

## The main stakeholders in the MTBF are:

**1. Finance Division** - With the introduction of the MTBF, the Finance Division's role will widen from control to include new functions: in particular, ensuring that budgets are policy and output-driven.

**2. Planning Commission** will play a key role in ensuring that current commitments in the MTD and other policy documents are properly funded and that new and emerging priorities receive due attention.

**3. Line Ministries** - the MTBF aims to give line ministries greater control over their own financial affairs and the flexibility and capacity to manage their budgets in line with their stated objectives.



**4. Provinces** - The Government of Pakistan's MTBF does not directly involve the provinces since they are developing their own initiatives. However, appropriate linkages are being established between the federal level and the provinces.

## Progress on MTBF implementation by the Federal Government:

- **2003** - establishment of MTBF concepts, a roll-out strategy, and specific procedures and formats for the MTBF process
- **2005/06** - roll-out to two line ministries (Health, Population Welfare)
- **2006/07** - roll-out to a further three ministries (Education, Food, Agriculture & Livestock, and Women Development).
- **2007/08** - a further 10 ministries added: Communications, Narcotics Control, Ports and Shipping, Information Technology, Environment, Social Welfare & Special Education, Water & Power, Textile Industry, Commerce, Local Government & Rural Development.
- **2008/09** - an additional 10 federal ministries have been added bringing the total number of MTBF ministries to 25.
- **2009/10** - additional federal ministries are being added for 2009/10 budget year.

The eventual goal is full roll-out of the MTBF across all eligible line ministries of the Federal Government.

The MTBF is a major reform initiative through which the Government aims to achieve its stated policy objectives (including those set out in the MTD and PRSP) and promote economic and social development in Pakistan.

For more information about the MTBF, contact:  
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**Medium Term  
Budgetary  
Framework**

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**An Overview**

**The Medium-Term Budgetary Framework (MTBF) is an approach to budgeting that integrates policy-making, planning and budgeting within a medium-term framework.**

**The main features of an MTBF are:**

**Medium Term Budgeting** – Annual budget preparation is carried out taking into account the resources expected to be available over a three- year medium term

**Strategic Budgeting** - Budget preparation (allocation of resources) is carried out in accordance with the government's strategic priorities

**Results-based Budgeting** - Strengthening the budget process in line ministries by focusing on the services (outputs) delivered as well as the resources required (inputs)

## Benefits of the MTBF

- Ensures policy objectives determine the overall framework for the budgetary process.
- More clearly relates individual budgetary allocations to strategic priorities
- Allows policies to be considered in a medium to long-term context.
- Promotes predictability in the budget process.
- Creates opportunities to harmonise recurrent and capital spending.
- Ensures spending is more clearly linked to results.

The MTBF approach is used in many developed and developing countries to facilitate and strengthen links between policy objectives and the annual budget.

Other examples include South Africa, The Philippines, Vietnam, Nicaragua, Sri Lanka, Tanzania and Bangladesh.

## Why an MTBF In Pakistan?

Sound macroeconomic and fiscal policies in Pakistan in recent years have yielded positive results. But the current budgeting system makes it difficult to align budgetary resources with strategic priorities;

Poverty and poor social service delivery in Pakistan are only partly due to inadequate resources: inefficiency in the allocation and use of available funds is also a concern;

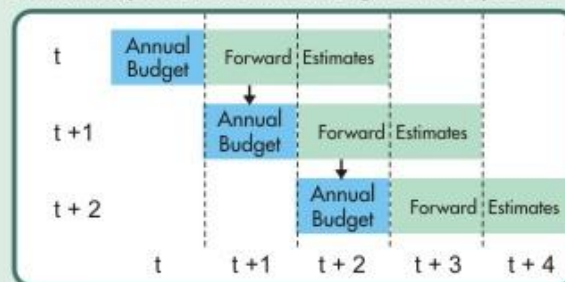
The MTBF will help the Government to channel resources to its key strategic priorities and spend money more effectively. This will lead to improved service delivery.

**The MTBF works through a combination of:**

- **A Top-down** resource envelope consistent with macroeconomic stability and fiscal policy objectives
- **Bottom-up estimates of spending** over the medium-term prepared by line ministries
- **An annual process of decision-making** between the two which ensures that the final allocation of resources is consistent with the Government's strategic priorities

Each year the MTBF process involves the rolling forward of the previous MTBF estimates by one year and the addition of a new outer year. As shown in the figure below, the MTBF and the annual budget are not two separate processes; the annual budget represents the first year of the MTBF.

**Relationship between annual budget & MTBF process**



t = year

## Main Stages of MTBF Process

**Starting point:** a reliable statement of macroeconomic and fiscal policy objectives and resources over the medium term

**Strategic phase:** examination of existing policies and new policy proposals in a medium term context

**Political process:** sets budgetary priorities within the overall medium term resource constraint

**Communication to line ministries:** of indicative budget ceilings over the medium term

**Cost estimates:** three-year forward estimates of the cost of existing and new policies submitted by line ministries

**Annual budget:** is decided based on the above, with coordinated preparation and approval of recurrent and development budgets