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**IMPLEMENTATION OF MEDIUM TERM
EXPENDITURE FRAMEWORK IN
NAMIBIA**

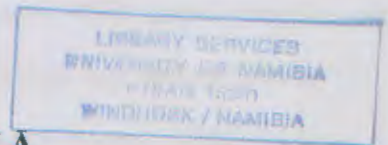
**A RESEARCH PAPER SUBMITTED IN PARTIAL
FULFILMENT OF THE REQUIREMENTS FOR THE
DEGREE OF MASTER OF PUBLIC POLICY AND
ADMINISTRATION (MPPA)**

OF

**THE UNIVERSITY OF NAMIBIA AND THE INSTITUTE OF
SOCIAL STUDIES**

BY

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NOVEMBER, 2002

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ABSTRACT

The focus of this study was on the implementation process of MTEF in Namibia, critically examining the stages, models and identifying the different role players and their stake in MTEF. Given the fact that Namibia implemented a home grown MTEF in Africa the idea was to examine, from an implementation perspective whether Namibia MTEF will be different from those MTEF initiative. The intention was to show that implementation should be clearly taken as an integral part of policy planning from the beginning. The methodology of research was structured oral interviews, library research, government documents (reports), and mass media. It was found that there is a need for MTEF structures such as budget committees within implementing agencies to co-ordinate MTEF activities. A need for a commission within Ministry of Finance to draft guidelines for MTEF implementation process was identified. This would create uniformity and conformity with MTEF objectives and structures in the country. The research highlighted the important link between policy makers and policy implementers, which is the implementation process. If this is not considered a critical component of any policy making process, MTEF in Namibia will not be successful. The research suggested ways on how to improve the MTEF implementation process in Namibia.

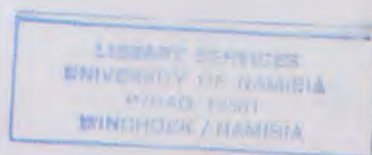


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THANK YOU

ACKNOWLEDGEMENTS

The outcome of this study is the result of support, advice and direction from individuals, organizations and the government for which I am thankful. I wish to recognize the support from the Namibian Government, Ministry of Home Affairs in particular for the financial assistance. I am grateful to my family, my wife, Mrs. Verstars Lumba Mafwila, my son Eddie and my daughter Lulu for their love during the two years of study. I wish to recognize the contributions from Mr. Bennett Kangumu Kangumu, Mr. Chris Claassen, Mrs. Anna Hange, Ms Erica Shafuda, Mr Paul Randall, Chris Smith, Everlline Desche for getting all data for the work. I also recognize the support from my fellow students whom we worked as a team, Mr. Brian Libuto, Ms. Beth Karuumbe and Ms. Hilde Mukundja. To Professor Mukwena, Professor Bjorkman and the two supervisors Dr. T. Godana and Dr. B. Olowu I owe you millions of thanks for constructive criticism and comments. I also thank the course administrator Ms. Linda Olivier for all the support provided and to other people that might have helped in one way or another. I personally take responsibility for all the shortfalls in this study.

THANK YOU.

DEDICATED

TO MY FAMILY (WIFE, SON AND DAUGHTER)

DECLARATIONS

This thesis is the original work, and it has not been submitted for a degree elsewhere. No part of this thesis/ research paper may be produced, stored in any retrieval system, or transmitted in any form, or by any means (e.g. electronic, mechanical, photo copying, recording or otherwise) without the prior written permission of the author, or the University of Namibia.

LIST OF ACRONYMS

MTEF	-	Medium Term Expenditure Framework
MOF	-	Ministry of Finance
NPC	-	National Planning Commission
BON	-	Bank of Namibia
OPM	-	Office of the Prime Minister
PEMP	-	Performance and Effectiveness Management Programs
NEPRU	-	Namibia Economic Policy Research Unit
ISS	-	Institute of Social Studies
UNAM	-	University of Namibia
VIP	-	Very important person
NDP	-	National Development Plan
MEMWG	-	Macro Economic Modeling Working Group
SOE	-	State Owned Enterprise

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Chapter One

1.1 Introduction

At Independence in 1990 Namibia adopted a one-year budgetary framework with a fiscal year running from 1st April to 31st March. Namibia like other States that experienced colonialism have generally adopted budgetary practices introduced by their colonial masters (Wallis, M 1989:64). The new government was confronted with many socio-economic issues, which needed urgent attention. The role of government in the economy of an independent Namibia changed from security priority to social programmes in order to address high degree of inequality in wealth. As the role of government expanded, the line-item budget system inherited from South Africa could not provide sufficient information to policy makers and its annual nature hampered long term planning. Medium Term Expenditure Framework budgetary reform policy was adopted as an appropriate intervention reform that could provide more information to policy makers over a longer period. The main problem was inability of government to link policy making, planning and budgeting, therefore, in year 2000 the government embarked upon a Medium Term Expenditure Framework (MTEF) budgetary reform policy.

MTEF reform policy in Namibia is critically examined. The basic assumption of the paper is that the implementation process is flawed at the institutional level, which

will ultimately affect and defeat the purpose and objectives of the MTEF. In Namibia, as elsewhere, the myth or assumption that politicians can make policies and public servants implement them rationally as if implementation is something simple and automatic (Jane, 1993:93) has taken root. Turner and Hulme (1997:75) argues that implementation is not an easy and straightforward exercise, which involves calculated choices of appropriate techniques. For them, implementation is a complex process in the public or bureaucratic arena where those with interest in a particular policy engage in discussions about the goals of the policy and conflict over the allocation of resources.

After Independence, Namibia initiated/instituted a variety of reforms to articulate government objectives, visions and direct its programmes. This includes the Law Reform Commission, the Public Service Reform (Charter) initiative, the decentralization policy, the wages and salaries commission, etc, (WASCOM). Most of these well-intended initiatives turned out to be a disappointment to policy makers and a drain on state coffers. The paper argues that perhaps the problem is not with the policies themselves but rather their implementation and that indeed the critical aspect of implementation is often overlooked and taken for granted in policy planning.

The study focuses on the MTEF implementation process in the Department of Police- Ministry of Home Affairs. At the centre of the study is the co-ordination and

effectiveness of MTEF management structure (committee), which ensures compliance with regulatory framework by role players critical to the policy implementation process. It analyses the implementation process from the institutional approach that govern the relationship between actors- formal and informal rules.

Literature provides two models of implementation, which assist in analysing MTEF policy implementation process, the linear model implementation and interactive model of implementation. The next section provides historical background of MTEF budgetary reform policy.

1.2 Background

The Medium Term Expenditure Framework (MTEF) policy originated in Australia in the 1980s at the time when both developed and developing countries were faced with rising budget deficits and poor public sector performance. The World Bank imported MTEF to Africa in the effort to support public sector management reform. MTEF is a part of the third generation (World Bank) of public sector management support aimed at effecting institutional change through legal and regulatory reform, anti-corruption and good governance strategy. Africa accounts for 52% of existing MTEFs in the developing countries (World Bank Regional Paper series no.28 February 2002). In all these MTEFs policies implemented in Africa (Ghana,

Tanzania, Kenya, Uganda, Malawi, South Africa etc) the World Bank was instrumental in their implementation process providing technical support and transfer of skills.

Namibia's MTEF can be traced to the Donor Round Table Conference of 1995. The initial assessment report for the Relevance of MTEF for Namibia was conducted in 1998. The report recommended the implementation of MTEF pointing out several weaknesses in the current budgetary system that warranted reform. Despite the report, Namibia did not seek assistance from the World Bank but opted for a home-grown MTEF approach. The implementation approach differed from one country to another, some opted for comprehensive MTEF and others incremental MTEF.

1.3 Statement of the problem

Namibia's MTEF policy initiative started experiencing problems in implementation process one year after its implementation. The Medium Term Expenditure Framework (MTEF) budgetary policy initiative was adopted by the Namibian government in year 2000 as an intervention strategy to address the link between policy making, planning and budgeting, strengthening fiscal policy management and facilitate and actively encourage the allocation of resources to strategic policy objectives in the Medium Term Framework (Cabinet decision no. 3/26/02/02/2001).

In the year 2001, the implementation process of the MTEF policy was hampered by a number of problems (Bank of Namibia discussion paper 10 August 2001). Central to the problems of the implementation process was the budget planning process, which had several weaknesses. For example, expenditure did not reflect the planned policies as outlined in the National Development Plan (NDP), the objectives of Performance and Effectiveness Management Programme (PEMP) were not logically linked to expenditure proposals submitted by the Ministries and were not measurable, lack of co-ordination between institutions with a stake in the budget formulation, lack of integration between the development and operational budget and lack of proper training for all stakeholders in the budget formulation. Both the Ministry of Finance and Bank of Namibia acknowledge these problems. The research paper concentrates on the co-ordination problem within institutions. The lack of co-ordination between many role players will have an adverse effect on the implementation process and that will lead to different outcome than intended.

1.4 Research Questions

The most important factor to bear in mind is that a transformation is a process not an event, and budget reform generally, and the MTEF policy especially is no exception. New Zealand took more than 10 years to develop its budget system, and Singapore 30 years to move from simple line item budgets to their sophisticated performance based system.

The implementation of the MTEF policy initiative in many African countries has shown that countries with designated MTEF Management structures additional to the budget offices whether on the central level or at the sectoral level stand a good chance of implementing the MTEF reform policy because they enforce and provide checks on the implementing ministries.

Since co-ordination deals with the vertical and horizontal structures within the bureaucratic arena existing management structures whether ad hoc or permanent is important because it is where decision making takes place for example the centre of budgetary decision is the *cabinet* but cabinet requires institutional support such as *the Treasury Cabinet Committee, the budget Hearing Committees, Ministerial Budget Committees etc.* The success of the MTEF reform policy is on the effectiveness of these committees. The following questions will lead the research paper.

- To what extent have MTEF management structures achieved their objectives in the implementation process of the MTEF policy?
- What institutional mechanisms are in place to enhance the MTEF implementation process?

1.5 Research Objectives

- To investigate whether there exists MTEF management structure (Committees) co-ordinating the implementation process of the MTEF policy.

- To examine the effectiveness of these MTEF management structures and to what extent they facilitated the achievement of the objectives of MTEF.
- To suggest MTEF management structures where necessary.

1.6 Rationale of the study

MTEF is a process not an event, although proponents of the leaner model of implementation believe in automatic attainment of public policy objectives the interactive model of implementation proponents discard the idea of automatic attainment of objectives, but argues that public policy implementation is a process that need to be planned if public policy is to achieve the objectives set.

The implementation process needs continuous evaluation while in agreement with the fact that MTEF cannot be evaluated in two years of its existence, the implementation process can be evaluated. The central factor for implementation is the ability of public bureaucrats to identify all the variables that affect achievements of their objectives (Magmanian and Sabatier, 1983, p. 21; Pressman and Wildavsky, 1984, pxxiii, Garcia Zamor, 1991, p. 435).

The significance of the study is that the evaluation of the MTEF budgetary reform policy process will enable the policy makers and policy managers to know if the

process of implementation is being achieved based on the objectives set. Many scholars have written on the theoretical aspect with less on the operational of MTEF. Therefore, the study will contribute to practical implementation of MTEF by raising certain problems of MTEF implementation process in Namibia.

1.7 Scope and limitation of the study

The research was limited to Ministry of Finance and Home Affairs. Due to time constraints only three Regions were covered, Khomas, Hardarp, and Erongo Regions. The research was also limited due to availability of researched materials. Some people I intended to interview were not available at the time I needed them.

1.8 Research Methodology

Research design

Qualitative method was used to obtain information from Ministry of Finance, which plays a key role in the implementation process of MTEF budgetary policy initiative. The top managers were interviewed and provided primary information on the existence MTEF management structures and objectives achieved in the MTEF implementation process. Implementation process plans set by the Ministry of Finance and the internal plan of spending agency based on the terms of references provided by Ministry of Finance were used to determine their effectiveness in achieving their objectives.

Population

The information was collected from the six top managers in Ministry of Finance and the National Planning Commission, one senior manager from the office of the Prime Minister in charge of the Performance and Effectiveness Management Programmes (PEMP), one researchers from (NEPRU), and eight top managers from the Ministry of Home Affairs. Two politicians in the Ministry of Home Affairs could not be interviewed due to time constraint.

Sample

Sampling was conducted for this study using judgmental sampling. This sampling method was based on the judgment of researcher regarding the characteristics of a representative sample (Bless, et al 1995:95). A sample was chosen on the basis on people being members of the MTEF management structure. The strategy was to select units that are charged to be typical of the population under investigation. The judgmental sampling was conducted on the total of sixteen people selected from members of the management structure.

Research instruments

Semi-structured interview was used to obtain information from respondents. The respondents were asked questions as they appear on the schedule with relatively little freedom to deviate from it. The method was suitable for my research because it enabled the researcher to obtain appropriate information.

Data collection procedure

Data were obtained by interviews. This was done by face-to-face interviews and telephonic interviews with the top managers of MTEF management structures using the interview schedule. Respondents were assured that the information given was treated with confidentiality.

Sources of data

The research gathered secondary data from ISS library. UNAM library, National library and government documents.

1.9 Organisation of the study

The study is organised into five chapters. Chapter one is the introductory chapter, which outlines the background of the study, the statement of the problem, the research questions, objectives, research methodology, scope, and limitation of the study. Chapter Two deals with the conceptual and theoretical framework. Chapter three deals with overview of implementation, Chapter Four discusses the analysis of implementation process and Chapter five provides summary of findings, conclusion and recommendations.

Chapter Two

Conceptual and theoretical framework

2.1 Introduction

The implementation of Medium Term Expenditure Framework (MTEF) policy certainly raises conceptual issues that need to be clarified whilst the theories underpinning the study were illustrated. This chapter seeks to define concepts such as public policy implementation, budget reform concept, MTEF policy, organization structure and institutional arrangements. It also discusses the public policy implementation theory and adopts the framework for analysing the issues in this study.

2.2 Public policy implementation

Public policy implementation has been defined as "a process, a series of sub-national decisions directed at putting a prior authoritative federal decision into effect"(Lester and Goggin 1998: 5). In the context of the study, MTEF public policy implementation can be construed as a process, a series of Ministry of Home Affairs-Police decisions directed at putting a prior authoritative cabinet decision into effect.

2.3 Historical perspective of budget reform

Medium Term Expenditure Framework (MTEF) is a budgetary reform policy that is being advanced to address shortcomings experienced in the previous budget reforms. The understanding of the historical perspective on budget reform is crucial for MTEF reform. The broad functions of budgeting are: control of public resources, planning for future allocation of resources and management of resources.

Comprehensive MTEF encompasses the three levels of public sector management outcome, level 1 aggregate fiscal discipline, level 2 resource allocation and use based on strategic priorities and level 3 efficiency and effectiveness of programmes and service delivery. The relative strength of each depends on the current view of budgeting tool and techniques (line item budgeting, performance budgeting, program budgeting, zero based budgeting) and supportive institutional arrangements.

2.4 Concept of Medium Term Expenditure Framework (MTEF)

Comparative analysis of actual MTEF's in developing countries has been undertaken, which provided analytical work that currently exists - conceptual work on public expenditure management (e.g. handbooks) and specific case studies (e.g. consultants reports) (Africa Region Working Paper Services no. 28 February 1992:2). MTEF is a budgetary reform policy that "provides the linking framework

that allows expenditures to be driven by policy priorities and disciplined by budget realities” (World Bank, 1998 a: 32). According to the World Bank Public Expenditure Management Handbook (1998 a: 46), “the MTEF consists of a top-down resource envelope, a bottom-up estimation of the current and medium-term costs of existing policy and, ultimately, the matching of these costs with available resources in the context of annual budget process”.

Table 1: The six stages of a comprehensive MTEF

STAGE	CHARACTERISTICS
I. Development of Macroeconomic/ Fiscal Framework	Macroeconomic model that projects revenue and expenditure in the medium term (multi-year)
II. Development of Sectoral Programs	<ul style="list-style-type: none"> ▪ Agreement on sector objectives, outputs and activities ▪ Review and development of programs and sub-programs ▪ Program cost estimation
III. Development of Sectoral Expenditure Frameworks	<ul style="list-style-type: none"> ▪ Analysis of inter- and intra-sectoral trade-offs ▪ Consensus-building on strategic resource allocation
IV. Definition of Sector Resource Allocations	Setting medium term sector budget ceilings (cabinet approval)
V. Preparation of Sectoral Budgets	Medium term sectoral programs based on budget ceilings
VI. Final Political Approval	Presentation of budget estimates to cabinet and Parliament for approval

Source : PEM Handbook (World Bank, 1998a: 47-51), adapted.

The MTEF approach has an advantage of integrating the top-down resource envelope with the bottom-up sector programmes. Stage III deals with development of the sectoral expenditure frameworks that is characterised by the analysis of inter-and intra sectoral trade offs and consensus building on strategic resource allocation. "It is at stage III that policy making, planning, and budgeting processes are joined. Stage III is emphasised in this study because it implies the necessity of forums or committees linking the process.

Upon completion of the strategic expenditure framework development, government defines the sectoral resource allocations, which are used by sectors to finalise their programmes and budgets. The sectoral resource allocation reflects the resource constraint and government policy while sector managers have flexibility to decide on the use of their resources effectively and efficiently. Once the MTEF has been developed it is rolling in the sense that the first outward years estimate become the basis for the subsequent years, budget, and changes in economic conditions and policies are taken into account. The reconciliation of the top-down resource envelope and the bottom-up sector programmes takes place through negotiation based on formal decision-making process. As the Handbook (1998: 34) suggests "key to increasing predictability and strengthening the links between policy, planning, and budgeting is an effective forum at the centre of government and associated institutional mechanisms that facilitate the making and enforcement of strategic resource allocation decisions".

The Medium Term Expenditure Framework is capable of achieving its objectives on condition that the following requirements are in place: good macro economic policies, adaptable fiscal policy and instruments, budgetary discipline, adequate information base, transparency, appropriate parameters and institutional conformity and absence of bias.

An MTEF requires a supportive institutional base in which the various actors use MTEF process rather than other means to take expenditure decisions. It is within that context, MTEF implementation requires existing or new MTEF management structure to assist with implementation. The Ministry of Finance, the budget office in particular manages all budgetary related matters.

The preliminary assessment research conducted by the World Bank suggests, insufficient attention was given to the MTEF Management structures. Although most developing countries use the combination of existing and ad hoc management structures, the indication is that budget office alone cannot handle the formulation of the MTEF. Countries with sets of well defined organisational actors (committees) are better positioned to promote the MTEF implementation, for example, South Africa. South Africa's sufficient structures have helped in the implementation of MTEF so much that it is rated as the best MTEF in Africa. The governance structure of the South Africa MTEF is well defined with function spelled out. Mozambique's MTEF is rated the lowest and MTEF management structure consisted of the

Expenditure Working Group and later replaced by the Technical Advisory Office and the budget office. The shifting of responsibility from the ad hoc to permanent units did not help with implementation.

It is argued by the proponents of MTEF that management structures can make a difference in implementation. African countries that have done well in putting MTEF Management structures are South Africa and Tanzania. It is further argued that MTEF management structure can pull the MTEF process together, reinforcing responsibilities and providing checks on the ministries.

2.5 Organisational structure

Armstrong defines organisational structure as a framework for getting things done. It consists of units, functions, divisions, departments and formally constitutive working teams into which activities related to particular process, projects, and products are grouped. It indicates who is accountable for directing, co-ordinating and carrying out activities as well as management hierarchies – the chain of command thus spelling out who is responsible to whom for what at each level organisation.

Mintzberg (1979) identifies five basic parts of the structure of the organisation as strategic apex, the middle line, the operating core, the techno structure and support staff. The strategic apex is described as the highest decision making part of the

structure, followed by the middle line. At the bottom of the organisational structure is the operating core which does the basic production of goals and services depending on the type of organisation. On the sides of the organisational structure are the techno structure and the support staff. In the techno structure are the analysts who serve the organisation by effecting the work of other people. They usually design the organisation plan it or train others to do it. Supporting staffs on the other hand provide additional service for the smooth functioning of the organisation. These parts are co-ordinated through the line of authority. The parts as identified by Mintzberg would be adopted to describe the division in the Namibian Police.

2.6 Institutional arrangements

The experiences of 100 years of budgetary reforms have provided important theoretical development in the field of institutions (World Bank 1998 a: 17). The field of institutions have provided new insights in what goes into a well-performing budget system (see chapter 2 of the Public Expenditure Management Handbook). One of the insights is the institutional arrangements-rules of the game, both formal and informal influence the outcomes. MTEF requires a budget system in which institutional arrangements are designed as to discipline and facilitate decision making and the scrutiny of those decisions by appropriate players, whether that be the president, ministers collectively, individual ministers, the legislative, the community, central agencies, individual managers or front line service providers. These actors are

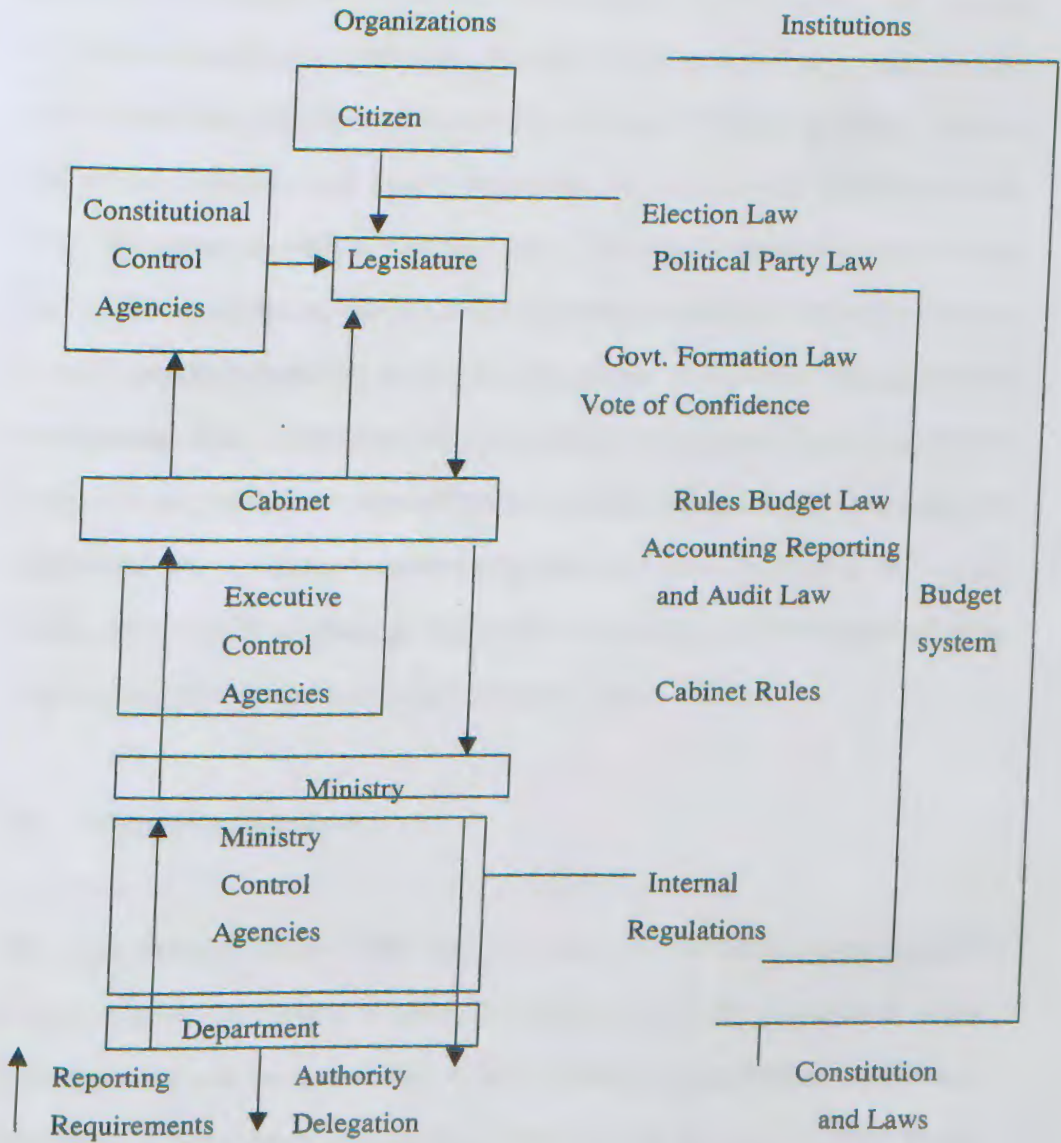
engaged often in dual roles, as creators of institutional arrangements and performers of tasks. Given the dual role, the actors should have a clearly defined system of authority of delegations (see Table 2 below).



Figure 1: Organizational Chart of a Firm

Table 2 : Conceptual framework

CONCEPTUAL FRAMEWORK



Source: PEM Handbook (World Bank, 1998: 20), adapted.

Table 2 above indicate that MTEF is a budget that can be seen as a transaction governed by a contract in which a principal mandates an agent to provide goods and services for a stated price (Patashnik, 1996 quoted by Adrian Fozzard : 38). A chain of these principal-agent agreements can be traced through the budget process : voters-legislature; legislature-government; Ministry of Finance-spending agencies; Ministers-bureaucrats; and senior bureaucrats down to service providers (Moe, 1984:765 quoted by Adrian Fozzard : 38). These agreements are framed within institutional structures at various levels, including: embedded institutions, such as socially accepted norms of behaviour and concepts of contract; the institutional environment, which determines the formal rules of the game, such as legislation which sets out institutional responsibilities and competencies and defines budgetary procedures; and governance structures by which the game is played, such as the budget process itself, in which the transaction is negotiated, monitored and enforced (Williamson, 1998:26 quoted by Adrian Fozzard : 38).

2.7 Theoretical framework

The implementation theory under the evaluation of the MTEF implementation process explains the process of policy implementation in the bureaucratic arena. Implementation can be argued that it has received less intellectual attention in comparison to policy analysis and decision-making. The approach of policy makers

and policy analysts tend to assume that decisions to bring about change automatically result in changed policy or institutional behaviour.

There is empirical evidence that the implementation phase of a policy reform process frequently determines the nature and success of policy reform initiative (Grindle, M and Thomas J, 1991:121): Two models of implementation exist that underline the implementation of reform process. As alluded to earlier in the introductory chapter, linear model and interactive model are of vital importance in the analysis of implementation reform process. The linear model of policy process suggest that a proposed reform sets on the agenda for government action, a decision is made on the proposal and the new policy or institutional arrangement is implemented, either successfully or unsuccessfully.

The proponents of implementation (Bjorkman 1994, Wildvasky 1983, Edwards 1980, Grindle 1980, Elmore 1978, Nakamura and Smallwood 1978) have disputed this notion and seeing implementation as a simple, straight forward and mechanical. In their view implementation is seen as a complete, interactive and ongoing process of decision-making, which is the most important of policy process since the policy outcome, depends on how successful or not the implementation has been. Grindle and Thomas have suggested an interactive model that realistically reflects the implementation process.

Their explanation departs from the premises that efforts to alter existing situation through a policy change upsets an existing equilibrium and elicits some response or reaction from those affected by the change or stakeholders and sometimes the actors as well. The reaction is unpredictable as it may happen at any point along the process. The reaction determines whether implementation may be continued or discontinued and referred back to the agenda phase or any point of the model depending on where conflict occurs.

The process confirms the fact that the implementation process may lead to multiple policy outcomes than the planners thought due to the process of change and conflicts that occur in the implementation stage. According to Björkman, the degree of reaction is determined by the amount of change the policy calls for. He advises that small changes based on incremental theory is likely not going to cause more resistance to policy changes than drastic ones.

Palumbo *et al* (1990) caution that some policies simply are difficult if not impossible to implement despite serious commitment and adequate resource available for the implementing Agency. It goes without saying that the complexity of implementation process suggests that it is not enough to draft a better policy or write a better law; rather an effective implementation depends on several factors including well *co-ordinated organisation* and a carefully designed implementation process included at the initial stage of policy formulation.

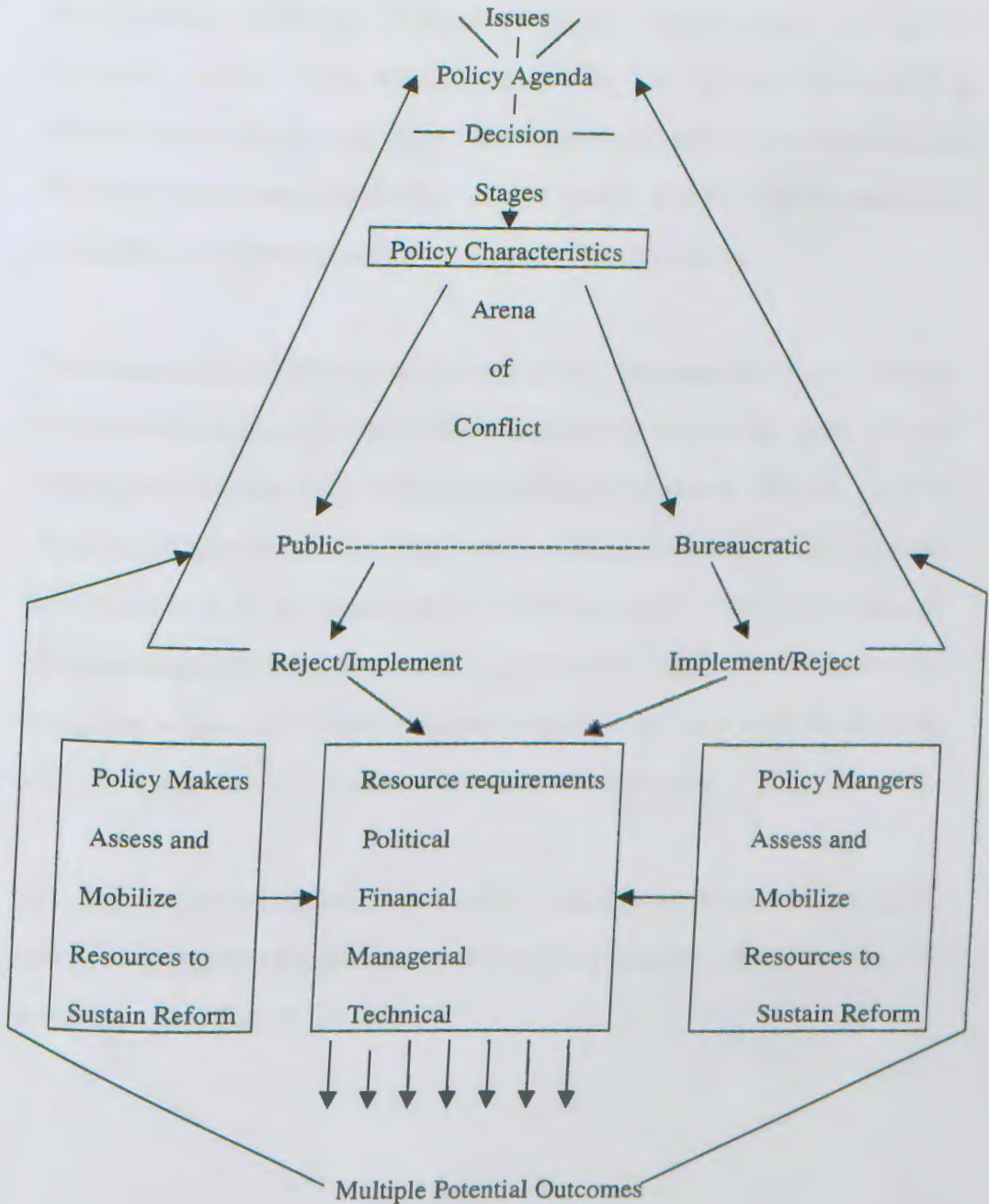
2.8 Adoption of a theoretical framework.

The study adopts the interactive model of policy implementation because it provides a comprehensive framework for analysing the various conflict areas in policy implementation. Every stage in the interactive model of implementation represents an important part. The model assists in illustrating the arena of conflict.

Table 3 shows that reform mongers politicians or bureaucrats put issues on policy agenda. The proposed reforms are implemented or rejected. The agenda phase and decision phase are similar to the linear model implementation approach. The difference is at the implications phase, the linear model suggest that the reform policies are successfully implemented, if unsuccessfully institutions are strengthened/blamed on political will.

The interactive model of implementation identifies five policy characteristics determining whether the policy change will be felt in public or bureaucratic arena. The decision makers and policy managers have a challenge of mobilising resource, political, financial, managerial and technical. The outcome might be different than what the decision makers intended. The arrows pointing down indicates the process that results to multiple outcome. Arrows pointing upwards indicates, the policy can be referred back at any stage to the Agenda phase.

Table 3 : An interactive Model of Policy Implementation



There are three stages of policy implementation, agenda phase, decision phase and actual implementation phase. These phases apply to both the linear model and the interactive models. Their difference lies in the fact that the linear model of implementation follows three stages. The three stages are seen as straight forward, the policy being implemented either succeed or fail. If it fails the institutions are strengthened or blamed on political willingness of policy makers.

The interactive model follows only last two phases. The interactive model, suggests that after the decision phase the policy is implemented either in the public arena or bureaucratic arena depending on the characteristics of the policy. The policy may be implemented or rejected. At any stage of the implementation process the policy can be referred back to the agenda phase or decision phase. The arrows indicate downwards show the three stages of the implementation stages. During the process, the policy makers and policy managers mobilize resources such as political, financial, managerial and technical to achieve intended outcome.

The interactive model suggests that interest of stakeholders exist in the particular policy. The interactive model assumes that the reform disturbed the equilibrium, that existed, that elicit resistance to change.

Chapter Three

Overview of budgeting in the Namibian Police 1990 – 2002

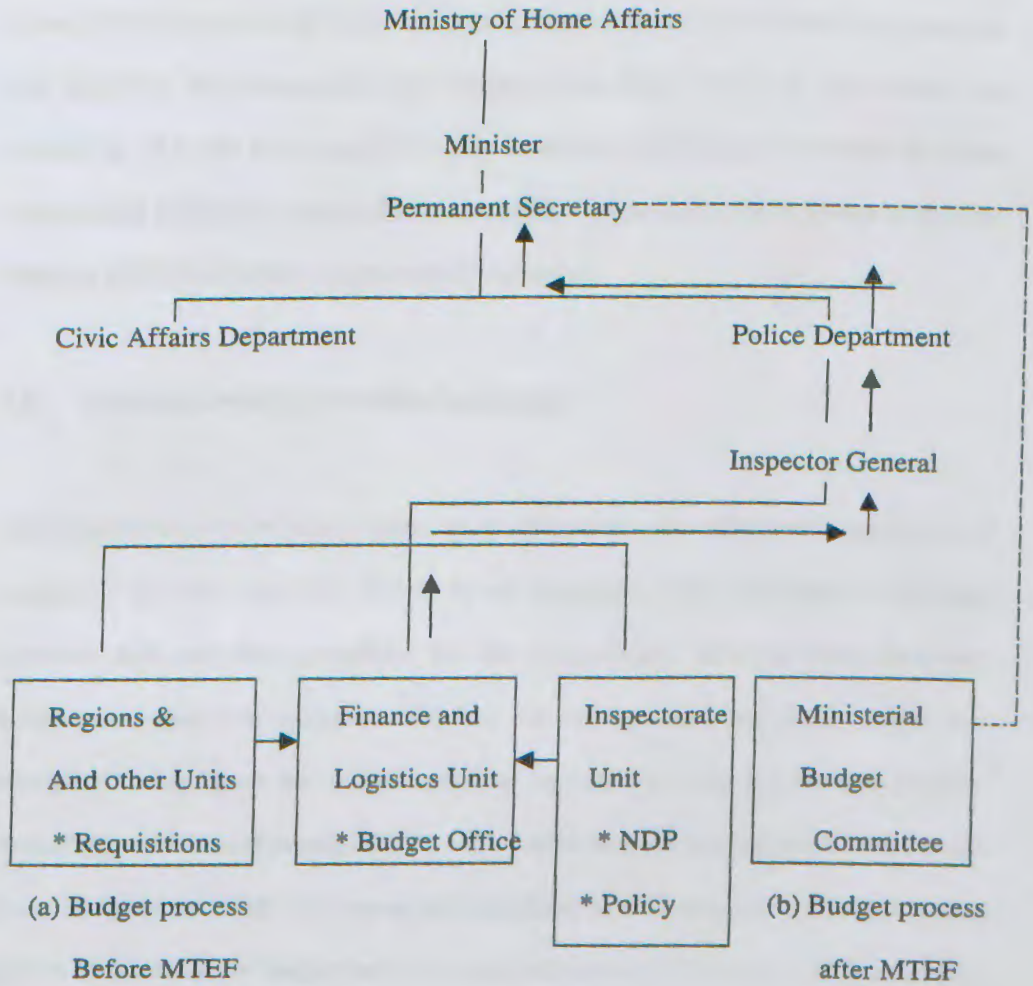
3.1 Introduction

This chapter provides an overview of the budgeting process focussing on the organisational budgeting approach, line- item budgeting (1990-2000) and MTEF implementation process (2000-2002). The main purpose of this approach is to ensure that the budgeting system is understood and to what has changed from the adoption of the MTEF policy initiative.

Table 4 below indicates Police organisational structure reflecting key decision makers and implementers of the budget process before and after MTEF budgetary policy initiative. The table suggests bureaucratic arena in which MTEF policy was implemented.

The Minister of Home Affairs, his permanent secretary and the Inspector General of the Namibian Police constitute strategic apex of the Namibian Police. The commissioners of Finance and Logistics Unit, Inspectorate Unit and other Units and Regions are policy implementers responsible for the successful implementation or failure of MTEF policy in the Department of Police.

Table 4: Police organisational structure



The arrows in the table (a) show the incremental budgeting process centred on the Budget Office and broken line table (b) reflect the establishment of the Ministerial Budget Committee.

Finance and Logistic Unit is responsible for co-ordinating budget preparation and management; Inspectorate Unit among other functions is co-ordinating policymaking and planning of programmes; and Regions and other Units are responsible for combating of crime and support services. A Ministerial Budget Committee is a new institutional mechanism established after MTEF implementation to enhance and co-ordinate MTEF budgetary implementation process.

3.2 Organisational approach to budgeting

An organisation in the public sector or private sector uses different approaches of budgeting and the Namibian Police is no exception. The incremental budgeting literature has put more emphasis on the relationships between core budgetary institutions –spending agencies, Ministry of Finance and legislature, with less interest in what goes on inside spending agencies during the budget process. According to Adrian Fozzard (2001) behavioural studies carried out in the private sector gives insight into the degree of centralisation of responsibility for budgeting and its implication for budget outcome and performance. Chandra (1990) quoted by Adrian Fozzard distinguished four organisational approaches to budgeting:

- **Authoritative budgeting.** The authoritative budgeting approach centralises responsibility for budgeting in the hands of a senior manager who imposes final departmental allocations.

- Consultative budgeting. This budgeting approach is when the budget allocations are discussed with department staff but the senior managers make decisions.
- Participatory budgeting. It is a budgeting approach in which organisational budgets are defined bottom-up, on the basis of department budgets.
- Negotiated budgets. The negotiated budgets are departmental budgets prepared on the basis of limits agreed by both departmental and senior managers.

The four categories help in analysing the Namibian Police budgeting approach. The budgeting approach in the Namibian Police is an authoritative budgeting, in a sense that budget is often prepared by the centralised Finance and Logistic Unit (see table 4 above) covering the whole department. At times, managers may not even know the resources available, they merely submit requisitions that are either approved or rejected. For example, regional commanders and commanding officers submit annually their needs; the Finance and Logistic Unit responsible for budget just approves or cuts without co-ordinating with Inspectorate responsible for policies and programmes. Both Regional Commanders and commanding officers have been complaining for the past twelve years about the approach. Some, have stopped

submitting budget requisitions arguing that it serves no purpose at all if the Finance and Logistic Unit knows exactly what goes into the police budget.

According to studies undertaken on the public sector, especially in developing countries the authoritative budgeting approach appears to dominate. Although it has its advantages of being effective in cutting costs, it leads to conflict that undermines performance. Chandra argues in favour of the participatory budgeting methods because it improves staff motivation, less participatory methods tend to underestimate the resources needed to fulfil a department or office functions or meet targets (Nouri and Parker quoted by Adrian Fozzard:32).

The practice of authoritative budgeting method is not limited to the police but is found in most government ministries that manifested as a budget culture. The change from the incremental approach on which the authoritative budgeting is based on to the Medium Term Expenditure Framework (MTEF) policy initiative demands the decision makers and policy implementers in the government and the Department of Police in particular to *change* the authoritative budget approach to participatory approach. The participatory approach calls for rational comprehensive technique of budgetary decision-making process. This will entail strengthening institutional mechanisms, facilitating a strategic policy decision that has financial implications.

3.3 The line item budget (1990-2000)

The line-item budgeting has acquired the descriptive title of "line-item" or objects-of expenditure because each line on a sheet of paper has an item for those familiar with the Namibian budget, the substandard division budget requirement for example furniture and office equipment subdivision is divided into sub items reflecting number of chairs and the cost etc. The reformers at that time viewed budgeting as a useful device for *controlling* public administration and ensuring morality in Government (Henry, 1989:202). Table 2 provides the budget system that indicates the control mechanism over public administration.

The State Finance Act (no. 31 of 1991), the Treasury Instruction and the budget preparation manual provided guidelines, emphasizing *control*. In Namibia, the Department of Police, the technical definition of items can be seen in their budget requisitions (for example requisitions received from Police regions and units reflect number of punch, rulers, calculators, etc. and the costs). The budget submissions from the Namibian Police regional managers and national managers were *input* oriented. Gross quoted by Henry (1989, 202) observes that line-item budget covers *inputs only*, meaning that it dealt only with what it took to make a programme continue. The only policy-related question the public manager would have asked, (1) How many vehicles does the Namibian Police want and what will they cost? (2) How many bases does Special Field Force Unit have and what will it cost to

maintain. The line-item budget is concerned with routine government business and no policy questions. Another shortcoming is the annual nature of the budget that hampers long term planning.

3.4 MTEF budget process (2000-2002)

The aim of introducing MTEF was to link policy making, planning and budgeting, strengthening fiscal policy management and facilitates and actively encourage the allocation of resources to strategic policy in medium term framework. The rationale was based on the understanding that resources are limited and unlikely to increase significantly in the medium term, achieving greater results from the existing levels of resources and MTEF does not result in higher level of resources. This could be achieved through:

- Involving managers in the budget process
- Using the budget process to assess cost effectiveness (i.e. the least means to achieving the greatest impact or output) and cost efficiency (i.e. the least cost method of producing the planned outputs) of the ministry operations and activities
- Moving from shopping list approach (starting from the costing of the inputs) to performance budgeting (planning the costs of outputs and activities linked to objectives)

- Managers considering all expenditures (recurrent & development) and resources at their disposal.
- Planning ahead for achievement of objectives, rather than attempting to implement all activities in one year

Ministerial budget committee

The Ministerial budget committee consist of planning, finance, human resources and each major policy area, plus committee secretary, chaired by the Permanent Secretary of the Ministry. The role of ministerial budget committee was spelled out as follows:

- Review Budget for MTEF period, PEMP framework Medium Term Plans (where developed) and other key policy documents.
- Monitor progress against plans
- Allocate resources based upon objectives and priorities
- Ensure provision of necessary training for staff
- Dissemination of Government wide Budget, Planning and Associated materials
- Commission guidance for internal use, as necessary

Budget as a management tool

The budget process before the MTEF policy adoption, the budget process, preparation and management was administrative oriented. The accounting staff prepared and managed resources with minimal involvement of managers in the

Police Department. The introduction of the MTEF implies a paradigm shift from the administrative-oriented budget process to management-oriented budgeting. The budget preparation and management is seen as *key management tool* through which managers at all levels plan and implement activities in order to achieve the agreed objectives. The Ministry of Finance, National Planning Commission, Office of the Prime Minister and spending ministries/agencies/offices agreed on the sector objectives, outputs and activities of each ministry/agencies/offices.

The objectives, output and activities constitute the performance and effectiveness management programmes (PEMP). PEMP is a programme managed by the Charter Unit in the OPM aimed at linking performance to budgeting. The PEMP is published as integral part of annual MTEF. The MTEF publications reflect the economic outlook, the three-year budgeting ceilings and the objectives, output and activities of each ministry.

The Ministry of Finance this year requested ministries/agencies/offices to establish ministerial budget committees. The MTEF budget committee is to be chaired by accounting officers of ministries. The committee members have been appointed but the committee is not yet operational. There is a great need for a forum on the center than before, thus implementation process of MTEF cannot be realized and participatory approach is inevitable.

The Ministry of Finance issued circulars in which all ministries/offices and agencies were requested to *shift the budget process away from a focus on input needs and towards allocation based on what we get for our money. To change to budgetary debate from how many millions of dollars each ministry should get; and more towards the benefit that will accrue to our citizens as a result of outcome focussed resource allocation decisions.*'

The MTEF estimates of three years were completely based on incremental approach. Although, many Ministries/offices/agencies didn't submit their MTEF budgets according to programmes in accordance to their strategic priorities, the Department of Police to date have not complied with that request from Ministry of Finance. The main challenges of resource allocation within any ministry/office, agency is in balancing the 'need' and 'availability'. Ministry of Finance have given the Police Department the three-year budget estimates. Therefore since the funds are known it is up to the Police to balance these available resources against claims/budget requisitions from the respective regions and units. In addition together with MTEF requires the Ministry of Home Affairs – Police Department to provide outcome-based information. The added value of MTEF is the reconciliation of the estimated budget allocation and the budget requisitions from the regions and units. The MTEF ceilings being known the onus are on the Ministry of Home Affairs – Police Department to play within the rules of the game.

Existing and future policies should be within the affordable amount. The Police budget can only increase if there is change in policy. The intra resource allocation or prioritisation within the department becomes apparent. Main division such as combating of crime (programme), Traffic Unit, Special Field Force etc are already battling with limited resources ranging from vehicles, personnel expenditure, utilities (water and electricity, telephone) no manager is prepared to reduce his/her budget allocation. The budget decision-making on the centre to balance the spenders and the guardian becomes crucial.

Chapter Four

Analysis of MTEF implementation process

4.1 Introduction

The implementation phase of policy reform process frequently determines the nature and success of policy reform initiative (Grindle and Thomas 1991:121). This chapter analyses the achievements and failures of MTEF implementation process as set by Ministry of Finance for implementing ministries in Namibia. Comprehensive MTEF policy has six stages of implementation, this research paper focuses on the five stages (see Chapter 2) excluding the stage that deals with the macro economic framework.

4.2 MTEF Implementation Objectives

The main actors in the MTEF implementation objectives are Office of the Prime Minister (OPM) Ministry of Finance (MOF), National Planning Commission (NPC) and the spending offices/ministries/agencies. The main function of the Ministry of Finance as the initiator of MTEF policy and implementing agency is the coordination of the implementation of the MTEF policy. The ministry of Finance coordinates MTEF policy through the budget office and committees such as Treasury

Cabinet Committee, Budget Hearing Committee and Ministerial Budget Committees. The implementation objectives are derived from the six stages (see Chapter 2) of comprehensive MTEF policy. The standard MTEF implementation objectives are:

- Agreement on sector objectives, outputs, and activities
- Review and development of programs
- Program cost estimation
- Analysis of inter- and intra-sectoral trade-offs
- Consensus-building on strategic resource allocation
- Setting medium term sector budget ceilings (cabinet allocations approval)
- Medium term sectoral programs based on budget ceilings

4.3 Achievements in the second year of MTEF policy

The Ministry of Finance has achieved the following implementation objectives in two years of MTEF policy existence.

4.3.1 Agreement on sector objectives, output and activities. The ministry of Finance in collaboration with the Office of Prime Minister, National Planning Commission and the spending ministries/ offices/ agencies agreed on the sector objectives, outputs and activities (MTEF 2001/02-2003/04 : 47). The agreement has culminated into the joint annual publication of MTEF and PEMP. The Ministry of Finance publishes the joint annual publication

together with the annual budget. For example, Medium Term Expenditure Framework 2001/02- 2003/04. The MTEF publication provides brief information on the macro-economic outlook, fiscal developments over the last few years, fiscal policy, policies underpinning the budget, revenue projections, priorities by votes and Performance and Effectiveness Management Programmes (PEMP).

Although the joint annual MTEF publication was agreed and implemented, there was resistance to the MTEF policy implementation. For example the Ministry of Trade and Industry was unable to agree on the objectives, outputs and activities at the budget hearing (MTEF 2001/02-2003/04 ECU reference 07/05/19). However, in the second year (2002) the objectives, outputs and activities were agreed upon (MTEF2002/03-2004/05: 29).

4.3.2 Setting medium term sector (three year rolling) budget ceilings. All ministries/offices/agencies were allocated with a three-year rolling budget ceilings in March 2001(MTEF 2001/02-2003/2004: 23) for the first time. The expenditure ceilings for the Ministry of Home Affairs- Department of the Police were set as follows:

MTEF 2001/02-2003/04

In 000 N\$ of total allocation	2001/2002	2002/2003	2003/2004
Vote 06 Police (MHA)	489 693	513 437	545 449

MTEF 2002/03-2004/05

In 000 N\$ of total allocation	2002/2003	2003/2004	2004/2005
Vote 06 Police (MHA)	604 378	634 433	668 706

The medium term budget ceilings for Department of the Police were set for 2001/02-2002/03 and 2002/2003-2004/05 respectively. Although the three-year rolling budget ceilings represent achievements, the ministries/offices/agencies did not comply with the pre-conditions of Ministry of Finance (circular 11/2/3 2002-2001 dated 01/08/2000). The Ministry of Finance appealed to all accounting officers of ministries/offices/agencies for their personal engagement in the MTEF budgetary process through all the stages of budget formulation. The Ministry of Finance emphasised the fact that accounting officers consult their ministers, departments/directorates and most importantly the financial advisors in MTEF budget formulation. They were further reminded to review chapters BB to DC of the Treasury Instructions for their clear and definite roles and responsibilities as contemplated in Article 126 of the Namibian constitution. The ministries/offices/agencies were explicitly required to

submit budgets supported by sectoral policy papers reflecting medium term sectoral objectives, policies and strategies in line with the then draft chapter(s) submitted to National Planning Commission for NDP2. The sectoral policy papers could enable the Ministry of Finance to set the medium term budget ceilings in accordance to government priorities. Medium term budget ceilings for last two years of MTEF policy implementation were allocated to some ministries/offices/agencies without appropriate sectoral policy papers. For example, Ministry of Home Affairs- Department of the Police, Ministry of Defence, Ministry of Justice and Office of the Auditor General did not have such policy papers (see Development Plan Targets column '2' of PEMP in the MTEF 2002/03-2004/05).

4.3.3 Establishment of the ministerial budget committee. The ministry of Finance has requested all ministries/offices/agencies to establish ministerial budget committees.

The establishment of ministerial budget committee is an achievement, as a strategic decision-making body that will enhance participation, transparency and accountability.

4.4 Role of MTEF management structure

This section focus on the role of the MTEF management structure (committees) in the implementation of the above-achieved MTEF objectives to assess to what extent they assisted in the implementation process.

Firstly, it was established whether new MTEF management structures were created or the existing budget committees were utilised in the implementation process. The research found that only the ministerial budget committee was initiated for the facilitation of the MTEF budget process. The MTEF was integrated into the budget process; therefore, the existing committees such as Treasury Cabinet Committee, Budget Hearing Committee played a role in the implementation process. When asked why new MTEF management structures were not created? It was found that two out of fifteen people were not in favour of committees. They suggested that the Ministry of Finance, National Planning Commission and the Office of the Prime Minister monitor and evaluate their related programmes.

On the ministerial level Ministry of Home Affairs – Department of the Police, established a ministerial budget committee. The ministerial budget committee was not functional and the chairperson was not appointed yet. The budget office within the Department of Police co-ordinated the MTEF implementation process without participation of management as called by Ministry of Finance.

There was a lack of a forum at the regional level that could co-ordinate MTEF budgetary process similar to the one on a ministerial level. A need was identified to create Regional Budget Committees to facilitate the budget process.

Secondly, it was established that MTEF management Structures (committees) at the central level were not effective. The Ministry of Finance used the existing MTEF Management Structure to co-ordinate MTEF policy implementation process. At the centre was Cabinet with additional institutional support such as the Treasury Cabinet Committee (TCC) for recommending budget ceilings to Cabinet, Budget Hearing Committees responsible for hearing the bottom-up expenditure proposal from ministries and the Ministerial Budget Committees responsible for budget formulation in the ministries linked to their strategic priority.

The Ministry of Finance issued instructions and guidelines in a circular form on how to compile an MTEF budget Ministry of Finance reference (11/2/3 2002-2001). According to the circular all accounting officers were required to submit sectoral policy papers that reflected their medium term sectoral objectives, policies and strategies. The sectoral policy papers should have been substantially in line with the draft sectoral chapter(s) submitted to National Planning Commission for NDP2.

The guidelines for budget formulation as contemplated in the circular were supposed to have been strictly adhered to by all accounting officers before submitting budgets to and accompanying requested documents to Treasury. The instructions and guidelines for budget formulation as outlined in the circular were not realised. The Ministry of Home Affairs – Police Department have not submitted the sectoral policy paper and the zero budgeting concept did not apply (Ministry of Finance Medium Term Expenditure Framework 2001/02- 2003/04 and 2002/03 – 2004/05). The Ministry of Finance had to set three year rolling budget ceilings without sectoral policy papers as required.

At a closer look, the implementation process was hampered by a lack of co-operation between the Ministry of Finance and the National Planning Commission in the budget formulation process. Spending ministries were subjected to two budget hearings. The recurrent budget was presented by the Ministry of Finance and development budget by the National Planning Commission.

The major problem the Ministry of Home Affairs – Police Department is encountered was the budget provision of operational and maintenance expenditure arising from the completed capital projects and the implementation of the national programmes. Although the MTEF was published jointly in collaboration with Ministry of Finance, National Planning Commission and Office of the Prime Minister the research found that there was no specific forum in which the spending ministries

and the Office of the Prime Minister, Ministry of Finance and National Planning Commission negotiated or ensured proper implementation. Although there were divergent views on creation of new committees, the research found that there was a need to create a committee within the Ministry of Finance to address the dual budgeting problem.

The other issue of concern was the approach to the implementation process. The research found that issuing of circulars alone are not adequate to provide guideline for the implementation of MTEF. Countries such as South Africa, Ghana, Malawi had prepared handbooks that guided the implementation process. This approach is very important for monitoring and evaluating the implementation process. In the absence of that, it is very difficult to measure the success and achievement of a policy.

The problems experienced in the MTEF implementation process were attributed to the myth uphold by the decision makers and MTEF policy implementers that the critical part of policy implementation lies in the choice of decision. The MTEF management structure (committee) were not effective in the facilitation of the MTEF implementation process. It is because the policy makers and policy implementers both at the central and sectoral levels believed that once the decision for implementation of MTEF policy has been taken by Cabinet and Ministry of Finance the implementation objectives of MTEF will automatically be achieved. MTEF

policy has been implemented according to the leaner model. Analysing the MTEF policy implementation from the linear model perspective indicates the following:

- Ministry of Finance managed to bring the MTEF on the agenda and Cabinet adopted the decision according to the reformists' proposals.
- Ministry of Finance after Cabinet adoption issued instructions and guidelines in a form of a circular and expected ministries/offices and agencies to change from incremental approach to MTEF.
- The Division Budget Management within the Ministry of Finance was restructured and given additional staff in order to analyse budget proposals properly.
- Ministerial Budget Committees were created in ministries/agencies /offices to co-ordinate MTEF budgetary process

The restructuring of the Division Budget Management and Ministerial Budget Committees were activities initiated after Ministry of Finance encountered co-ordination problems in MTEF implementation. The linear model of implementation has been criticised for its disregard of factors that influence the outcome of the policy. Both policy makers and policy managers have been disappointed in the outcome of the policy reform they embarked. The objectives and the outcomes tended to differ, despite all good ideas of reform.

The paper argues that the current linear model of implementation will lead to unintended outcomes. To improve the MTEF implementation process in Namibia and the Department of the Police in particular, the *interactive model* of implementation is suggested.

4.5 Arena of response

The interactive model suggests that policy reform implementation takes place either in the public or bureaucratic arena. The MTEF policy in Namibia has been implemented in the bureaucratic arena. The impact of the MTEF policy in terms of concentration of costs are felt in government and not by the public. This reform that concentrates costs in government have often broadly dispersed benefits that become visible in the longer term (Grindle et al 1991:139). The link of policy making, planning and budgeting, strengthening fiscal policy management and facilitate and actively encourage the allocation of resources to strategic policy will benefit the public in the long run. The MTEF policy is visibly having a high administrative, limited participation and long duration characters. The World Bank assisted in the MTEF implementation process in all African countries, with the exception of Namibia.

The preliminary study undertaken by the World Bank on the assessment of the MTEF's in Africa indicates that the implementation of MTEF requires long duration.

For example in Uganda MTEF has been in operation for more than seven years and have not achieved the desired goals yet. Budget reforms generally take long time to implement. New Zealand took more than ten years to develop its budget system and Singapore 30 years to move from simple line item to their sophisticated performance based system. Since the MTEF policy has all of these five characteristics (concentration of costs in government, dispersion of benefits, high administrative or technical content, limited participation and long duration) the reaction will take place in the bureaucratic arena and the success of implementation depends on the capacity and support of the bureaucracy. One of the objectives of the study was to establish the existence of the MTEF management structure that is capable and supportive in the MTEF implementation process. Since the National Planning Commission, Office of the Prime Minister, Bank of Namibia and line ministries have stake in the MTEF implementation process, the institutional mechanism (Treasury Cabinet committee, MEWG, Ministerial budget Committee and Budget Hearing Committee) in which implementation decisions are taken are critical to a successful MTEF implementation.

4.6 Stakeholders

The stakes in the interactive model suggest that resistance exist in both the public and bureaucracy. If the stake exists in the public and affect certain interest groups the resistance to change will be expected from the specific group for example the

Ministry of Health in Namibia dropped a draft Abortion and sterilisation Bill three years after anti-abortionists launched vigorous campaign against the planned bill (Christof Maletsky 2002" Abortion ruled out" *The Namibian* Vol. 17 no. 225:1). If stake is in the bureaucracy, the opposition often comes from resistance to change or loss of power and may range from overt opposition to quiet sabotage or inaction. In Kenya, the program to decentralise development planning and implement it at the district level stagnated for three years before anything of substance happened. According to Grindle (1980) in some cases alliances between factions or individuals in the bureaucracy and external interest or clienteles can result in piecemeal sabotage. Lack of capacity within the administrative bodies may also result in implementation failures not intended/foreseen.

The MTEF policy implementation has a relatively low political stake for government. The study focussed on the MTEF management structure to assess the existing capacity to implement the MTEF policy. The study argues that big reform like the MTEF policy can be effective if the institutional mechanism like the Cabinet on the centre supported by the MEMWG, Cabinet, Treasury Committees, Budget Hearing Committee, Ministerial Budget Committees and Regional Budget Committees in which budgetary decisions are taken provide checks on the implementing agencies. The Ministry of Finance, the National Planning Commission, Office of the Prime Minister and the Bank of Namibia have a stake in the implementation of the MTEF policy otherwise they could not have taken the risk

of change. According to Grindle and Thomas (1991:141) individual officials may have very high personal stake in being perceived as effective leaders, moving upwards in their careers, acquiring greater resources for their agencies or greater efficiency in their work. The policy makers and policy managers should take cognisance of the fact that focusing on the decision and ignoring the implementation process is done on their own peril because lack of implementation planning at the design stage will lead to unintended outcome. Depending on the degree of change the government can be at stake. For example, the devaluation of currency in Ghana led to the over through of government. Although there were other reasons, the lack of implementation plan led to the disappearance of basic commodities overnight. The decision makers did not foresee the outcome due to ignorance of implementation.

4.7 Resources

Political resources

The interactive model of implementation suggests four types of resources that are needed by reformers (Ministry of Finance, National Planning Commission and Bank of Namibia) for successful policy implementation. Reforms call for political, financial, managerial and technical resources (Grindle and Thomas 1991:143). Not all policy reforms require the four resources, but it is of importance to policy makers and policy managers to know which resources are needed and where they will be available. Grindle and Thomas in their interactive model of implementation identify

political resources and bureaucratic as important resources towards successful implementation. Bureaucratic resources are financial, managerial and technical resources. Policy makers and policy managers need to mobilise these resources in order to encourage and sustain the implementation of reform.

Financial resources

Although developing countries experience financial difficulties due to poverty, developed countries and money lending institutions are more than willing to fund viable policy reforms.

A classic example is the World Bank's funding of MTEFs in Africa. In Namibia the development budget has been under spent on several occasions, therefore, policy managers could be able to mobilise these resources for effective MTEF implementation.

Managerial resources

A managerial resource refers to the capacity to generate managerial inputs for implementing reforms. Policy managers need capacity to control budget, personnel opportunities and promotion, and also control of support services such as transportation and purchasing are important elements of bureaucratic power (Grindle and Thomas 1991:147).

Technical resources

Technical resources can be considered as a technical know-how related to a specific field of specialisation. The capacity for technical analysis is considered as an important variable in implementing reform. The capacity to analyse reform will depend on a specific need. For, example the capacity to evaluate a budget reform is not necessarily the same as the capacity needed for land reform. Budget reform will require a capacity for a budget analyst.

The financial, managerial and technical resources variables are important to determine the capacity of the MTEF management structure. The MTEF implementation objectives set by the policy makers and policy managers may not be achieved without the utilisation of the three resources. 100 Years of budget reform has brought new insight as to what goes into a well performing budget system. The institutional arrangement is one of the insights to deserve attention in any budget reform system. The MTEF budgetary reform system is no exception. The studies of MTEF implementation in developing countries (Africa) as mentioned in chapter two tend to suggest that a budget office alone whether in the Ministry of Finance or in the implementing agency is not in a better position to manage MTEF implementation process. It requires additional institutions in a form of committees on ad-hoc or permanent basis to co-ordinate the MTEF implementation process. It confirms that implementation is not an event but a process that requires planning. The co-ordination between the key institutions in the bureaucracy such as Ministry of

Finance as an implementation agency in charge of the MTEF, the National Planning Commission responsible for the development budget that have long term policy implication on the operational budget, the Bank of Namibia as the advisor to the government on monetary policies, the office of the Prime Minister in charge of the Performance and Effectiveness Management Programmes (PEMP) and the line ministries/offices/agencies.

These key institutions are authoritatively independent; therefore a mechanism/forum should be in place to co-ordinate their interaction towards achieving the intended goals of MTEF. These committees are in a better position to deal with policy change, because policy change disrupts the equilibrium that existed (Grindle and Thomas 1991) and depending on the degree of change the reaction of the affected may cause resistance (Bjorkman 1994) to policy change. MTEF budgetary policy reform seek to change the way the budgeting process is done. The President emphasised the importance of *shifting the budget process away from a focus on input needs and towards allocation based on what we get for our money. To change to budgetary debate from how many millions of dollars each ministry should get; and more towards the benefit that will accrue to our citizens as a result of outcome focussed resource allocation decisions* (Medium Term Expenditure Framework 2002/03 - 2004/05 April 2002:1). The shift or policy changes whether small or big will require a co-ordinated effort of implementation process among the key players.

These actors who were supposed to play by rules of the game influence the outcome of the MTEF policy at every stage of implementation. MTEF management structure (committees) has terms of reference parameters for budgetary decision-making. The Ministry of Finance, the implementing agency of the MTEF policy initiative is the main co-ordinating body and is represented in all committees.

The Ministry of Finance uses the MTEF Management Structure to co-ordinate MTEF policy implementation process. At the centre is Cabinet with additional institutional support such as the Treasury Cabinet Committee (TCC) for recommending budget ceilings to Cabinet, Budget Hearing Committees responsible for hearing the bottom-up expenditure proposal from Ministries and the Ministerial Budget Committees responsible for budget formulation in the ministries linked to their strategic priority.

Most MTEF management structure committees meet on both ad-hoc and permanent basis. The effectiveness of the Ministry of Finance or the line ministry is measured on the goals achieved.

Chapter Five

Summary, Conclusion and Recommendations

Summary

The MTF policy initiative was integrated into the budget process since its initial stage of implementation. The MTEF implementation process is being co-ordinated and implemented by the existing management structures; the budget governance structure has not changed. What has changed is the way the budget process is being approached shifting from incremental budgeting to program budgeting in the medium term expenditure framework.

The national MTEF structures have achieved most of their goals set as implementation process objectives, introduction of the three-year rolling budget and introduction of ministerial budget committees. The MTEF budget process on the sectoral level has changed from incremental approach to the programming budgeting allocation of resources. What remains is the active participation of management in the budgeting process. Shifting from authoritative budget approach to participatory budgetary approach.

The lack of a central forum where the department budget could be discussed and prioritised was one factor that contributed to the authoritative budgetary approach. It is however expected that the introduction of the ministerial budget committee will enhance institutional arrangement for participation, transparency, and responsibility. The Ministerial budget committees consist of planning, finance, human resources and each major policy area, plus committee secretary. If all terms of reference are implemented as mentioned below there is no doubt that the MTEF budget process will change to the better.

The roles of the committees in the MTEF implementation process are to:

- Review Budget for MTEF period, PEMP framework Medium Term Plans (where developed) and other key policy documents.
- Monitor progress against plans
- Allocate resources based upon objectives and priorities
- Ensure provision of necessary training for staff
- Dissemination of Government wide Budget, Planning and Associated materials
- Commission guidance for internal use, as necessary

The establishment of the ministerial budget committee is a step in the right direction and regional budget committees should be established to support the ministerial budget committee in budget formulation.

Conclusion

The problem of the MTEF implementation process in the Ministry of Home Affairs (Police) "is precisely due to the fact that the old is dying and the new cannot be born, in this interregnum a great variety of morbid systems appear" Antonio Gramsci (as quoted in Walker, L. et al 1999). The recent introduction of MTEF Ministerial Budget Committee by implication is an indication that the existed management structures were not adequate.

It also signals the importance of the strategic body at the centre that is needed. The current MTEF management structures are not effective, however the introduction of the ministerial budget committee, supported by Regional Budget Committees will improve the MTEF implementation process.

Institutional mechanisms that promote strategic decision-making are : promote consultation and debate on policy issues, promote transparency and accountability, promote decision-making that is under pinned by resource availability, help manage and sequence the process for policy considerations by the ministerial budget committee. Policy implementation reform such as the MTEF budgetary initiative is a process, many actors influence the outcome.

Recommendations

It is recommended that the Ministry of Finance commission a team to review the current implementation approach. The review team should consider the interactive model of implementation and appropriate committees like those in South Africa especially taking into account other reforms such as decentralisation policy. Decentralisation of MTEF policy to the regional and local governments may require decentralised MTEF budgetary institutions. The comprehensive approach to MTEF and an interactive model of implementation will address most problems resulting from the lack of co-ordination within institutions. The establishment of the ministerial budget committee is a step in the right direction. It is recommended that the ministerial committee be instituted with a clearly defined terms of references. Regional budget committees are recommended to speed up the MTEF budget process.

Budget hearings be introduced in the ministry and the ministerial budget committee should be seen as a central point at which budget claims from different units and regions can compete for resources. The Ministry of Home Affairs (Police) should institutionalise mechanisms that facilitate strategic decision-making. Strategic resource allocation moves policy, planning and budgeting into the nexus of politics and administration. Budgeting is a political process and therefore it is important that

policy, planning and budgeting are linked in an effective forum at the centre of the ministry to make strategic decisions on the basis of budget realities.

An effective decision making forum is not only more likely to produce fiscally sound resource allocation decisions, but also leads to that those decisions have legitimacy and are therefore more likely to be implemented. Institutional mechanisms at the centre of the ministry can help to restrain policy making within the realm of the affordable by providing technical support and information, establishing and enforcing a set of procedures that enhance the right decision making. The Ministry is urged to implement key mechanism that promote strategic decision making by core decision bodies:

- Promote consultation and debate on policy issues
- Promote transparency and accountability
- Promote decision-making that is under pinned by resource availability
- Help manage and sequence the process for policy considerations by the ministerial budget committee.

The policy makers and policy managers mobilise the four key resources important for successful implementation namely:

Political resources
Financial resources
Managerial resources
Technical resources

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