

Medium-Term Strategic Financial Planning for Security Sector Institutions: Tools and Techniques



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Tool 3

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Medium-Term Strategic Financial Planning for Security Sector Institutions: Tools and Techniques

Domenico Polloni



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The Geneva Centre for the Democratic Control of Armed Forces (DCAF) promotes good governance and reform of the security sector. The Centre conducts research on good practices, encourages the development of appropriate norms at the national and international levels, makes policy recommendations and provides in-country advice and assistance programmes. DCAF's partners include governments, parliaments, civil society, international organisations and the core security and justice providers such as police, judiciary, intelligence agencies, border security services and the military.

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- Central Military Financial Administration
- Palestinian Anti-Corruption Commission
- Palestinian National Security Forces

Introduction

Why is financial oversight in the security sector important?

Financial oversight in the security sector is a key instrument for ensuring that public funds allocated by the state for the security of the people are spent in a transparent effective and accountable manner.

However, the financial management of security sector institutions is often characterised by opacity rather than transparency. Even in established democracies, the budgets and financial operations of law-enforcement, military and intelligence organisations are often concealed from public scrutiny and sometimes even from formal external oversight by parliament or audit institutions. Furthermore, in many developing countries, disproportionate security expenditures prevent the use of public funds for socio-economic development.

Why this Toolkit?

Building the conceptual and technical capacities of specialised practitioners is a crucial step towards strengthening financial oversight in the security sector. This Toolkit is designed for financial oversight practitioners who wish to:

- Gain access to best international practice in financial oversight of the security sector
- Improve their professional ability to financially oversee security sector institutions
- Acquire a more proactive attitude toward conducting thorough financial oversight activities of security sector institutions
- Assert their authority in scrutinising budgets and financial operations conducted by security sector institutions.

How was this Toolkit developed?

The tools included in this Toolkit were developed based on four needs assessment meetings with financial oversight employees and two trainings of financial oversight practitioners in the Palestinian territories in 2013-2014. The Geneva Centre for the Democratic Control of Armed Forces (DCAF) conducted the trainings in cooperation with DCAF international experts and with the financial support of the European Union.

The tools that are part of this training manual contain a generic component that can be used in virtually any country where financial oversight practitioners in the security sector require capacity building. The tools also contain a locally adapted component, which offers examples from the Palestinian training course and suggestions for how to adapt activities and materials to suit the trainer's own context.

Other DCAF publications on financial oversight in the security sector

In addition to this Toolkit, DCAF has published other reference material on financial oversight in the security sector. These publications include:

1. Guidebook: Strengthening Financial Oversight in the Security Sector, 2012.
2. A Palestinian Legal Collection: Financial and Administrative Oversight in the Security Sector, 2013.
3. Financial Oversight in the Security Sector: A Compilation of International Standards, 2015.

To download these or other publications please visit: www.dcaf.ch/publications

Using the Training Toolkit

Overview

The training toolkit has been designed to be used as a whole training course, which covers six different topics relevant to financial oversight and security sector governance. The six topics may also be used individually as 'stand-alone' training sessions.

What does the Toolkit include?

The training Toolkit includes one introductory tool (Tool 1) and six training tools. Each tool has a three-hour generic component. The generic material is applicable internationally and can be used without adaptation in any training context. In addition, there are suggestions and example activities for adapting material to a particular context. They are designed to be amended by the trainer to engage with local issues specific to the trainer's own context. It is envisaged that the localised session would take two hours, but it can be as long as the trainer deems necessary.

The Toolkit contains the following seven tools (including this one):

Tool 1. Using the Toolkit and Acquiring Trainings Skills

Tool 2. Concepts and Main Actors of Financial Oversight in the Security Sector

Tool 3. Medium-term Strategic Financial Planning for Security Sector Institutions: Tools and Techniques

Tool 4. The Budget Cycle and the Security Sector

Tool 5. Auditing and Integrity in the Security Sector

Tool 6. Handling Legal Gaps while Practicing Financial Oversight in the Security Sector

Tool 7. Financial Oversight of Intelligence Agencies

These tools may be used for individual training workshops on each topic or as a comprehensive training course.

The toolkit user

The training sessions in the Toolkit are intended to be read and used by trainers with expertise in financial oversight and security sector governance and reform.

The target audience

The target audience for the training course outlined in the Toolkit is mainly practitioners involved in financial oversight of public institutions, including security sector organisations. These practitioners include specifically, but not exclusively:

- Parliamentarians and their staffers who are involved in financial oversight and budget control activities
- Members of Supreme Audit Institutions (SAIs) who provide expertise and support in financial oversight activities
- Strategic-level members of security and defence institutions in charge of preparing and executing budgets
- Representatives of executive authorities, including ministries who oversee the preparation and execution of security and defence budgets
- Officers and auditors working in core security and justice institutions whose role is to perform internal controls and audits.

The ideal number of participants for the course is around 15 people. However, the course may be used with more participants.

Using the toolkit in the trainer's own context

As mentioned above, the tools in this Toolkit consist of generic training sessions and locally adapted training sessions. The generic training sessions included in the toolkit have been developed to be used in any context. However, if possible, the trainer should conduct some form of needs assessment in his/her own context. Based on the results of the analysis, the trainer can understand which training sessions to use, which to prioritise, and which to adapt. The localised training sessions give examples and offer suggested objectives for use in the trainer's own context.

When choosing which of the sessions in the toolkit to use, the trainer can choose to use only part of a session or to rearrange the order of the activities if desired. However, the trainer should be aware that some of the activities in a session follow each other, and one activity may often build on a previous activity.

The structure of a generic training session

A generic training session consists of the following six elements:

1. **The introduction** lists the learning objectives and focus questions for the session. It also gives an overview, which lists the handouts and trainer resources that are used in the session.
2. **The session plan** gives a full overview of the training session. It is a guide for the trainer to get a quick understanding of the session. It is also used as a quick reference to help the trainer keep track of activities and timing during the training.
3. **The description of activities** explains in more detail how to carry out the activities listed in the session plan.
4. **The handouts** are given to the participants during the activities in the sessions. They are easily photocopied and can include:
 - Worksheets with tasks for the participants to complete

- Hardcopies of PowerPoint presentations
- Summaries of key information
- Extracts of, or references to, publications

5. **The trainer resources** provide supporting information for the trainer. They can include:

- Summaries of international best practices
- Answer sheets

6. **The suggested resources** contain references relevant to the activities.

Types of activities

The types of activities in the sessions are designed to involve and engage the participants. They are expected to build their own understanding of concepts and issues presented. Often, this means encouraging participants to work and provide feedback in groups rather than 'teaching' topics in a non-participative way.

Trainers might nevertheless be advised to make PowerPoint presentations. The training tools do include handouts with PowerPoint presentations, which may be adapted by the trainer as required. However, the trainers are encouraged to use a minimum number of slides. It is also recommended that they use images or other types of documents that are likely to trigger participants' attention and active participation. The trainer may provide the participants with a hardcopy of the presentation before or after it is shown. The trainer may also ask the participants to discuss a question in pairs before asking for feedback.

The structure of a local training session

A local training session contains example materials and objectives for the local sessions to cover. It is given as an example for the trainer to draw on in his or her own context when devising his or her own localised sessions and materials.

The structure of a local training session is similar to that of the generic training session (see above). Suggested example activities are given instead of a full session plan.

A local training session consists of the following five elements:

- 1. Introduction.** This consists of learning objectives and focus questions that are relevant to the trainer's own context. An overview of handouts and trainer resources is also given.
- 2. Example activities.** These are example activities of suggested content to be covered. This content can be adapted by the trainer to fit his or her own context. It includes a description of the activity, timing, etc.
- 3. Example handouts.** The handouts are given to the participants during the activities in the sessions. They are easily photocopied.
- 4. Example trainer resources.** These provide supporting information for the trainer.
- 5. Suggested resources.** The suggested resources are references for the trainer to use when adapting these example activities.

(Please note that the local training session in this tool, Tool 3, does not include 'example trainer resources'.)

Medium-term strategic financial planning for security sector institutions: tools and techniques

Introduction

Learning objectives

This session aims to give participants a working knowledge of strategic financial planning for the security sector. It introduces various concepts to participants and gives them the opportunity to apply tools in a practical way, both by analysing examples for several countries and by learning to apply the tools to their own contexts. The specific learning objectives include:

- Understand the policy formulation process in the security sector and the concept of national security strategy
- Comprehend the importance of strategic financial planning
- Identify tools and techniques of medium-term strategic planning
- Know how to adapt those tools and techniques to a particular context
- Share experiences of field practices and develop solutions to apply in the participants' work practices.

Focus questions

The following questions are addressed through the activities in this session:

- What is a National Security Strategy?
- Who defines it?
- What is Medium-term strategic financial planning?
- How to develop a Medium-term strategic planning framework for the security sector?
- How do National Security Strategy objectives translate into required capabilities?
- How do National Security Strategy policies frame the defence budget?
- Who approves the defence budget? And who can revise, scrutinise and amend it and how?
- What accountability mechanisms exist in this process? Why are they important?

Overview

Session Plan: Medium-term strategic financial planning for security sector institutions: tools and techniques

Description of activities

Handout 3.1 Test: Medium-term strategic financial planning

Handout 3.2 PowerPoint presentation hardcopy: Medium-term strategic financial planning in the security sector

Handout 3.3 Excerpt of France's White Paper on Defence and National Security, 2013

Handout 3.3A Worksheet on the Excerpt of France's White Paper on Defence and National Security, 2013

Handout 3.4 Excerpt of the United Kingdom's Defence Plan, 2009-2013

Handout 3.4A Worksheet on the Excerpt of the United Kingdom's Defence Plan, 2009-2013

Handout 3.5 Extract of Armenia's Medium-term expenditure framework, 2011-2013

Handout 3.5A Questions on Excerpt of Armenia's Medium Term Public Expenditure Framework, 2011-2013

Handout 3.6: Worksheet: Developing a Medium Term Expenditure Framework (MTEF)

Trainer resource 3.1: Case study: Medium-Term Expenditure Framework suggested answers

Trainer resource 3.2 Presenting an example methodology for preparing a medium-term expenditure framework

Trainer resource 3.3 Answers to the pre-test (given in **Handout 3.1**)

Session plan

Medium-term strategic financial planning for security sector institutions: tools and techniques					
Learning objectives	Participants will be able to: <ol style="list-style-type: none"> 1. Become aware of the security sector policy formulation process and the concept of national security strategy 2. Understand the importance of strategic financial planning for security and defence budgeting 3. Clarify what are the tools and techniques of medium-term strategic financial planning 4. Understand how medium-term strategic planning tools and techniques should be adapted from and to different contexts 5. Share experiences of field practices and develop solutions to apply in the participants' work practices 				
Content to be covered	<ul style="list-style-type: none"> • Strategic planning documents, such as National security policy/strategy or White Paper on Security, and agency-level planning documents (Defence plans, etc.) • Best international practice for strategic financial planning, including the concepts of Planning, Programming and Budgeting System (PPBS) and the Medium-term expenditure framework (MTEF) 				
Time	180 minutes				
Activity	Time	Description of activity	Grouping and materials	Session objectives	Comments
1.	15 min	Introduction and pre-test	Trainer to whole group Handout 3.1. Test: Medium-term strategic financial planning	Objs. 1-2	The trainer overviews the session (relevance, focus questions addressed, activities and timing). The trainer distributes the pre-test, <i>Handout 3.1</i> . The trainees answer the pre-test.
2.	25 min	PowerPoint presentation: Introduction to medium-term strategic financial planning for security sector institutions: tools and techniques	Trainer to whole group Handout 3.2. PowerPoint presentation hardcopy: Introduction to medium-term strategic financial planning for security sector institutions: tools and techniques	Objs. 1, 2, 3, 4	The trainer introduces the concepts of Planning, Programming and Budgeting System (PPBS), Medium-Term Expenditure Framework (MTEF), National Security Strategy (or White Paper on Security), Agency-level planning documents and Performance agreements to the participants through the power-point presentation (Handout 3.2). The trainer presents the stages of MTEF with examples from the security sector. The trainer explains that financial planning is a stage under MTEF. The trainer introduces the tools used at the levels of planning and performance with examples.

Activity	Time	Description of activity	Grouping and materials	Session objectives	Comments
3.	35 min	Discussion: Analysis of one national security strategy excerpt and one defence plan excerpt and their medium-term financial management implications	Trainer to whole group then work in breakout groups (small groups) Handout 3.3 Excerpt of France's White Paper on Defence and National Security, 2013 and Handout 3.4 Excerpt of the United Kingdom's Defence Plan, 2009-2013. Handout 3.3A and 3.4A Related Worksheets.	Objs. 1, 2, 3, 4	The trainer briefly introduces the two excerpts from national security strategies (Handout 3.3 and 3.4). The participants form small groups and use the worksheets, Handout 3.3A and Handout 3.4A to list the aspects that are most relevant to their context and own work.
4.	20 min	Feedback and discussion	Whole group discussion	Obj. 5	Each group appoints a member to report on the results of their previous activity, and the results are discussed by the plenary.
5.	40 min	Case study and discussion: Medium-Term Expenditure Frameworks: practical application	Small working groups Handout 3.5 Excerpt of Armenia's Medium Term Public Expenditure Framework, 2011-2013 Handout 3.5A Related Questions Trainer resource 3.1 : suggested answers	Objs. 4,5	Each group analyses a real-life Medium-Term Expenditure Framework example, the MTEF of Armenia (Handout 3.5). Based on the questions in the accompanying worksheet (Handout 3.5A) the groups identify the key building blocks and the different stages of the planning process.
6.	30 min	Writing task: Writing a skeleton methodology for the preparation of a MTEF	Trainer to whole group Handout 3.6 Worksheet: Developing a Medium Term Expenditure Framework (MTEF) Trainer resource 3.2 Presenting an example methodology for preparing a medium-term expenditure framework	Objs. 2,4,5	Based on the work done in the previous activity, and using Handout 3.6 , the answers given to the questions asked, the trainer will be guiding the participants to the preparation of a skeleton methodology (bullet points) to writing a Medium-Term Expenditure Framework. (Trainer resource 3.2 gives a possible summary methodology for preparing a MTEF.)
7.	15 min	Conclusion and re-cap	Trainer to whole group Handout 3.1 Test: Medium-term strategic financial planning (already distributed in Activity 2) Trainer resource 3.3 Answers to the pre-test	-	The trainer reviews the pre-test with the participants and discusses the right answers. (The proposed answers to the test are available for the trainer in Trainer resource 3.3 .)



Description of activities

This section describes in more detail the activities listed above in the Session Plan. It also provides alternatives to several activities.

Activity 1. Introduction and pre-test

The trainer explains to the whole group why an awareness of principles and tools of modern strategic financial planning is relevant to them and their institutions. These institutions are actors of financial oversight and managerial accountability processes in the security sector. The trainer then gives an overview of the activities and timing of the session to the participants.

Each participant is given a copy of **Handout 3.1**, which is a short baseline test to assess the participants' pre-existing knowledge of principles and standards of medium-term strategic financial planning. It also introduces them to the contents of the session. The trainer explains that for several questions all answers can be correct. This means that the participants have to choose the one they feel is most appropriate.

Once completed, the trainer collects the tests from each participant. The trainer does not discuss the answers of the test now. Instead, the trainer explains to the participants that a discussion will take place at the end of the session, which will allow them to assess their understanding of the new information given during the training.

Materials:

- **Handout 3.1** Test: Medium-term strategic financial planning

♣ **Alternative:** The trainer can prepare an agenda of the day based on the session plan, distribute the agenda and talk the participants through.

Activity 2. PowerPoint presentation: Medium-term strategic financial planning for security sector institutions: tools and techniques

In this activity, the trainer explains the link between policies concerning the security sector and strategic financial planning. The trainer uses a PowerPoint presentation (**Handout 3.2**) to introduce key principles and tools of New Public Management (NPM) relating to strategic financial planning of security sector institutions. The presentation introduces the following concepts:

- the Planning, Programming and Budgeting System (PPBS)
- the importance of a Medium-Term Expenditure Framework (METF)
- agency-level or sectoral plans
- performance agreements
- concepts of security and short-, medium- and long-term perspectives
- the role of security policies in financial planning of security sector institutions

The trainer can choose to distribute **Handout 3.2** to the participants at the beginning or at the end of the presentation. During the presentation, the trainer may want to encourage questions from the participants.

Materials:

- **Handout 3.2** PowerPoint presentation hardcopy: Medium-term strategic financial planning in the security sector
- Computer, projector

Activity 3. Discussion: Analysis of one national security strategy excerpt and one defence plan excerpt and their medium-term financial management implications

This session allows the participants to be exposed to real-life examples of the tools presented in the previous activity, and to work out what may be most relevant to their context and their own work.

Participants are divided into two small groups. Each group receives one of the two handouts, either **Handout 3.3** or **Handout 3.4**, as well as the relevant worksheets. The groups discuss and identify the points of the excerpts that appear most relevant to their duties at their current work and to the strategic and security environment where they live.

N.B. The examples given, which reflect a European strategic and security environment, might be very different from that of the participants. However, they serve as a way of stimulating their thinking on what would be most appropriate elements for them to include in their policy-making and planning documents.

Materials:

- **Handout 3.3** Excerpt from France's White Paper on Defence and National Security, 2013
- **Handout 3.3A** Worksheet on the Excerpt of France's White Paper on Defence and National Security, 2013
- **Handout 3.4** Excerpt of the United Kingdom's Defence Plan, 2009-2013
- **Handout 3.4A** Worksheet on Excerpt of the United Kingdom's Defence Plan, 2009-2013

♣ *Alternatively*, similar documents from other countries may be proposed, as long as they allow the participants to focus on the key areas of interest for strategic planning in the security sector.

Activity 4. Feedback and discussion

This activity allows participants to exchange views on what tools from among those introduced are suitable for their work context, and to ask the trainer for more information or resources to deepen their knowledge.

Each breakout group formed during Activity 3 appoints a representative to present to the audience the results of their work.

Materials:

- **Handouts 3.3 and 3.4** (already used in Activity 3)
- **Handout 3.2** PowerPoint presentation hardcopy: Medium-term strategic financial planning in the security sector (already used in Activity 2)

Activity 5. Case study and discussion: Medium-Term Expenditure Framework: practical application

This activity allows participants to be exposed to a practical example of a Medium-Term Expenditure Framework prepared in another transition country under the leadership of the Government and with the assistance of development partners and external advisers. Based on the analysis of a summary of Armenia's MTEF, the aim of the session is to focus on the key information contained in such a document, with special regard to the defence and security sector.

Breakout groups are formed again, each to work on the example provided. They will have to read through the summary and answer the questions provided in the worksheet.

Materials:

- **Handout 3.5** Excerpt of Armenia's Medium-Term Expenditure Framework (2011-2013)
- **Handout 3.5** Questions on Excerpt of Armenia's Medium-Term Expenditure Framework (2011-2013)
- **Trainer resource 3.1** Case study: Medium-Term Expenditure Framework suggested answers.

Activity 6. Developing a skeleton methodology for the preparation of a MTEF

This activity allows the participants to take stock of the readings in the previous activity and to think about the steps that need to be taken to prepare a sound medium-term financial planning framework.

Based on the components previously identified in the example of MTEF already studied, the trainer will be guiding a session where the different steps of preparing a MTEF, the content of each component and the responsibilities are clarified. A participant will be taking notes of the discussions on a flipchart.

A possible summary methodology for preparing a MTEF is proposed in the **Trainer Resource 3.2**. A copy of this document could be provided at the end of the exercise to the participants.

Materials:

- **Handout 3.6** Worksheet: Developing a Medium Term Expenditure Framework (MTEF)
- **Trainer resource 3.2** Presenting an example methodology for preparing a medium-term expenditure framework
- A flipchart

Activity 7. Conclusion and re-cap

The trainer asks the participants to revert to the same tests that the participants took in Activity 1 (**Handout 3.1**). This time the test functions as a basis for final discussion of what the session has covered. The trainer will check the participants' initial answers, ask them whether they would change their answers after the session and also give the correct answers to the participants (though in some cases there are no outright right or wrong answers). The proposed answers to the test are available for the trainer in **Trainer resource 3.3**.

Materials:

- **Trainer resource 3.3** Answers to the pre-test (given in **Handout 3.1**)



Handout 3.1

Test: Medium-term strategic financial planning

This pre-test on medium-term strategic financial planning serves as a personal assessment of your pre-existing knowledge on the topic. The answers to the test will be discussed at the end of the session.

Name: _____

1. **Which of the following statements seem most accurate to you? (No statement is necessarily wrong; choose the one you think is most accurate.)**
 - a. Security and defence are mainly a matter of swift reaction to emerging risks, therefore maximum flexibility is needed in the financial management of security and defence agencies.
 - b. Security capabilities and expertise take a long time to build, but when built correctly, they will prove effective for tackling unforeseen contingencies.
 - c. A capable security sector cannot be created overnight. The flow and management of financial resources must be predictable over the long term. At the same time, there must be a degree of flexibility that will allow emergency responses.
2. **Who, in a democratic system, is mainly responsible for deciding upon the overall level of security provision? Who has the authority to define the level of national risk?**
 - a. The military and security agencies
 - b. Civil society and public opinion
 - c. The Government, with the technical expertise of the military and security agencies
 - d. The Government and Parliament, in consultation with other security and civilian actors
3. **Financial planning and budgeting should be mainly driven by:**
 - a. Inputs: the cost of salaries, equipment and all that is required by the security sector agencies for the fulfilment of their duties.
 - b. Outputs: especially, the cost of the operational missions that security sector agencies must perform on a daily basis (e.g. the cost of police patrols per year)
 - c. Outcomes and outputs: the results expected in terms of overall security provision (e.g. fewer petty criminals in the towns) and the deployment of capabilities required for achieving those results.
 - d. Impacts: the changes in the wider strategic environment that the action of security sector agencies contribute to (e.g. being able to increase shops' revenues thanks to more secure cities)
4. **You are the top executive of a security sector agency. You have heard that the Government has decided to cut your budget over the next five years to build more primary schools. What would you do? (please describe in one sentence)**

.....

-
-
- 5. “A national security strategy is a public document that everybody ought to be able to see and comment upon”. True or false?**
- a. True
 - b. False
- 6. “The 3-year plan of the Ministry of Defence is a confidential document”. True or false?**
- a. Always true
 - b. Not always true
 - c. Always false
- 7. You are a mid-career officer in a security sector agency. Your chief of staff always says in internal meetings: “The Minister trusts us to do what is needed; he/she does not wish to be involved in, or briefed about, operational details, just to be presented with the final result”. What do you think of the Minister’s attitude? (No statement is necessarily wrong, which one do you think is the most appropriate?)**
- a. He/she is right
 - b. He/she is right, but should explain more clearly the results expected from us.
 - c. The Minister is the one in charge; he/she should supervise and approve even the minor details of what we do.



Handout 3.2

PowerPoint presentation hardcopy: Medium-term strategic financial planning in the security sector



Medium-Term Strategic Financial Planning for Security Sector Institutions: Tools and Techniques

Handout 3.2

Concepts of financial planning that are relevant for the security sector (1/2)

- National Security Strategy or White Paper on Security

Definition: National Strategy is a broad statement of national security principles, goals, interests, and priorities that is intended to guide government security planning. (IDA 2010)¹

- Planning, Programming and Budgeting System (PPBS)

Definition: A systematic, calendar, date-driven process for identifying and funding defence and security-related needs; and assessing results achieved against established programmatic and financial management objectives (IDA 2010)²

Concepts of financial planning that are relevant for the security sector (2/2)

- **Medium-Term Expenditure Framework (MTEF)**

Definition: Medium-term expenditure frameworks allow countries to estimate expenditures over three future years. Their objective is to link medium-term strategic planning and the annual budget process according to clearly established priorities and available resources (DCAF 2011).³

- **Agency-level planning documents and sectoral plans**

Definition: Official strategy documents (budget proposals, policy documents, plans, etc.) issued publicly or internally by security agencies that specify measurable outputs.

- **Performance agreements**

Definition: A performance agreement is a project management tool which the planning authorities can use to agree on timescales, actions and resources for handling particular projects. It should cover all the project stages, including a results evaluation stage.

Concepts and Perspectives of Security

- **Traditional understanding of security:** state-centred approach run by military, intelligence and law-enforcement institutions.
- **New understanding of security:** citizens- and service-oriented approach which involves formal and informal, state and non-state actors.
- **Human security** is at the core of a democratic understanding of security.

Security provision checks and balances: evaluating security needs and defence capabilities

- *What are the current and future threats to citizens' security?*
- *Can the state protect the citizens?*
- *How can the state plan to provide better security to the citizens in the future?*
- *Who defines what security the state should provide?*

Tool (1) National Security Strategy

(A National Security Strategy is the application of political, economic, psychological and military powers of a state during peace and war times to attain national objectives) (IDA 2010).⁴

An entirely public document. Direction of accountability: Government to citizens.



Tools (2a) Agency-level planning documents

- Documents (for public or for internal use, depending on the country) that specify a **measurable output**:
 - Relevant security agencies will produce such documents in pursuit of the Government's objectives within the identified Medium Term Expenditure Framework (MTEF)
- Direction of accountability:
 - Top manager of the department (Defence, Home Affairs etc.) to his/her Minister through performance agreements
- Examples:
 - Defence plans
 - Intelligence plans
 - Policing plans
 - Correctional services plans
 - Etc.

Tools (2b) Examples of outputs to be specified in a Defence Plan

- Outputs related to **defence administration**, usually dictated by Government or societal demands
 - e.g. do a defence review and present to Parliament by (DD.MM.YY)
- Outputs related to **defence commitments**, usually dictated by short-term operational requirements
 - e.g. ensure safe borders, in coordination with Customs, in (area) throughout (number of YYs.)
- Outputs related to **defence capabilities**, dictated by medium-term readiness / preparedness requirements
 - e.g. update the civil protection units' design and present to the Chief of Staff for Operations by (DD.MM.YY.)

Tools (3) Performance Agreements (or Service Delivery Agreements)

- Written documents valid for a number of years. They define:
 - the **outputs** and, ideally, outcomes expected of the department
 - the **resource** allocations
 - the **delegated authority** and
 - the **performance measurements** (output, outcome and possibly impact indicators)
- Negotiated between the top political officer (e.g. Minister) and the top manager (e.g. Head of Department or Chief of Staff)
- Rationale: to enhance transparency and civilian oversight in security sector management

Key Principles of Sound Budgeting

(according to the World Bank)

- Comprehensiveness
- Discipline
- Legitimacy
- Flexibility
- Predictability
- Contestability
- Honesty
- Information
- Transparency
- Accountability

Key messages for public financial management

(Building Integrity Compendium, DCAF)⁵

- ✓ The budget is realistic and implemented as intended
- ✓ Oversight mechanisms are comprehensive and information made public
- ✓ Budget is prepared in accordance with national policy
- ✓ It is implemented in orderly and predictable manner
- ✓ Records and information are produced and disseminated for reporting purposes
- ✓ External scrutiny and audit mechanisms are in place

Sources and References

1. Tillman E. Mark, Gollwitzer H. Alfred, Parlier H. Gregory, « Defence Resource Management Studies: Introduction to Capacity and Acquisition Planning Processes » Institute for Defence Analyses, August 2010. Appendix C, p 8.
2. Tillman E. Mark, Gollwitzer H. Alfred, Parlier H. Gregory, « Defence Resource Management Studies: Introduction to Capacity and Acquisition Planning Processes » Institute for Defence Analyses, August 2010. Appendix C, p 9.
3. Source: World Bank, Public Expenditure Management Handbook, Washington, 1998, <http://www1.worldbank.org/publicsector/pe/handbook/pem98.pdf> In Nicolas Masson, Lena Andersson, Mohamed Salah Aldin, *Strengthening Financial Oversight in the Security Sector*. Guidebook. 7.1 Toolkit- Legislating for the Security Sector. DCAF (2011). p 15.
4. Tillman E. Mark, Gollwitzer H. Alfred, Parlier H. Gregory, « Defence Resource Management Studies: Introduction to Capacity and Acquisition Planning Processes » Institute for Defence Analyses, August 2010. Appendix C, p 8.
5. Source: World Bank, *Public Financial Management: Performance Measurement Framework* (Washington DC: PEFA Secretariat, June 2005), 2. In DCAF-NATO (2010), *Building Integrity and Reducing Corruption in Defence. A Compendium of Best Practices*. p 59.



Handout 3.3

Excerpt of France's White Paper on Defence and National Security, 2013¹

The following document is an excerpt of the 'White Paper on Defence and Security' published in 2013 by the French government. It spells out the ends of security, the ways of security and the means of security.

"The White Paper on Defence and National Security describes a national defence and security strategy that rests on two essential pillars: France will preserve its sovereignty; and contribute to international security [...]. The risks and threats that France must face up to are continuing to diversify: traditional threats of force; [...] threats [...] posed by weak states; [...] globalisation; terrorism; threats to French nationals abroad; cyber-threats and organised crime; the spread of conventional weapons; the proliferation of weapons of mass destruction and the risk of pandemics and technological and natural disasters [...].

[The French national security concept] embodies the need to manage all the risks and threats, direct or indirect, likely to have an impact on the life of the nation. The White Paper adopts a holistic approach based on the combination of five strategic functions: knowledge and foresight, protection, prevention, deterrence and intervention [...].

Our defence and national security strategy cannot be conceived outside the framework of the Atlantic Alliance and our engagement in the European Union [...] As a full-fledged member, France promotes a strong and effective Alliance serving its own interests and those of Europe [...] France will continue to support European initiatives aimed at sharing and pooling military capabilities"²

Protection

"Protecting the national territory, our fellow citizens and the continuity of the Nation's essential functions are core to our defence and national security strategy [...] In the event of a major crisis, the armed forces can deploy up to 10,000 personnel from the land forces, [...] together with appropriate resources provided by the sea and air forces.

The White Paper provides for a global inter-ministerial contract, formulated under the authority of the Prime Minister starting in 2013, which will define the civilian capabilities required for national security missions. [...] [The military presence deployed] in France's overseas territories will be structured on the basis of a rigorous analysis of the security and defence problems specific to each territory concerned. Civilian capabilities will be ramped up. A five-year programme of pooled equipment will be defined as early as 2013 to optimise the capabilities available in the overseas territories. [...]

The potential impact of cyber-attacks against our information systems [...] requires us to upgrade very significantly the level of security of information systems and our means for defending them [...]"³

Deterrence

"Being strictly defensive, nuclear deterrence protects France from any state-led aggression against its vital interests, of whatever origin and in whatever form. [...] The nuclear forces include an airborne and a seaborne component [...]"⁴

¹ This is an excerpt of the following document, prepared by DCAF for the purposes of this Toolkit: *French White Paper on Defence and National Security 2013. "Summary and Conclusion"* pp 125-132.

² *French White Paper on Defence and National Security 2013...* pp 125-126.

³ Ibid, p126-127.

⁴ Ibid, p127

Intervention

“France intends to have at its disposal military capabilities enabling it to take action in regions of vital importance. [...] France considers that the greater its autonomous capacity for initiative and action, the greater will be its contribution to a collective response and its ability to mobilise allies and partners. France therefore considers the principle of strategic autonomy as the main pillar of its external intervention strategy. [...] To guarantee its capability for autonomous reaction in the event of a crisis, France will have a permanent national emergency force of 5,000 men on alert, enabling it to constitute an immediate reaction joint force [FIRI] of 2,300 men that can be mobilised to intervene over a radius of 3,000 km in seven days. France will be able to rely on permanent naval deployment in one or two maritime regions.

[...] As concerns non-permanent missions, the armed forces will be capable of engaging simultaneously and on a long-term basis, in crisis management operations in two or three distinct theatres, one as a major contributor. The forces engaged in this capacity will be composed of the equivalent of a joint-force brigade representing 6,000 to 7,000 land troops, along with Special Forces, the required sea and air components and the associated command and support means. With adequate notice, [...] France will be able to deploy up to two combined brigades representing around 15,000 land troops, Special Forces, naval and air components and the associated command and support means”⁵

Knowledge and anticipation

“Technical intelligence gathering and exploitation capacities will be reinforced, while the principle of pooling of acquisition capacities between services will be systematically applied. We will also be developing our space electromagnetic and image intelligence capability. [...] France will be equipped with a permanent capability in medium-altitude long-endurance [MALE] drones and tactical drones. In view of the evolution of threats, particular attention will be paid to internal intelligence gathering [...]”⁶

Prevention

“Reinforced inter-ministerial strategy and organisation that allows effective and coordinated mobilisation of the resources of the ministries involved. This approach, steered by the Ministry of Foreign Affairs, will be grounded in the framework of France’s efforts to improve the European Union’s crisis management capabilities”⁷

A budget effort commensurate with our strategy

“Defence spending will amount to €364 billion [2013 value] for the 2014-2025 period, including €179 billion [2013 value] for 2014-2019, the period covered by the next military programme act [...]”⁸

The armed forces model

“The land forces will offer an operational capacity of 66,000 deployable troops, including, seven combined brigades, two of which will be trained for first entry and coercive combat against heavily armed adversaries. These forces will have at their disposal around 200 heavy tanks, 250 medium tanks, 2, 700 multi-purpose armoured and combat vehicles, 140 reconnaissance and attack helicopters, 115 tactical helicopters and some 30 tactical drones.

⁵ Ibid, p127-128.

⁶ Ibid, p 129.

⁷ Ibid.

⁸ Ibid.

The naval forces will have at their disposal four ballistic missile-carrying submarines (SSBN), six attack submarines, one aircraft carrier, 15 front-line frigates, some 15 patrol boats, six surveillance frigates, three force projection and command vessels, maritime patrol aircraft and a mine-warfare capacity to protect our approaches and for deployment in external operations. [...]

The air forces will include, most notably, 225 fighter aircraft (air and naval, together with some 50 tactical transport aircraft, seven detection and air surveillance aircraft, 12 multi-role refuelling aircraft, 12 theatre surveillance drones, light surveillance and reconnaissance aircraft and eight medium-range surface to air missile systems".⁹

The defence and security industry

"The defence industry is a key component of France's strategic autonomy. [...] The White Paper reaffirms the crucial need to preserve a world-class defence industry in France, enabling our country to retain the technological capacities crucial to its strategic autonomy. This policy will be developed around four principal themes:

- preserving a substantial research and development budget;
- supporting the efforts of our companies abroad to increase the volume of their exports, within the strict framework of our mechanisms of control and our European and international commitments;
- systematically exploring all avenues for cooperation in the field of armaments. The progress recently made by France and the United Kingdom in the missile industry illustrates the feasibility and relevance of this approach [...];
- capitalising on all the resources available to the state, as shareholder, client and source of orders, to facilitate the industrial restructuring required on the European scale".¹⁰

⁹ Ibid, p 129-131

¹⁰ Ibid, p132.



Handout 3.3A

Worksheet on the Excerpt of France's White Paper on Defence and National Security, 2013

TASK: Discuss the examples from the French policy listed in this handout. Write down in bullet point form what a defence and/or security strategy relevant to your country and your organisation would look like, following the pattern in the handout.

Remember: A national defence and/or security strategy is a **public** document required for policy-level oversight of the security sector by Parliament and civil society. Therefore, focus on the kind of information that should be provided to the public for it to be sufficiently informed about on the strategic orientations of the security sector in order to carry out its oversight role. Obviously, you do not need to provide precise figures in this exercise (as France does in the white paper), but rather discuss which hard data you would communicate to the public without compromising operational needs.

Indicator	French example	Your own country
1. Ends of security (The security <u>objectives</u> that the society espouses and the Government identifies.)	a. Preservation of France's own security = not only protecting the territory and its population but managing the risks and threats, direct or indirect, likely to have an impact on the life of the nation b. France's contribution to international security and the legitimacy of the international order	<ul style="list-style-type: none">
2. Ways of security (The <u>strategic</u> and <u>operational concepts</u> , what is the defence posture.)	a. Five key strategic concepts: <ul style="list-style-type: none"> • knowledge and foresight • protection • prevention, • deterrence and • intervention b. NATO and European Union as a framework for the French security and defence strategy <ul style="list-style-type: none"> • However, principle of strategic autonomy in the intervention 	<ul style="list-style-type: none">

<p>3. Means of security (The capabilities made available - the human and financial resource constraints)</p>	<p>a. Protection</p> <ul style="list-style-type: none"> • for crisis situations: up to 10,000 land forces personnel + appropriate resources (sea and air forces) • civilian capabilities for national security missions - to be further defined • equipment to be pooled for the protection of France's overseas territories • cyber security - to be upgraded <p>b. Deterrence</p> <ul style="list-style-type: none"> • airborne and seaborne components of nuclear deterrence <p>c. Intervention</p> <ul style="list-style-type: none"> • capabilities to intervene in the zones of direct strategic interest. • permanent national emergency force (5,000 men) + immediate reaction joint force (2,300 men) + permanent naval deployment in one or two maritime regions. • non-permanent missions: capability to engage, simultaneously and long-term, in crisis management operations in two or three distinct theatres -> 6,000 to 7,000 land troops + special forces + sea and air components + possibility to scale up to 15,000 land troops with adequate notice. <p>d. Knowledge and anticipation</p> <ul style="list-style-type: none"> • stepped-up efforts in intelligence (pooled resources between services, space electromagnetic and image intelligence, MALE and tactical drones, internal intelligence) 	<p>.</p>
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	<p>e. Prevention</p> <ul style="list-style-type: none"> • inter-ministerial strategy and coordination under the Foreign Ministry • budgetary resources • defence spending : €364 billion for the 2014-2025 period, including €179 billion for 2014-2019 • 66,000 deployable land troops, 200 heavy tanks, 250 medium tanks, 2,700 multi-purpose armoured and combat vehicles, 140 reconnaissance and attack helicopters, 115 tactical helicopters and 30 tactical drones • naval forces with ballistic missile-carrying submarines (SSBN), 6 attack submarines, 1 aircraft carrier, 15 front-line frigates, 15 patrol boats, 6 surveillance frigates, 3 force projection and command vessels, maritime patrol aircraft and a mine-warfare capacity • air forces with 225 fighter aircraft (air and naval), 50 tactical transport aircraft, 7 detection and air surveillance aircraft, 12 multi-role refuelling aircraft, 12 theatre surveillance drones, light surveillance and reconnaissance aircraft and 8 medium-range surface to air missile systems <p>f. Economic role of the French defence and security industry</p> <ul style="list-style-type: none"> • substantial research and development budget • intensifying international cooperation (especially with the United Kingdom) • increasing exports • steering restructuring at the European level 	
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4. Security actors (The actors and their responsibilities)	<ul style="list-style-type: none"> • Prime Minister (Inter-ministerial Contract, White Paper) • Immediate Reaction Joint Force (FIRI) (intervention in the event of a crisis) • Special Forces (intervention) • Ministry of Foreign Affairs and other Ministries (strategy, policies, implementation) • Land Forces • Naval Forces • Air Forces • Defence industry and its actors. 	<ul style="list-style-type: none"> •
5. Performance indicators	<ul style="list-style-type: none"> • 	<ul style="list-style-type: none"> •



Handout 3.4

Excerpt of the United Kingdom's Defence Plan, 2009-2013¹¹

The following document is an excerpt of the United Kingdom's Defence Plan 2009-2013. It spells out the ends of security, the ways of security (if given), the means of security, the security actors and performance indicators.

"[Aim: to] deliver security for the people of the UK and the Overseas Territories by defending them, including against terrorism, and to act as a force for good by strengthening international peace and stability".¹²

[Outputs:]

A. *"[Current Operations: Succeed in operations and military tasks today].*

The MOD will undertake standing and contingent Military Tasks, including home commitments and contingent operations overseas, as directed by the Government. Trained and equipped personnel will be provided by the Single Service Top Level Budgets. The additional costs of these contingent operations will normally be met from the Reserve or from the Government Department requesting MOD assistance. The MOD's main effort, in conjunction with other Government Departments and the international community, is to support the Government in achieving strategic success in Iraq and Afghanistan. [In order to do that we will: succeed in the operations and Military Tasks; monitor; generate and sustain the capability]".¹³

B. *"[Readiness: Be prepared for military Tasks as defined in Defence Strategic Guidance, in particular, contingent operations].*

The Armed Forces will continue to be engaged on a wide range of continuing operations and other Military Tasks. The MOD must be ready to undertake further tasks if required. Forces will therefore be maintained at a variety of states of preparedness, which we call Readiness. This is the central task of the Single Service Top Level Budgets (TLBs) and is what they are funded to deliver. They provide military capability through ensuring that Force Elements are at their required readiness condition with the right personnel, effective equipment and logistic support, and trained to operate with other units as required for their primary role. [...]

Logistics for the Armed Forces is delivered through collective responsibility shared between Defence Equipment and Support, the Capability Area, the Single Service TLBs and the Permanent Joint Headquarters. Joint Business Agreements between Defence Equipment and Support and the Single Service TLBs set out the responsibilities for the delivery of specific outputs for each of these Top Level Budget Holders. The Chief of Defence Materiel has responsibility for managing total performance across the end-to-end logistics process, delivering strategic improvement objectives as described in the Defence Logistics Programme, and reporting back to the Defence Board on progress in achieving both. During the period of this Plan, we will: achieve the target readiness states; [...] support and sustain equipment and deliver logistics; [...] monitor our residual capability; [...] recuperate the force structure; [...] generate, deploy, sustain and recover Force Elements [...]"¹⁴

¹¹ This is an excerpt of the following document, prepared by DCAF for the purposes of this Toolkit: *UK Defence Plan 2009-2013*. Section IV. Defence Scorecard pp 14-22.

¹² *UK Defence Plan 2009-2013*. Section IV. Defence Scorecard. p. 14.

¹³ *Ibid*, p 16-17.

¹⁴ *Ibid*, p 17-19.

C. *"[Policy Contributions and Security Cooperation: Global and regional reduction in conflict and its impact, and more effective international institutions; and Countering Terrorism: Prevent and Pursue].*

Countering Terrorism: PREVENT - Build resilience of overseas countries and PURSUE - intervene to disrupt terrorists and those who sponsor them.

MOD works with other Government departments in many ways to achieve the cross cutting goals of Public Service Agreement 30 and of the National Security Strategy. Key areas are:

- ▶ Conflict Prevention (by number). Working with other Government departments we will provide personnel and assets reduce the number of conflicts globally [...].
- ▶ Conflict Prevention (by impact). [...] We will contribute towards the provision of security to reduce the impact of conflicts [(Afghanistan, Iraq, the Balkans, the Middle East, Sierra Leone, Democratic Republic of Congo and Great Lakes region, Horn of Africa, Nigeria and Sudan)].
- ▶ Early Warning. We will work with other Government departments to build an effective agreed cross-Whitehall mechanism for early warning of conflict or instability. [...] The following are the key ways [...] to fulfil this objective:
 - United Nations. [...] UN mandated missions and peace support operations [...].
 - North Atlantic Treaty Organisation (NATO). [...] Complex humanitarian assistance, stabilisation, peacekeeping and peace enforcement operations.
 - European Union (EU). Working with our EU partners, we will encourage the deployment of European Security and Defence Policy missions [...].
 - African Union (AU). We will provide personnel, assets and training to improve the African Union's capacity to conduct peacekeeping [...].
 - Counter-Terrorism: Resilience. [...] To resist violent extremism and contribute to Government policy-making and enactment relating to:
 - o Counter-Terrorism: [...] pursue terrorists and disrupt their organisations.
 - o Counter-Terrorism: [...] protecting the UK from attack [and preventing the growth of terrorism].
 - o Counter Proliferation: counter threats [...] from proliferation of conventional arms [...].¹⁵

D. *"[Reputation: Enhance our reputation amongst our won people and externally].*

The Defence Communications Strategy aims to maximise the effect of our communications efforts in order to improve understanding and support for Defence and enhance the reputation of the Armed Forces collectively, each Service individually, the MOD and MOD civil servants. [...] The MOD carries out surveys of external opinion, using an independent market opinion company, and of internal opinion, to test the reputation of the MOD and our Armed Forces".¹⁶

"Resources: [...]

E. *Personnel: Provide sufficient, capable and motivated Service and Civilian personnel to meet the requirements of Defence.*

¹⁵ Ibid, p 19-21.

¹⁶ Ibid, p 21-22.

F. *Finance and Value for money: Maximise our outputs within located financial resources.*

Enabling process: [...]

G. *Estate Management: Maintain and develop estate of the right capability, size and quality.*

H. *Military Equipment Procurement: Equip and support our people for operations now and in the future.*

I. *Infrastructure Procurement: Invest in strategic infrastructure to support defence outputs.*

J. *Security and Business Continuity: Enable secure and resilient operational capability.*

K. *Safety: A safe environment for our people.*

L. *Sustainable Development: Embed sustainable development principles into all areas of Defence business”¹⁷*

Future: [...]

M. *Future Capabilities: Develop the capabilities required to meet the tasks of tomorrow.*

N. *Change: Develop flexible and efficient organisation and processes to support Defence.*

O. *Future Personnel: Deliver the personnel plans to meet the needs of current and future tasks”¹⁸*

¹⁷ Ibid.

¹⁸ Ibid, p 14.



Handout 3.4A

Worksheet on the Excerpt of the United Kingdom's Defence Plan, 2009-2013

TASK: Discuss the examples from the United Kingdom's policy listed in this *Handout*. Write down in bullet point form what a defence and/or security strategy relevant to your country and your organisation would look like. Follow the pattern in the table below.

*Remember: An agency-level planning document might **not** be a **public** document in all countries (the UK's Defence Plan is) and its main goal is to provide internal guidance to the organisation's members to help them attain the organisational goals. Focus on the kind of information that would be provided for officials in the agency to identify actionable objectives and be evaluated against their attainment. Obviously, you do not need to be very precise on performance targets in this exercise (as the UK Government is in this paper). However, you may wish to think about which data you would present to the agency's staff if a real security strategy were to be prepared.*

Indicator	UK example	Own country
1. Ends of security (The security objectives that the society espouses and the Government identifies.)	a. Current Operations: Succeed in operations and Military Tasks today, most particularly Iraq and Afghanistan. b. Readiness: Be prepared for Military Tasks as defined in Defence Strategic Guidance, in particular, contingent operations. c. Policy Contribution & Security Cooperation: <ul style="list-style-type: none"> Global and regional reduction in conflict and its impact, and more effective international institutions; and Countering Terrorism: Prevent and Pursue. d. Reputation: Enhance our reputation amongst our own people and externally.	<ul style="list-style-type: none">
2. Ways of security (The strategic and operational concepts, what	a. Succeed in operations and military tasks; monitor; generate and sustain capability. b. Achieve target readiness states; support and sustain equipment; deliver logistics; monitor residual capability; recuperate force structure; generate, deploy, sustain and recover force elements.	

is the defence posture.)	<ul style="list-style-type: none"> c. Conflict prevention by number; conflict prevention by impact; Early Warning (ways: UN, NATO, EU, AU, Counter Terrorism) d. Maximise effects of communication efforts. 	•
3. Means of security (The capabilities made available - the human and financial resource constraints.)	Reference is made to the requirements laid down in the Defence Programme and the standards set out by individual services for manpower, equipment, collective training and support, including logistics. <ul style="list-style-type: none"> • Trained and equipped personnel will be provided by the Single Service Top Level Budget (SSTLB) • Reserve and resources of Government Department • Capability through: right personnel, effective equipment, logistic support. (Defence Equipment and Support; Capability Area; SSTLB; Permanent Joint Headquarters) • Sufficient, capable and motivated Service and Civilian personnel. • Maintain and develop estate • Equip and support for operations • Invest in strategic infrastructure 	•
4. Security actors (The actors and their responsibilities.)	<ul style="list-style-type: none"> • MOD (military tasks) • Government (directions) • Other Government Departments (support to the MOD) • Single Service Top Level Budgets; the Reserve (Financial resources) • Defence Equipment and Support (logistics) • Permanent Joint Headquarters (logistics) • Capability Area (logistics) • Other actors: UN, NATO, EU, AU. 	•

5. Performance indicators		.
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Handout 3.5

Excerpt of Armenia's Medium Term Public Expenditure Framework, 2011-2013

TABLE OF CONTENTS (Summarised)¹⁹

PART A. FISCAL POLICY

Chapter 1. Strategic and medium-term priorities and their provision.

Chapter 2. Macroeconomic analysis and forecast of the main economic and fiscal indicators in the republic of Armenia.

Chapter 3. The RA 2011-2013 State Budgets Revenues Policy and forecasts.

Chapter 4. Budget framework

PART B. STRATEGY OF EXPENDITURE POLICY

Chapter 5. Expenditure priorities of 2011-2013 state budgets.

Chapter 6. Public administration system

Chapter 7. Education and science

Chapter 8. Health Care

Chapter 9. Social protection

Chapter 10. Recreation, culture and religion

Chapter 11. Agriculture

Chapter 12. Environmental protection

Chapter 13. Transport and communications

Chapter 14. Water economy

Chapter 15. Energy

Chapter 16. Other sectors of economy

Chapter 17. State property management

Chapter 18. Defence, public order and security, rescue service, prisons

Chapter 19. Public non-financial assets expenditure framework for 2011-2013

Chapter 20. Government debt management strategic plan for 2011-2013

¹⁹ This is an extract of the following document, prepared by DCAF for the purposes of this Toolkit: *Republic of Armenia 2011-2013 Medium-Term Public Expenditure Framework*, pp 1-295. Table of Contents, p 1-3.

“STRATEGIC AND MEDIUM-TERM PRIORITIES AND THEIR PROVISION

STRATEGIC AND MEDIUM-TERM PRIORITIES

The key strategic priorities of the RA Government are defined by the Government’s Action Plan approved by the RA National Assembly on April 30, 2003, and by the Sustainable Development Program adopted by the RA Government on October 30, 2008. According to the above mentioned documents, during the forthcoming years the Government will place more emphasis on the following priorities for state budget expenditures (within the context of this Program, prioritized sectors are defined as the ones where considerable portions of additional budgetary funds are being allocated, or for financial support of which loan resources are being involved) :

- (i) Provision of financial support for reforms in separate branches of social as well as in the sphere of public administration [...];
- (ii) Provision of appropriate financial support for the ordinary operation of institutions in the field of defence and national security, with the aim to maintain the territorial integrity of the republic, stability in the region, and the balance of forces in the Karabakh conflict;
- (iii) Implementation of programs aimed at rehabilitation and development of infrastructures in certain sectors of economy [...].

At the same time, it should be mentioned that not only in the short term, but also in the medium and long terms there will still be a need for supplementing the budgetary funds from other sources, basically through official external transfers and borrowings, in order to finance the programs to be implemented in accordance with the priorities stated above. [...]

OBJECTIVES OF MEDIUM-TERM EXPENDITURE FRAMEWORK

The medium-term expenditure framework is one of the key instruments for addressing the Government’s objectives. This document presenting the fiscal policy in conjunction with sectoral medium-term expenditure framework constitutes the RA Government’s medium-term public expenditure framework. The part of this document composing the fiscal policy presents the RA Government’s overall long-term fiscal principles, medium-term and short-term fiscal indicators, and the strategic expenditure priorities. [...]”²⁰

“FISCAL PRINCIPLES AND INDICATORS

[...]

SHORT-TERM AND MEDIUM-TERM FISCAL INDICATORS

In order to determine the volume of total expenditure for the next three years, the RA Government has matched its expenditure priorities with the long-term fiscal principles. Indicator of the state budget revenues related to the Gross Domestic Product (hereinafter: GDP) during 2011-2013 will vary from 23.4 to 23.3%, and from 22.3 to 23.2% in the case of revenues formed by domestic resources. Based on the forecasted real volumes of the state budget revenues, the RA Government plans to maintain the annual average level of expenditures at 28.3-27.3 percent of GDP for 2011-2013”²¹

“3.2. 2011-2013 STATE BUDGETS REVENUE FORECASTS

State budget revenues over 2011-2013 are forecast to total 833.8 billion Drams, 882.6 billion drams, and 964.6 billion Drams, correspondingly. This level of annual revenues will mainly be ensured by tax revenues and state duties (hereinafter: taxes).

²⁰ Republic of Armenia 2011-2013 Medium-Term Public Expenditure Framework, p 9.

²¹ Ibid, p 9-10.

Table 3.1 Budget revenues planned for 2011-2013 (billion Drams)

Type of Revenue	2011	2012	2013
State budget revenues, of which:	833.8	882.6	964.6
ratio to GDP (%)	23.36%	23.01%	23.33%
1. Tax revenues, state duties and mandatory social security payments	771.3	851.6	938.6
ratio to GDP (%)	21.6%	22.2%	22.7%
percent in total	92.5%	96.5%	97.3%
1.1. Tax revenues and state duties	650.9	718.4	790.9
ratio to GDP (%)	18.23%	18.73%	19.13%
percent in total	78.06%	81.40%	81.99%
1.2. Mandatory social security payments	120.4	133.2	147.7
ratio to GDP (%)	3.37%	3.47%	3.57%
percent in total	14.44%	15.09%	15.32%
2. Official grants	41.2	9.7	4.9
ratio to GDP (%)	1.15%	0.25%	0.12%
percent in total	4.94%	1.10%	0.51%
3. Other revenues	21.3	21.2	21.1
ratio to GDP (%)	0.60%	0.55%	0.51%
percent in total	2.56%	2.41%	2.19%

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"BUDGET FRAMEWORK

4.1. STATE BUDGET DEFICIT

Over the coming years, the volume of expenditures will continue to exceed that of revenues within the structure of the state budget; meanwhile the budget deficit will be financed from both internal and external sources. The major part of the state budget deficit financing will be covered by borrowings, while the general part of external borrowings will be of a targeted nature and will be forwarded to financing of investment programs in the social sectors and public infrastructures. The sources for financing of state budget deficit in 2010-2013 are presented below (see Table 4.1).

Table 4.1. Sources for financing of state budget deficit, 2010-2013 (million Drams)

Indicators	2010	2011	2012	2013
	Approved	Planned		
Sources for deficit financing, total	193,386.5	174,933.7	164,921.4	165,351.3
Including:				
1. Internal sources	99,515.4	150,264.3	70,011.1	89,239.8
of which:				
Borrowings	26,467.1	28,379.3	28,389.4	33,389.4
Financial assets	73,048.4	121,885.0	41,621.7	55,850.4
2. External sources	93,871.1	24,669.3	94,910.3	76,111.5
of which:				
Borrowings	127,738.0	60,060.3	131,653.5	115,746.2
Financial assets	(33,866.9)	(35,391.0)	(36,743.2)	(39,634.6)

[...]"²³

²² Ibid, p 32-33.

²³ Ibid, p 36.

“4.2. CHANGES FORECASTED IN THE PACKAGE OF RESOURCES AND EXPENDITURES OF THE STATE BUDGETS FOR 2011-2013

Analysis of forecasts for the state budgets receipts for 2010-2013 shows that, in the case the nominal GDP rate grow is planned by 11.1% in 2011, as compared with the 2010 level, the volume of the state budget receipts in 2011 is planned to increase by around 7.8%, or by 73.2 billion Drams (mainly due to the increase of tax revenues). At the same time, receipts of the state budget are expected to increase by 27.3% in 2012 as compared with the 2011 level (in the case the nominal GDP rate will grow by 7.4%), and by 27.3% in 2013 as compared with the 2012 level (in the case the nominal GDP rate will grow by 7.8%).

Table 4.3. Forecast of changes in the package of budgetary resources during 2011-2013 (billion Drams)

Indicators	2011 plan	2012 plan	2013 plan
1. Revenues	833,794.4	882,605.5	964,576.5
Ratio to GDP (%)	23.36	23.01	23.33
2. Net sources for financing of deficit	174,933.7	164,921.4	165,351.3
Ratio to GDP (%)	4.9	4.3	4.0
TOTAL RECEIPTS	1,008,728.0	1,047,526.9	1,129,927.8
Ratio to GDP (%)	28.3	27.3	27.3
Additional growth of receipts (as compared with the level of previous year, million Drams)	73,203.4	38,798.9	82,400.9
3. ADDITIONAL GROWTH OF RECEIPTS (as compared with the level of previous year, %)	7.8	3.8	7.9
4. Net resources released by sectors, as compared with the level of previous year (million Drams)	20,139.9	73,881.8	19,923.4
TOTAL ADDITIONAL RESOURCES (as compared with the level of previous year, million Drams)	93,343.3	112,680.7	102,324.4
Ratio to GDP (%)	2.6	2.9	2.5
Forecasted distribution of additional budget resources by sectors for 2011-2013	93,343.3	112,680.7	102,324.4
including:			
1. Social-cultural branches and science	41,038.1	688.2	26,521.5
2. Systems of defense, national security, public order protection, criminal-executive and rescue service	2,140.3	3,445.9	11,599.2
3. Economic relations, protection of environment, housing construction and services of public utilities	20,141.4	104,172.8	52,469.9
4. Public administration	1,523.3	-	1,457.3
5. Expenditures on servicing of public debt	13,209.2	4,373.9	3,026.6
6. Other sectors	15,290.9	-	7,249.9

As shown in the table, an essential part of additional receipts over 2011-2013 (245.0 billion Drams, or 79.46% of the total) will be forwarded to financing of the social-cultural and science branches, as well as to the branches of economy. While, 22.1% of the total amount of additional receipts will be allocated to the social-cultural branches and the science, which means that over the period of 2011-2013 the Government preserves the intention to continue increasing of the social directedness of budgetary expenditures. Around 20.6% of additional resources allocated for the social-cultural branches will be channelled to education, around 67.46% - to the sphere of social security, and 6.4% - to health care (mostly, to the primary unit – outpatient-polyclinic and hospital care). Around 5.6% of the total amount

of additional resources will be channelled to the maintenance of the systems of defence, national security, public order protection, and to expenditures of the system of the rescue service, as it is dictated by the need to allocate appropriate resources for assuring the ongoing activities of these structures. Over 2011-2013, around 57.3% of the total amount of additional resources will be forwarded to the branches of economy. While, targeted loans for about 341.3 billion Drams are included in the 2011-2013 MTEF, which are non-distributed and will be directed to corresponding sectors by the signature of loan agreements with lending organizations. 6.7% of the total amount of additional resources will be channelled to the servicing of public debt.

4.3. FORECAST OF 2011-2013 STATE BUDGET EXPENDITURES BY SECTORS

Forecasts of the state budget expenditures over 2011-2013 by sectors are characterised by the indicators presented in the table below.

Table 4.4. The RA 2010-2013 state budget expenditures by sectors (million Drams)

Indicators	2010 adopted state budget	2011 plan	2012 plan	2013 plan
TOTAL EXPENDITURES	935,524.6	1,008,728.0	1,047,526.9	1,129,927.8
1. Social-cultural branches and science	418,755.7	459,793.8	457,634.2	482,844.0
Ratio to GDP (%)	13.0	12.9	11.9	11.7
- share in the total volume of expenditures (%)	44.8	45.6	43.7	42.7
2. Defense, national security, public order protection, criminal-executive and the rescue service systems	178,312.1	180,452.4	183,898.3	195,497.5
- Ratio to GDP (%)	5.5	5.1	4.8	4.7
- share in the total volume of expenditures (%)	19.1	17.9	17.6	17.3
3. Economic relations, protection of environment housing construction and services of public utilities	164,753.0	164,754.5	204,687.4	238,545.6
- Ratio to GDP (%)	5.1	4.6	5.3	5.8
- share in the total volume of expenditures (%)	17.6	16.3	19.5	21.1
4. Public administration	58,108.3	59,631.6	57,305.0	58,762.9
- Share in GDP (%)	1.8	1.7	1.5	1.4
- share in the total volume of expenditures (%)	6.2	5.9	5.5	5.2
5. Servicing of public debt (interest)	37,076.9	50,286.2	54,660.0	57,686.7
- Ratio to GDP (%)	1.2	1.4	1.4	1.4
- share in the total volume of expenditures (%)	4.0	5.0	5.2	5.1
6. Other sectors	78,518.6	93,809.5	89,341.3	96,591.1
- Ratio to GDP (%)	2.4	2.6	2.3	2.3
- share in the total volume of expenditures (%)	8.4	9.3	8.5	8.5

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"18.2.3. Expenditure Drivers

Ensuring of National Security and Provision of Public Guard Service program expenditures over the 2011-2013 MTEF period will increase as compared to the previous year by 162.6 million Drams or 1.4% each year in 2011 and 2012, and will increase by 759.3 million Drams or 6.5% in 2013, due to increase of the tariff for gas, introduction of the system of contractual servicing instead of compulsory military service, as well as increase of salaries of national security servants and technical support staff by 10% in 2013. Ensuring Protection of Public Order program expenditures over the 2011-2013 MTEF period will increase as compared to the previous year by 603.5 million Drams or 2.7% each year in 2011 and 2012,

²⁴ Ibid, p 38-40.

and will increase by 1627.9 million Drams or 7% in 2013, due to increase of the tariff for gas, introduction of the system of contractual servicing instead of compulsory military service, introduction of Special Civil Service system, as well as increase of salaries of police servants, technical support staff and special civil servants by 10% in 2013. Printing of Passport Forms program expenditures are preserved on the same level as in 2010. Each year over the 2011-2013 MTEF period it is envisaged to acquire 175288 blank form of passports.

Acquisition of State Vehicle Number Plates program expenditures are preserved on the same level as in 2010. Each year over the 2011-2013 MTEF period it is envisaged to acquire 66544 pairs of number plates. Maintenance of the Criminal-Executive System program expenditures over the 2011-2013 MTEF period will increase as compared to the previous year by 1230.7 million Drams or 23.5% each year in 2011 and 2012, and will increase by 1000.0 million Drams or 15.5% in 2013, due to increase of the tariff for gas, increase of the rate of minimal salary to 32500 Drams instead of current 30000 Drams, increase of detainees and prisoners maintenance expenditures in connection with increase of their number, construction of a new complex for the Goris penitentiary institution. In 2013 it is envisaged also to increase salaries of criminal-executive servants and technical support staff by 10%. Maintenance of Divisions of the Rescue Service of Armenia of the Ministry of Emergency Situations program expenditures over the 2011-2013 MTEF period will increase as compared to the previous year by 15.6 million Drams or 0.4% each year in 2011 and 2012, and will increase by 318.5 million Drams or 7.6% in 2013, due to increase of the tariff for gas, as well as increase of salaries of rescue service employees by 10% in 2013.

Service on Active Influence on Atmospheric Phenomena – expenditures over the 2011-2013 MTEF period will increase as compared to the previous year by 60.2 million Drams or 25.3% in 2011 and by 41.8 million Drams or 14.0% in 2012, and by 11.0 million Drams or 3.2% in 2013, for further maintenance and exploitation of reagent and gas-generator stations after their installation in Aragatsohn, Ararat, Armavir, Kotayk and Lori Marzes.

Existing Expenditure Commitments

By the 2011-2013 MTEF program the share of public expenditures in the Public Order and Security, Rescue Service and Prisons Sectors in the total State Budget expenditures will comprise respectively 4.6%, 4.5% and 4.3%. The shares of expenditures in Public Order and Security, Rescue Service and Prisons Sectors within the total State Budget expenditures over the 2011-2013 MTEF period is presented in Chart 18.2.1. [...]

Table 17.2.2 Budget Allocations for Public Order and Security Protection, Rescue Service and Prisons Sectors Over 2009-2013, by Separate Groups of Budgetary Expenditures Functional Classification, by Programs, Implementing State Bodies, and by Current and Capital Expenditure (million Drams)²⁵

Subgroups	Functional Classification Groups, Subgroups, Programs	2009	2010	2011	2012	2013
		Actual	Adopted Budget	Forecast		
	TOTAL, of which:	46,376.4	44,085.3	46,157.9	47,200.0	48,231.3
	- current expenditures	41,556.3	43,453.3	45,037.9	45,080.0	48,111.3
	-capital expenditures	4,820.1	632.0	1,120.0	2,120.0	120.0
03.01.01	Printing of Passports Forms, including:	172.3	173.6	173.6	173.6	173.6
	- current expenditures	172.3	173.6	173.6	173.6	173.6
	-capital expenditures	0.0	0.0	0.0	0.0	0.0
	RA Police under the Government	172.3	173.6	173.6	173.6	173.6
03.01.01	Ensuring Protection of Public Order, including:	23,933.5	22,557.1	3,160.6	23,160.6	24,788.5
	- current expenditures	21,942.3	22,303.1	23,160.6	23,160.6	24,788.5
	-capital expenditures	1,991.2	254.0	0.0	0.0	0.0
	RA Police under the Government	23,933.5	22,557.1	23,160.6	23,160.6	24,788.5
03.05.01	Maintenance of the Criminal - Executive System, including:	5,421.2	5,229.7	6,460.4	7,460.4	5,775.0
	- current expenditures	5,120.4	5,229.7	5,460.4	5,460.4	5,775.0

Subgroups	Functional Classification Groups, Subgroups, Programs	2009	2010	2011	2012	2013
		Actual	Adopted Budget	Forecast		
	-capital expenditures	300.8	0.0	1,000.0	2,000.0	0.0
	RA Ministry of Justice	5,421.2	5,229.7	6,460.4	7,460.4	5,775.0
03.01.01	Acquisition of State Vehicle Number Plates, including:	235.8	236.2	236.2	236.2	236.2
	- current expenditures	235.8	236.2	236.2	236.2	236.2
	-capital expenditures	0.0	0.0	0.0	0.0	0.0
	RA Police under the Government	235.8	236.2	236.2	236.2	236.2
03.02.01	Maintenance of Divisions of the Rescue Service of Armenia, including:	4,106.5	4,156.1	4,171.7	4,172.0	4,490.5
	- current expenditures	3,954.0	4,156.1	4,171.7	4,172.0	4,490.5
	-capital expenditures	152.5	0.0	0.0	0.0	0.0
	Rescue Service of Armenia under the RA Ministry of Emergency Situations	4,106.5	4,156.1	4,171.7	4,172.0	4,490.5

²⁵ Ibid, p 291-295.

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04.09.01	State Support to the "Service of Active Influence on Atmospheric Phenomena", SNCO, including:	143.6	238.2	298.4	340.2	351.2
	- current expenditures	143.6	238.2	298.4	340.2	351.2
	-capital expenditures	0.0	0.0	0.0	0.0	0.0
	Rescue Service of Armenia under the RA Ministry of Emergency Situations	143.6	238.2	298.4	340.2	351.2
03.01.02	Assurance of National Security, including:	11,008.0	9,735.8	10,024.8	10,024.8	10,672.7
	- current expenditures	8,699.6	9,385.8	9,904.8	9,904.8	10,552.7
	-capital expenditures	2,308.4	350.0	120.0	120.0	120.0
	National Security Service under the Government	11,008.0	9,735.8	10,024.8	10,024.8	10,672.7
03.01.02	Provision of public Guard Services, including:	1,355.5	1,758.6	1,632.2	1,632.2	1,743.6
	- current expenditures	1,288.3	1,730.6	1,632.2	1,632.2	1,743.6
	-capital expenditures	67.2	28.0	0.0	0.0	0.0
	Public Guard Service of the National Security Service under the Government	1,355.5	1,758.6	1,632.2	1,632.2	1,743.6



Handout 3.5A

Questions on Excerpt of Armenia's Medium Term Public Expenditure Framework, 2011-2013

Based on the excerpt of Armenia's Medium-Term Expenditure Framework you have just read, answer the following questions:

1. What are the key components or stages of the Medium Term Expenditure Framework establishment (MTEF)?

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2. What are the medium-term strategic priorities in the defence and security sector?

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3. What is the global level of expenditure that the Government has decided to undertake for the few subsequent years?

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4. What is the evolution of financial resources forecasted by the Government? What are the sources of these financial resources?

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5. Is the Government's budget a balanced budget? If there is a deficit, how will it be financed?

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6. What are the main items of expenditure? How important is the expenditure related to defence and security?

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7. What will be the main cost drivers in the defence and security expenditure over the next few years? What policies need to be funded over the next few years to attain the Government's objectives in the security sector?

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Handout 3.6

Worksheet: Developing a Medium Term Expenditure Framework (MTEF)

What are the steps that you would follow to draw up a medium-term expenditure framework? Discuss the different phases and how to make sure that all concerned actors are involved in the relevant phases. Then summarise below your proposed methodology.

Phase	Contents of the component	Responsibility



Trainer resource 3.1

Case study and discussion: Medium-Term Expenditure Framework (Answers)

1. What are the key components or stages of the Medium Term Expenditure Framework establishment (MTEF)?

The key steps of MTEF are:

- ▶ establishing priorities,
- ▶ analysing needs and forecasting their provision according to the State Budgets Revenue Policy forecasts;
- ▶ and elaborating a budget framework.

2. What are the medium-term strategic priorities in the defence and security sector?

The medium-term strategic priorities in the security sector are: financial support for the institutions in order to maintain territorial integrity, regional stability and balance in the Karabakh conflict.

3. What is the global level of expenditure that the Government has decided to undertake for the subsequent years?

The annual average level of expenditure will be maintained at 28.3-27.3 % of GDP for 2011-2013.

4. What is the evolution of financial resources forecasted by the Government? What are the sources of these financial resources?

The Government forecasts 833.8 billion Drams for 2011; 882.6 billion Drams for 2012 and 964.6 billion Drams for 2013. That is a significant increase in financial revenues. This increase is justified mainly by tax revenues, social security payments, official grants and other sources. (See Table 3.1, for more detail, see Table 4.3)

5. Is the Government's budget a balanced budget? If there is a deficit, how will it be financed?

Not balanced. The volume of expenditures will continue to exceed that of revenues over the coming years. Major part of the deficit will be covered by borrowings. (See Table 4.1)

6. What are the main items of expenditure? How important is the expenditure related to defence and security?

Main items of expenditure are: socio-cultural and science branch; defence; economy, environment and housing; public administration, public debt.

In 2010, defence and security expenditure was estimated at 5,5% of GDP and 19,1% of total expenditure; in 2011 at 5,1 and 17, 9% respectively; in 2012, 4,8 and 17,6%; and in 2013 4,7 and 17,3%. (See Table 4.4)

7. What will be the main cost drivers in the defence and security expenditure over the next few years? What policies need to be funded over the next few years to attain the Government's objectives in the security sector?

Main cost drivers are:

- ▶ **Protection of public order;**
- ▶ **Maintenance of the Criminal-Executive System;**
- ▶ **Maintenance of Divisions of the Rescue Service of Armenia;**
- ▶ **State Support to the "Service of Active Influence on Atmospheric Phenomena";**
- ▶ **Assurance of National Security;**
- ▶ **Provision of public Guard Services.**

Policies:

- ▶ **National Security and Provision of Public Guard Service program;**
- ▶ **Protection of Public Order program;**
- ▶ **Special Civil Service system;**
- ▶ **Increase of police, civilian and support staff salaries;**
- ▶ **Maintenance of Criminal-Executive System program;**
- ▶ **Emergency Situations program;**
- ▶ **Increase Service of Active Influence on Atmospheric Phenomena.**



Trainer resource 3.2

Presenting an example methodology for preparing a medium-term expenditure framework

The final document could appear as follows. The trainer will highlight that the process is an iterative one, and that there needs to be constant mutual feedback between the Ministry of Finance and the line Ministries involved, such as the Ministry of Defence.

Phase	Contents of the component	Responsibility
Determining the strategic medium-term priorities of the public sector action	This component is upstream, but is a key building block, of the medium-term financial planning process. It defines the priorities of the public sector across all Government sectors.	Depends on Constitutional arrangements. Head of State/Head of Government/Parliament.
Determining the strategic medium-term priorities in the defence and security sectors	Defining the priorities of the defence and security sectors in programmatic terms. Such programmatic priorities are often contained in the Defence Plan, or the Police Force plan, or other similar agency-level planning documents.	Ministry of Defence and other line ministries, in conformity with the National Defence and Security Policy
Determining the financial resources available to the Government, and their different sources	Forecasting the level of public sector revenue over the next few years, according to its main categories: direct taxes, indirect taxes, own-source revenue, development partners' grants etc.)	Ministry of Finance
Determining if appropriate the level of deficit allowed, and the sources of its financing	Forecasting the level of deficit, or surplus, and the sources of deficit financing.	Ministry of Finance
Determining the global level of public sector expenditure, and the indicative ceilings for the different sectors (general MTEF)	Also called Medium-Term Budgetary Framework (MTBF). Defining: 1) a level of public sector expenditure compatible with the fiscal and financing policy; 2) indicative allocations by sector or by Ministry, which must be totally coherent with the global level of public sector expenditure and the Government's overall strategic priorities.	Mainly Ministry of Finance, but in constant consultation with the line Ministries

Phase	Contents of the component	Responsibility
Identifying the key expenditure drivers (emerging needs) over the next few years in the defence and security sectors	<p>Distinguishing:</p> <ol style="list-style-type: none"> 1) the existing policies that need to be pursued at the same level of effort; 2) the existing policies that need to be discontinued; 3) the existing policies where more effort is needed, or new policies arising from emerging needs. <p>Determining on this basis:</p> <ul style="list-style-type: none"> • the evolution of financial resources needed for each policy, based on the objectives to be attained (performance indicators); • a contingency allocation for future unforeseen changes. 	Ministry of Defence and other line Ministries, based on their plans and the attainment of their objectives
Determining indicative allocations to the defence and security sectors over the next few years (sectoral MTEF)	<p>Dividing the sectoral allocations, as provided in the general MTEF, by programme, based on the forecast of emerging needs and key expenditure drivers.</p> <p>The division can be done:</p> <ol style="list-style-type: none"> 1) by programme, ideally based on performance indicators (and performance agreements); 2) by administrative unit (centre of responsibility) ; 3) by economic category : salaries, other running expenses, policies, capital development ; 4) if possible and appropriate, by activity 	Mainly Ministry of Defence and other line Ministries involved, in consultation with the Ministry of Finance



Trainer resource 3.3

Answers to Handout 3.1 Test: Medium-term strategic financial planning

In Activity 5, the trainer re-submits the medium-term strategic financial planning test to the participants. Once the test is completed, the trainer can use this answer sheet to check the results of the test. The trainer may also choose to give this answer sheet to the participants.

1. Which of the following statements seem most accurate to you? (No statement is necessarily wrong; choose the one you think is most accurate?)
 - a. Security and defence are mainly a matter of swift reaction to emerging risks, therefore maximum flexibility is needed in the financial management of security and defence agencies.
 - b. Security capabilities and expertise take a long time to build, but when built correctly, they will prove effective for tackling unforeseen contingencies.
 - c. A capable security sector cannot be created overnight. The flow and management of financial resources must be predictable over the long term. At the same time, there must be a degree of flexibility that will allow emergency responses.

The best option would be c. A relatively inflexible medium-term financial framework is needed for fiscal reasons and for accountability purposes. Some leeway for undertaking unforeseen expenditures can be allowed for, though its recourse should be disciplined by a law or limited to smaller amounts of expenditure.

2. Who, in a democratic system, is mainly responsible for deciding upon the overall level of security provision? Who has the authority to define the level of national risk?
 - a. The military and security agencies.
 - b. Civil society and public opinion.
 - c. The Government, with the technical expertise of the military and security agencies.
 - d. The Government and Parliament, in consultation with other security and civilian actors.

a. is wrong, since the principle of civilian control over the security sector implies constant and thorough political guidance, especially in democratic systems (what the ancient Romans expressed through their famous formula *cedant arma togae*).

d. is the best answer: A duly elected Government, in consultation with civil society, using the technical expertise of the security sector agencies and often subject to a formal Parliamentary approval, is entitled to make the broad societal choices on the overall level of security provision.

3. Financial planning and budgeting should be mainly driven by:
 - a. Inputs: the cost of salaries, equipment and all that is required by the security sector agencies for the fulfilment of their duties.
 - b. Outputs: concretely, the cost of the operational missions that security sector agencies must perform on a daily basis (e.g. the cost of police patrols per year).
 - c. Outcomes and outputs: the results expected in terms of overall security provision (e.g. fewer petty criminals in the towns) and the deployment of capabilities required for achieving those results.
 - d. Impacts: the changes in the wider strategic environment that the action of security sector agencies contribute to (e.g. being able to increase shops' revenues thanks to more secure cities).

The best answer is c. At a minimum, the level of financial resources should be determined on the basis of the expected outputs of security sector agencies – in terms of the level of security they supply – and ideally, also by the outcomes of their action.

d. would be overambitious, since impacts of this kind arise from a multitude of factors lying outside the control of security sector agencies or the Government.

4. You are the top executive of a security sector agency. You have heard that the Government has decided to cut your budget over the next five years to build more primary schools. What would you do?

Financial choices of the public sector are always contestable, in the sense that no sector has an entitlement to a definite amount of financial resources and overall policy determines cross-sectoral priorities. In this case, you would have to explain to your Minister how the cutback will affect the provision of security services that were foreseen in the national security strategy and your agency's plans, e.g. by leaving the country exposed to outside threats, or by diminishing the preparedness to intervene in the event of a natural disaster. If the choice to cut is confirmed, forward guidance is needed again from the political authority to determine a new set of priorities compatible with the resources that will be made available.

5. "A national security strategy is a public document that everybody ought to be able to see and comment upon". True or false?

True. It embodies the societal choices already mentioned in the answer to question 2. The French example we have used is published on the web, is available in both French and English for wider dissemination and the drafting process has even included security sector officials from key allies of France, like the UK and Germany.

6. "The 3-year plan of the Ministry of Defence is a confidential document". True or false?

Not always true, but some countries might prefer to keep it confidential in order not to compromise the operational capabilities. Other countries (we have seen the UK example) do publish it, though not with all the detailed operational information.

7. You are a mid-career officer in a security sector agency. Your chief of staff always says in internal meetings: "The Minister trusts us to do what is needed; he/she does not wish to be involved in, or briefed about, operational details, just to be present with the final result". What do you think of the Minister?
- a. He/she is right
 - b. He/she is right, but should explain more clearly the results expected from us.
 - c. The Minister is the one in charge; he/she should supervise and approve even the minor details of what we do.

Different Ministers may have different managerial styles. On the other hand, in the past, and until recently in formerly Communist countries, the Minister would have to sign off on all the decisions coming out of his or her Ministry, however minor they might have been. However, according to the New Public Management principles applied since the early 1980s in most of the Western world, the best answer would be b. The Minister would enter a performance agreement with the top executive in the Ministry. The agreement will specify the outputs expected, the financial resources available, the limits of delegated authority and the performance measurement to be used (we have seen an example in the UK Defence Plan). The Minister will check regularly whether the agreement is being complied with, or if there are any difficulties preventing it from being complied with.



Additional resources

Key resources

- Andersson, Lena, Nicolas Masson and Mohammad Salah Aldin. *Guidebook: Strengthening Financial Oversight in the Security Sector*. Geneva: DCAF, 2011, Section 2.
<http://www.dcaf.ch/Publications/Guidebook-Strengthening-Financial-Oversight-in-the-Security-Sector>
- Le Roux (Gen), Len. "The Military Budgeting Process. An Overview." Paper presented at the SIPRI/ADSR Workshop on the Military Expenditure Budgeting Process. Accra, Ghana, 25-26 February 2002.
http://www.sipri.org/research/armaments/milex/publications/other_publ/le-roux
- NATO PA-DCAF. *Building Integrity and Reducing Corruption in Defence. A Compendium of Best Practices*. Brussels & Geneva: NATO PA-DCAF, 2010, Part II, Chapters 5, 6 and 9.
<http://www.dcaf.ch/Publications/Building-Integrity-and-Reducing-Corruption-in-Defence>
- Stockholm International Peace research Institute (SIPRI). Military Expenditure Project. *Transparency and accountability in military spending and procurement*. Stockholm: SIPRI, 2015.
<http://www.sipri.org/research/armaments/milex/transparency>
- The World Bank, *Beyond the Annual Budget: Global Experience with Medium Term Expenditure Framework*. Washington D.C.: The World Bank, 2013.
<http://issuu.com/world.bank.publications/docs/9780821396254/1>
- The World Bank. *Public Expenditure Management Handbook*. 1998, Chapter 3.
<http://www1.worldbank.org/publicsector/pe/handbook/pem98.pdf>

Extra resources

- Centre for Integrity in the Defence Sector. *Criteria for good governance in the defence sector. International standards and principles*. 2015.
<http://cids.no/wp-content/uploads/pdf/7215-Criteria-for-Good-Governance-in-the-Defence-Sector-k6.pdf>
- Centre for Integrity in the Defence Sector. *Integrity Action Plan. A handbook for practitioners in defence establishments*. 2014.
http://cids.no/wp-content/uploads/2014/12/Integrity-Action-Plan-handbook_web.pdf
- International Institute for Strategic Studies. *The Military Balance 2015. The Annual assessment of global military capabilities and defence economics*. 2015.
<https://www.iiss.org/en/publications/military%20balance/issues/the-military-balance-2015-5ea6>
- The Norwegian Ministry of Defence. *Ethical guidelines for contact with business and industry sector*. 2011.
https://www.regjeringen.no/globalassets/upload/FD/Reglement/Ethical-guidelines-for-business-and-industry-in-the-defence-sector_2011_S-1001-E_web.pdf
- Transparency International. *Government Defence Anti-Corruption Index 2013*. 2013.
<http://government.defenceindex.org/sites/default/files/documents/Watchdogs-low.pdf>

- Transparency International UK. *Due Diligence and Corruption Risk in Defence Industry Offset Programmes*. 2012.
http://cids.no/?page_id=48
- Transparency International. "Budgets and Assets" in *Building Integrity and Countering Corruption In Defence and Security. 20 Practical Reforms*. 2011.
http://www.transparency.org/whatwedo/publication/2012_handbook_building_integrity_english
- Transparency International UK. Defence and Security Programme. *The Transparency of National Defence Budgets. An Initial Review*. 2011.
http://transparency.ge/sites/default/files/post_attachments/Report%20on%20Defence%20Budget%20Transparency_0.pdf

Multimedia:

- The World Bank. "An investigation into the impact of the MTEF on budgetary outcomes." PowerPoint available at:
http://search.worldbank.org/all?as_sitesearch=http%3A%2F%2Fweb.worldbank.org%2FWBSITE%2FEXTERNAL%2FTOPICS%2FEXTPUBLICSECTORANDGOVERNANCE%2F&qterm=an+investigation+into+the+impact+of+the+MTEF&op=
- The World Bank. Jim Brumby talks about Medium Term Expenditure Frameworks. Online video available at:
https://cdnapisec.kaltura.com/index.php/extwidget/openGraph/wid/1_oxv4ik27

Annex A.

Medium-term strategic planning for security sector institutions - tools and techniques: the local training session

Introduction

The following objectives, suggested content, example activities and suggested sources are designed to give suggestions and examples of how materials can be developed by the trainer to suit their own particular local context.

Learning objectives

Participants will be able to:

- Understand the importance of strategic financial planning for security institutions in the local context
- Recognise the process of medium-term strategic financial planning in the security sector in the local context

Suggested content to be covered

- Definition of Medium Term Financial Planning (MTFP)
- Linkage of MTFP with budgeting
- Influence of the surrounding environment the MTFP practices in the local context
- Existing MTFP policies and procedures in the local security sector
- Shortcomings of MTFP in the local security sector and prospects for improvements

Focus questions

- How important is strategic financial planning for security institutions?
- What is the process of medium-term strategic financial planning?

Overview

Description of example activities

Handout L3.1 Handout of PowerPoint presentation: Mid-term financial planning in the Palestinian security sector institutions

Suggested resources



Description of example activities

The following example activities are taken from the two hours of localised content that was created for use in trainings conducted in the occupied Palestinian territories. They are given here as a model or example for the trainer to adapt if desired.

Activity 1. PowerPoint presentation of mid-term financial planning in the Palestinian security sector institutions

Time 60 min

The trainer goes through the PowerPoint. Any questions from the participants are addressed as they arise.

Materials:

- **Handout L3.1** Handout of PowerPoint presentation: Mid-term financial planning in the Palestinian security sector institutions

Activity 2: Group discussion: Develop a skeleton structure of a medium-term financial plan

Time 60 min

The participants are divided in three groups. The trainer gives each group a handout of the PowerPoint presentation (Handout L3.1). Each group discusses together to develop a skeleton structure of a medium-term financial plan (approximately 45 minutes). The plan will focus on security policies, programming and implementing activities. The trainer also gives each group the following guiding statements:

- Key outline of the Palestinian security policy in light of practical experience
- Programs and activities required to achieve proposed security objectives

- A general formula of the mid-term expenditure framework for 2014 - 2016

After the first discussion, the trainer asks the groups to provide their suggestions and justifications to the whole group (15 minutes)

Materials:

- **Handout L3.1** Handout of PowerPoint presentation: Mid-term financial planning in the Palestinian security sector institutions



Handout L3.1

Handout of PowerPoint presentation: Mid-term financial planning in the Palestinian security sector institutions

Mid-term Financial Planning in the Palestinian Security Sector Institutions

By Dr. Nasir Abdulkareem

Security Sector Mid-Term Financial Planning

- ✓ Security sector mid-term budget planning links the financial management of security institutions and the State's security policy drafting and planning.
- ✓ This type of financial planning seeks to predict the financial needs of the security sector across a medium-term timeline that typically spans up to 3 years.
- ✓ Within this context, public resources are allocated for security institutions while taking into account the medium-term budget estimates of the State as a whole.

✓ Security sector mid-term budget planning is necessary for:

- Periodical review of the state's strategic and security environment.
- Change of the availability of financial resources.
- Changes in potential security threats faced by the society on the mid-term.
- Increasing needs of other public sectors (health, education and social development).
- In several countries, security sector mid-term budget planning is undertaken in the context of mid-term expenditure.

✓ Applied to security agencies, mid-term expenditure requires the following steps:

- Adopting a clear vision for security agencies.
- Identifying nationally agreed upon objectives and priorities of security agencies.
- Identifying the programs and activities which directly spur the achievement of such objectives and priorities.
- Estimating the size of expenditure needed for these programs and activities.
- Approving the required allocations within the framework of the State's overall budget preparation.

- ✓ Security sector mid-term budget planning is linked to the development of the **national security policy**, also known as the national security strategy.
- ✓ Security sector mid-term budget planning also allows for **optimal use of resources**. It also contributes to setting a maximum limit to the State's security expenditure capacity from a mid-term perspective.

- ✓ **Palestinian security sector mid-term financial planning.**
- ✓ The Ministry of Finance is responsible for preparing and distributing the mid-term expenditure framework.
- ✓ Availability of future estimates of revenues and expenditures is essential for future financial programming. The difference between the future estimates of revenues and future estimates of programs cost lies in identifying the resources of the expenses aimed at achieving the annual financial target.

- ✓ Experience shows that future estimates should be a **development process** not a revolutionary one; that means the budget's basis should be soundly identified before the implementation of broad reform programs is started.
- ✓ Consequently, linking the mid-term planning process with the **annual budget** preparation process through the mid-term expenditure framework won't be useful unless the budget preparation process itself is effective.
- ✓ Predictions of the approved cost of existing programs is one of the traditional approaches to producing future estimates.

The first method clearly sets apart **future estimates and the indicative ceiling of the Ministry (budget ceiling)**.

- ✓ Future estimates are considered as future cost of the Ministry's approved programs.
- ✓ The Ministry's **budget ceiling** is considered as the Ministry's proposed allocated amount of the next budget year taking into consideration the performance of the revenues, financial inflation, economic growth and actual expenditure of each ministry and agency.

There is a clear difference between future estimates and budget ceiling in terms of concept:

- ✓ Future estimates are technical estimates of the future cost of existing policies.
- ✓ The ministry's budget ceiling is a maximum limit imposed by the Ministry of Finance on the budget request of the ministries.

- ✓ The Palestinian security sector has a standard and approved strategy. Annual budget preparation is guided by this strategy in accordance with applicable procedures.
- ✓ Like other PNA institutions, there is no systematic connection between this plan and the budget. In addition, the budget of security institutions is not based on a mid-term expenditure framework, as outlined above.



Suggested resources

1. Andersson, Lena, Masson, Nicolas and Salah Aldin, Mohammed. *Guidebook: Strengthening Financial Oversight in the Security Sector*, Geneva and Ramallah: DCAF, 2012.
<http://www.dcaf.ch/Publications/Guidebook-Strengthening-Financial-Oversight-in-the-Security-Sector>
2. Abdel Kareem, Nasser, "Using the Budget as a Tool for Monitoring the Performance of Security Forces", Paper Presented at a Conference organised by the Institute of Law - Birzeit University on the issue of Public Control of Security Forces in the Arab Region, Amman-Jordan, June 2009.
<http://foundationforfuture.org/en/Portals/0/Conferences/Security%20Sector/Executive%20Summary%20Report.pdf>

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