>K 500,000,000</td>
</tr>
<tr>
<td></td>
<td>Labour based rehabilitation</td>
<td>125 kms</td>
<td>K 375,000,000</td>
</tr>
<tr>
<td></td>
<td><strong>Total Cost of District Roads Programme for year X</strong></td>
<td></td>
<td><strong>K1, 864,000,000</strong></td>
</tr>
</tbody>
</table>

In the same way the costs of all the programmes under in the district can be estimated and compiled as in table below:
Estimating the costs for Programmes

<table>
<thead>
<tr>
<th>Programme/Activity</th>
<th>Output</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Peri-urban Roads</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Maintenance Grading</td>
<td>380 kms</td>
<td>570,000,000</td>
</tr>
<tr>
<td>Heavy Grading</td>
<td>264 kms</td>
<td>269,000,000</td>
</tr>
<tr>
<td>Heavy Grading with spot graveling</td>
<td>90 kms</td>
<td>150,000,000</td>
</tr>
<tr>
<td>Full regraveling</td>
<td>35 kms</td>
<td>500,000,000</td>
</tr>
<tr>
<td>Labour based rehabilitation</td>
<td>125 kms</td>
<td>375,000,000</td>
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<tr>
<td><strong>Feeder Roads</strong></td>
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<tr>
<td>Resealing</td>
<td>112 kms</td>
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<td>Patching</td>
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<td>Vegetation control</td>
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<td>Shoulder repair</td>
<td>150 kms</td>
<td>75,000,000</td>
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<tr>
<td>White line painting</td>
<td>200 kms</td>
<td>67,000,000</td>
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<tr>
<td><strong>Pontoon</strong></td>
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<tr>
<td>Pontoon maintenance</td>
<td>3 Pontoons</td>
<td>30,000,000</td>
</tr>
<tr>
<td>Pontoon operations</td>
<td>3,285 crossings</td>
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<tr>
<td><strong>General Administration</strong></td>
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<tr>
<td>Office running</td>
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<td>120,000,000</td>
</tr>
<tr>
<td>House Rentals</td>
<td>7 Houses</td>
<td>8,400,000</td>
</tr>
<tr>
<td><strong>Total Departmental Budget</strong></td>
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<td>3,113,500,000</td>
</tr>
</tbody>
</table>

Thus, through this procedure, an activity based budget (ABB) has been prepared, which explicitly links the allocation of financial resources in the annual estimates to programmes and their component activities which have been costed to achieve well defined outputs. These programmes (and the strategies used to implement them) are further linked to the mission statement of the Agency through the strategic plan.

**Step 5: Comparing resources available (Local and donor) (Step 5)**

Once the programme activities have been costed, its financing has to be determined. There are three sources of finance available:-

- Central funding from the government
- Local revenues and
- Donor support

In this particular case, it is assumed that the total funding for the periodic maintenance of roads in Lusaka district will be wholly financed by the Agency through the National Roads Fund Agency.

**Step 6: Prioritizing Programmes and Activities to match resources**

It may be possible that funds might not be forth coming to accomplish the activities outlined above. This is the stage where the Agency may have to prioritize the objectives, outputs, programmes and activities as it can be illustrated in table below:
## Prioritization and Ranking of Programmes and Activities

<table>
<thead>
<tr>
<th>Code Ranking</th>
<th>Programme</th>
<th>Code Ranking</th>
<th>Activity</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Peri-urban Roads</td>
<td>2</td>
<td>Maintenance Grading</td>
<td>570,000,000</td>
</tr>
<tr>
<td></td>
<td></td>
<td>1</td>
<td>Heavy Grading</td>
<td>269,000,000</td>
</tr>
<tr>
<td></td>
<td></td>
<td>5</td>
<td>Heavy Grading with spot graveling</td>
<td>150,000,000</td>
</tr>
<tr>
<td></td>
<td></td>
<td>4</td>
<td>Full regravelling</td>
<td>500,000,000</td>
</tr>
<tr>
<td></td>
<td></td>
<td>3</td>
<td>Labour based rehabilitation</td>
<td>375,000,000</td>
</tr>
<tr>
<td>2</td>
<td>Feeder Roads</td>
<td>1</td>
<td>Resealing</td>
<td>672,000,000</td>
</tr>
<tr>
<td></td>
<td></td>
<td>2</td>
<td>Patching</td>
<td>132,500,000</td>
</tr>
<tr>
<td></td>
<td></td>
<td>3</td>
<td>Vegetation control</td>
<td>62,500,000</td>
</tr>
<tr>
<td></td>
<td></td>
<td>5</td>
<td>Shoulder repair</td>
<td>75,000,000</td>
</tr>
<tr>
<td></td>
<td></td>
<td>4</td>
<td>White line painting</td>
<td>67,000,000</td>
</tr>
<tr>
<td>4</td>
<td>Pontoons</td>
<td>1</td>
<td>Pontoon maintenance</td>
<td>30,000,000</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Pontoon operations</td>
<td>82,100,000</td>
</tr>
<tr>
<td></td>
<td></td>
<td>2</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>General Administration</td>
<td>1</td>
<td>Office running</td>
<td>120,000,000</td>
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<tr>
<td></td>
<td></td>
<td></td>
<td>House Rentals</td>
<td>8,400,000</td>
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</table>

Total Cost: **1,864,000,000**

**1,009,000,000**

**112,100,000**

**128,400,000**
Appendix 7.1 : Annual Work Plan Format

<table>
<thead>
<tr>
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</thead>
<tbody>
<tr>
<td>Department</td>
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</tr>
<tr>
<td>Unit</td>
<td></td>
</tr>
<tr>
<td>Programme</td>
<td></td>
</tr>
<tr>
<td>Objective</td>
<td></td>
</tr>
<tr>
<td>Strategy</td>
<td></td>
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<table>
<thead>
<tr>
<th>Planned Outputs</th>
<th>Planned Expenditure for the Year</th>
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<tbody>
<tr>
<td>Code</td>
<td>Annual Outputs</td>
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<tr>
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## Appendix 7.2: MTEF Procurement Plan

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<tr>
<td>Department</td>
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<tr>
<td>Unit</td>
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</tr>
<tr>
<td>Programme</td>
<td></td>
</tr>
<tr>
<td>Objective</td>
<td></td>
</tr>
<tr>
<td>Output</td>
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<table>
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<tr>
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<th>Budget</th>
<th>Jan</th>
<th>Feb</th>
<th>Mar</th>
<th>Apr</th>
<th>May</th>
<th>Jun</th>
<th>Jul</th>
<th>Aug</th>
<th>Sep</th>
<th>Oct</th>
<th>Nov</th>
<th>Dec</th>
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</table>

ZMK 000,000
<table>
<thead>
<tr>
<th><strong>MTEF GLOSSARY OF TERMS</strong></th>
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<tbody>
<tr>
<td><strong>Accountability</strong></td>
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<tr>
<td><strong>Activities</strong></td>
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<tr>
<td><strong>Activity Based Budget</strong></td>
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<td><strong>Allocations</strong></td>
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<tr>
<td><strong>Allocative Efficiency</strong></td>
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<td><strong>Annual Budget</strong></td>
</tr>
<tr>
<td><strong>Asset</strong></td>
</tr>
<tr>
<td><strong>Audit</strong></td>
</tr>
<tr>
<td><strong>Baseline</strong></td>
</tr>
<tr>
<td><strong>Bottom-up Budgeting</strong></td>
</tr>
<tr>
<td><strong>Budget</strong></td>
</tr>
<tr>
<td><strong>Budgeting</strong></td>
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<td><strong>Budget Calendar</strong></td>
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<tr>
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</tr>
<tr>
<td><strong>Budget Document</strong></td>
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<tr>
<td><strong>Budget Process</strong></td>
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<tr>
<td><strong>Conditional Grants</strong></td>
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<tr>
<td><strong>Capital Budget</strong></td>
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<tr>
<td><strong>Capital Expenditure</strong></td>
</tr>
<tr>
<td><strong>Cash Budget</strong></td>
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<tr>
<td><strong>Cash-based Budgeting</strong></td>
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<tr>
<td><strong>Charts of Accounts</strong></td>
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<tr>
<td><strong>Civil Society</strong></td>
</tr>
<tr>
<td><strong>Debt Interest</strong></td>
</tr>
<tr>
<td><strong>Department</strong></td>
</tr>
<tr>
<td><strong>Direct Outputs</strong></td>
</tr>
<tr>
<td><strong>Estimate(s)</strong></td>
</tr>
<tr>
<td><strong>Fiscal Year</strong></td>
</tr>
<tr>
<td><strong>Function</strong></td>
</tr>
<tr>
<td><strong>Council Debt</strong></td>
</tr>
<tr>
<td><strong>Growth</strong></td>
</tr>
<tr>
<td><strong>Grants</strong></td>
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<td><strong>Goal</strong></td>
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<tr>
<td><strong>Indirect Outputs</strong></td>
</tr>
<tr>
<td><strong>Inflation</strong></td>
</tr>
<tr>
<td><strong>Inputs</strong></td>
</tr>
<tr>
<td><strong>Institution</strong></td>
</tr>
<tr>
<td><strong>Investment</strong></td>
</tr>
<tr>
<td><strong>Line-item Budget</strong></td>
</tr>
<tr>
<td><strong>Loans</strong></td>
</tr>
<tr>
<td><strong>Local Government</strong></td>
</tr>
</tbody>
</table>
Medium Term Expenditure: The three-year spending plans of national and local Councils published at the time of the budget.

NGOs: Private organizations that pursue activities to promote the interests of the poor, protect the environment, provide basic social services, relieve suffering or undertake community development.

National Budget: The projected revenue and expenditures which flow through the National Revenues. It does not include spending by local Council from their own revenues.

Output Budgeting: Process linking budgetary appropriations to specific outputs, more or less detailed, depending on administrative capacity and the sector in question.

Object of Expenditure: Expenditure classification based upon the types of categories of goods and services purchased. Typical examples include personal services (wages and salaries), contracted services, supplies and materials, and capital expenditure.

Objective: Something that is to be accomplished in specific, well-defined, and measurable terms and that is achievable within a specific time frame.

Outcomes: The likely or achieved short-term and medium-term impacts of an activity’s outputs.

Outputs: The products, capital goods and services which result from a development activity. It also includes changes resulting from the activities which are relevant to the achievement of outcomes.

Performance Audit: Audit of the efficiency of utilization of human, financial and other resources, including examination of information systems, performance measures and monitoring arrangements, and procedures followed by audited entities for remedying identified deficiencies.

Performance Indicator (Performance Measure): A specific quantitative and qualitative measure of work performed within an activity or program (e.g., total miles of streets cleaned). Also, a specific quantitative measure of results obtained through a programme or activity (e.g., reduced incidence of vandalism due to new street lighting program).


Performance Targets: Precise standards, levels or ratings to be achieved against each performance measure. Performance targets are expressed in
absolute number, percentage, or ratio terms and represent the minimum acceptable requirements of the council.

<table>
<thead>
<tr>
<th>Term</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Personal Emoluments</strong></td>
<td>The costs of personnel including salaries, housing allowances, car allowances and other benefits received by personnel.</td>
</tr>
<tr>
<td><strong>Planning</strong></td>
<td>Process of creating and refining a plan, or integrating it with other plans.</td>
</tr>
<tr>
<td><strong>Priority objective</strong></td>
<td>The intended physical, financial, institutional, social, environmental, or other development results to which a programme commits to achieve through the conducting of its activities.</td>
</tr>
<tr>
<td><strong>Procurement</strong></td>
<td>The acquisition of goods or services at the best possible total cost of ownership, in the right quantity and quality, at the right time, in the right place for the direct benefit or use of Councils, corporations, or individuals generally via, a contract.</td>
</tr>
<tr>
<td><strong>Programme</strong></td>
<td>A group of related activities performed by one or more organisational units to accomplish a function for which the Council is responsible.</td>
</tr>
<tr>
<td><strong>Programme Budget</strong></td>
<td>A budget that allocates money to the functions or activities of a Council rather to specific items of the cost or departments.</td>
</tr>
<tr>
<td><strong>Programme Performance Budgeting</strong></td>
<td>A method of budgeting whereby the services provided to citizens are broken down into identifiable service programs or performance units. A unit can be a department, a division or a work group. Each program has an identifiable service or output and objectives to provide the service effectively. The effectiveness and efficiency of providing the service is measured by performance indicators.</td>
</tr>
<tr>
<td><strong>Public Expenditure Management</strong></td>
<td>The way in which public money is allocated to alternative uses and in which these decisions are implemented. It is broader than the traditional budget process through its focus on the link between expenditure and policy and its recognition of the importance of a broad range of institutional and management arrangements.</td>
</tr>
<tr>
<td><strong>Resource Allocation</strong></td>
<td>In strategic planning, a decision is a plan for using available resources, for example human resources, especially in the near term, to achieve goals for the future. It is the process of allocating resources among the various projects or business units.</td>
</tr>
<tr>
<td><strong>Revenues</strong></td>
<td>The value of output sold, that is the number of units times the price per unit. Average revenue is revenue per unit that is total revenue divided by the amount of output sold</td>
</tr>
<tr>
<td><strong>Service Objectives</strong></td>
<td>The specific achievements that a Council hopes to make throughout the provision of a service; the intended result of an activity.</td>
</tr>
<tr>
<td>Term</td>
<td>Definition</td>
</tr>
<tr>
<td>----------------------</td>
<td>-------------------------------------------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Spending Unit</td>
<td>Any Council entity that is responsible for its own budgetary operations.</td>
</tr>
<tr>
<td>Strategic Plan</td>
<td>The written strategy defining a department’s public services and how those services will be delivered.</td>
</tr>
<tr>
<td>Top-down Budgeting</td>
<td>A process of developing budgets in which top management outlines the overall figures and middle and lower-level managers’ plan accordingly.</td>
</tr>
<tr>
<td>Transfer</td>
<td>A transaction in which one individual or institutional unit provides a good, service or asset to another individual or unit without receiving from the latter any good, service or asset in return as a counterpart.</td>
</tr>
<tr>
<td>Transparency</td>
<td>An environment in which the objectives of policy, its legal, institutional, and economic framework, policy decisions and their rationale, data and information related to monetary and financial policies, and the terms of agencies’ accountability, are provided to the public in a comprehensible, accessible, and timely manner.</td>
</tr>
</tbody>
</table>