Policy and Strategy *How to* Guide 4:

How to Conduct a Sector Performance Review

*sparc*

APRIL 2015
The opinions expressed in this report are those of the authors and do not necessarily represent the views of the Department for International Development.
# Contents

**Abbreviations and Acronyms** .................................................................................. 1  
**Preface** .................................................................................................................. 3  
**Section 1: How to Use this Step-by-Step Guide** .................................................. 5  
**Section 2: Introduction** ......................................................................................... 5  
  - Background ........................................................................................................... 5  
**Section 3: About Sector Performance Review** ..................................................... 6  
  - What is a Sector Performance Review? ................................................................. 6  
  - Why Should a Sector Performance Review be Conducted? ................................. 6  
  - What is required for a Sector Performance Review? ............................................ 7  
**Section 4: How Should Sector Performance Reviews be Conducted?** ................. 9  
  - Stage 1: Getting Organised .................................................................................... 10  
  - Stage 2: Engagement of Stakeholders .................................................................. 10  
  - Stage 3: Collating Data for the: (i) Performance Assessment; (ii) Financial Assessment; and (iii) Organisational Assessment .................................................. 11  
  - Stage 4: Analysis for the: (i) Performance Assessment; (ii) Financial Assessment; and (iii) Organisational Assessment .................................................. 11  
  - Stage 5: Key Findings and Recommendations ...................................................... 13  
  - Stage 6: Validate and Finalise the Sector Performance Report ........................... 13  
  - Summary of Timeline ............................................................................................. 13  
**Section 5: Using the Findings and Recommendations** ........................................... 14  
  - To Adjust the MTSS ............................................................................................. 14  
  - To Adjust the PMF Targets .................................................................................... 15  
  - To Adjust the Budget ............................................................................................. 15  
  - To Adjust the Organisational Arrangements ....................................................... 16  
**Section 6: Final Word** ............................................................................................. 16  
**Annex 1: Glossary** ................................................................................................. 17
Abbreviations and Acronyms

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>BC</td>
<td>Budget Classification</td>
</tr>
<tr>
<td>BPS</td>
<td>Budget Policy Statement</td>
</tr>
<tr>
<td>CBOs</td>
<td>Community Based Organisations</td>
</tr>
<tr>
<td>CoA</td>
<td>Chart of Accounts</td>
</tr>
<tr>
<td>CoP</td>
<td>Community of Practice</td>
</tr>
<tr>
<td>CWIQ</td>
<td>Core Welfare Indicator Questionnaire</td>
</tr>
<tr>
<td>DFID</td>
<td>UK Government’s Department for International Development</td>
</tr>
<tr>
<td>DoS</td>
<td>Department of Statistics</td>
</tr>
<tr>
<td>DPRS</td>
<td>Department of Planning Research and Statistics</td>
</tr>
<tr>
<td>EFU</td>
<td>Economic and Fiscal Update</td>
</tr>
<tr>
<td>EMT</td>
<td>Economic Management Team</td>
</tr>
<tr>
<td>EUC</td>
<td>European Union Community</td>
</tr>
<tr>
<td>ExCo</td>
<td>Executive Council</td>
</tr>
<tr>
<td>FSP</td>
<td>Fiscal Strategy Paper</td>
</tr>
<tr>
<td>G&amp;SI</td>
<td>Gender and Social Inclusion</td>
</tr>
<tr>
<td>ICT</td>
<td>Information, Communication and Technology</td>
</tr>
<tr>
<td>ILO</td>
<td>International Labour Organisation</td>
</tr>
<tr>
<td>IM</td>
<td>Information Management</td>
</tr>
<tr>
<td>IPSAS</td>
<td>International Public Service Accounting Standard</td>
</tr>
<tr>
<td>KM</td>
<td>Knowledge Management</td>
</tr>
<tr>
<td>KPI</td>
<td>Key Performance Indicator</td>
</tr>
<tr>
<td>KRA</td>
<td>Key Results Area</td>
</tr>
<tr>
<td>LGA</td>
<td>Local Government Area</td>
</tr>
<tr>
<td>LGEA</td>
<td>Local Government Education Area</td>
</tr>
<tr>
<td>M&amp;E</td>
<td>Monitoring and Evaluation</td>
</tr>
<tr>
<td>MBO</td>
<td>Management by Objective</td>
</tr>
<tr>
<td>MDA</td>
<td>Ministries, Departments and Agencies</td>
</tr>
<tr>
<td>M/F</td>
<td>Male/Female</td>
</tr>
<tr>
<td>MoBEP</td>
<td>Ministry of Budget and Economic Planning</td>
</tr>
<tr>
<td>MoEP</td>
<td>Ministry of Economic Planning</td>
</tr>
<tr>
<td>MoF</td>
<td>Ministry of Finance</td>
</tr>
<tr>
<td>MTDP</td>
<td>Medium-Term Development Plan</td>
</tr>
<tr>
<td>Abbreviation</td>
<td>Description</td>
</tr>
<tr>
<td>--------------</td>
<td>-------------</td>
</tr>
<tr>
<td>MTO</td>
<td>Medium-Term Objective</td>
</tr>
<tr>
<td>MTSS</td>
<td>Medium-Term Sector Strategy</td>
</tr>
<tr>
<td>NBS</td>
<td>National Bureau of Statistics</td>
</tr>
<tr>
<td>NGF</td>
<td>Nigeria Governors' Forum</td>
</tr>
<tr>
<td>NGO</td>
<td>Non-Governmental Organisation</td>
</tr>
<tr>
<td>P&amp;S</td>
<td>Policy and Strategy</td>
</tr>
<tr>
<td>PCM</td>
<td>Programme Cycle Management</td>
</tr>
<tr>
<td>PFM</td>
<td>Public Financial Management</td>
</tr>
<tr>
<td>PMF</td>
<td>Performance Management Framework</td>
</tr>
<tr>
<td>PMR</td>
<td>Performance Management Reporting</td>
</tr>
<tr>
<td>PRS</td>
<td>Planning Research and Statistics</td>
</tr>
<tr>
<td>PS</td>
<td>Permanent Secretary</td>
</tr>
<tr>
<td>PSM</td>
<td>Public Service Management</td>
</tr>
<tr>
<td>R4R</td>
<td>Resources for Results</td>
</tr>
<tr>
<td>RBM</td>
<td>Results Based Management</td>
</tr>
<tr>
<td>RF</td>
<td>Results Framework</td>
</tr>
<tr>
<td>SBS</td>
<td>State Bureau of Statistics</td>
</tr>
<tr>
<td>SDP</td>
<td>State Development Plan</td>
</tr>
<tr>
<td>SHoA</td>
<td>State House of Assembly</td>
</tr>
<tr>
<td>SMART</td>
<td>Specific, Measurable, Achievable, Realistic and Time-bound</td>
</tr>
<tr>
<td>SPARC</td>
<td>State Partnership for Accountability, Responsiveness and Capability</td>
</tr>
<tr>
<td>SPMR</td>
<td>Sector Performance Management Report</td>
</tr>
<tr>
<td>SPR</td>
<td>Sector Performance Review</td>
</tr>
<tr>
<td>SSMP</td>
<td>State Statistical Master Plan</td>
</tr>
<tr>
<td>UK-Aid</td>
<td>United Kingdom's Assistance for International Development</td>
</tr>
</tbody>
</table>
Preface

The State Partnership for Accountability, Responsiveness and Capability (SPARC) was designed by the UK Government’s Department for International Development (DFID) to improve governance for better service delivery in originally five, now ten, state governments of the Federal Republic of Nigeria.

Despite the wealth of resources in the country, development indices in Nigeria remain low. Although there is considerable variability across the country, 60.9% of the population live in poverty,¹ nearly one quarter of the working age population are unemployed,² 576 women still die in childbirth per 100,000 live births³ and nationally 30% of girls do not complete their primary education.⁴ One underlying cause is thought to be weak governance.

SPARC has produced four Policy and Strategy Guides to improve the impact of state government efforts to deliver public goods and services in order to improve the welfare of citizens. The four guides are:

- Guide 1: Preparing a Policy;
- Guide 2: Preparing a State Development Plan;
- Guide 3: Preparing a Medium-Term Sector Strategy;
- Guide 4: How to Conduct a Sector Performance Review.

Taken together, the guides suggest a policy and planning cycle that embraces:

- Evidence-based policy priority choices;
- Preparing a State Development Plan to define the overarching policy position of the state and the expected outcomes;
- Detailing these policy priorities into programmes and projects that are realistic and costed in a Medium-Term Sector Strategy that provides the base for preparing the annual budget;
- A method for assessing performance of activities included in the strategy and funded in the budget to provide lessons for the future.

The Policy and Strategy Guides are multi-purpose. Although they can be read from the beginning to the end, this may not be the best way to use them. States may be at different stages in developing their policies, plans or strategies or may need to strengthen their work in certain areas. What is important is not to skip any steps, particularly in choosing and assessing options and getting buy-in from important parties. Time saved by cutting corners and not keeping those who need to know in the loop may lead to delays and poor or deficient policy further down the track. If priorities have not been thought through or accepted by those with important roles to play in developing policy, the process may falter or fail.

The Policy and Strategy Guides are intended to be useful for state governments (at a technical, executive and political level), legislatures and civil society. They are intentionally short and do not address all the nuances of what are complex issues. They do not cover everything. The steps are not exhaustive and there is scope to add. However, each guide is comprehensive enough to introduce concepts and methods that will provide a road map to lead politicians and civil servants through often difficult and sensitive tasks and decisions.

Well-articulated, evidence-based policies that set out a set of priorities, goals and programmes for the state government form the foundation for tackling poverty development. Throughout all of the guides there are five underlying principles:

1. Better governance is essential if efforts to provide services are not to be undermined by weaknesses where governments do not set adequate policy and strategy direction, do not manage public finances well and do not ensure the civil service is structured for delivery.
2. The production and consumption of public goods and services must be for the common good and satisfy both efficiency and equity criteria.
3. Policy must be focused on reducing poverty and should be used to eliminate excessively large disparities of living standards and access to basic services between individuals and communities. There are dedicated DFID programmes supporting service delivery that can provide specific advice and support in this area. These include the Education Sector Support Programme in Nigeria; Teacher Development Programme; Maternal, Newborn and Child Health Programme; Women for Health; and a suite of programmes around growth, employment and markets in states.
4. The political decision-making process that determines policy and expenditure priorities must permit expanded popular participation so that social choices reflect the needs and preferences of all social groups, including the marginalised and deprived. The political decision-making process must also be accompanied by strong oversight by legislatures, the media and civil society. There are dedicated DFID programmes that provide specific advice and support in this area, including the State Accountability and Voice Initiative, Mobilising for

¹ Poverty Profile, National Bureau of Statistics, Nigeria, 2010
³ Nigeria Demographic and Health Survey, Nigeria, 2013
⁴ National Schools Census, Federal Ministry of Education, 2011
5. Policy and strategy decisions must be based on sound, objective and verifiable evidence rather than unsubstantiated opinion or anecdote. There are dedicated DFID programmes that provide specific advice and support in this area, including Education Data Research and Evaluation in Nigeria, and the Independent Monitoring and Evaluation Project.

The Policy and Strategy Guides have intentionally been produced as Nigeria enters the next phase of democracy following the 2015 elections. With new or returning administrations entering office, we hope the guides provide sound advice for administrations to robustly set their planning and budgeting frameworks towards service delivery, poverty reduction, employment creation and conflict reduction.

We would welcome any comments or queries, and have an established Access to Sharing Knowledge (ASK) Helpdesk that can provide further assistance.
Section 1: How to Use this Step-by-Step Guide

SPARC’s strategy for governance reform revolves around political commitments across the programme intervention areas, referred to as work streams. These areas are: (i) Policy & Strategy (P&S); (ii) Monitoring and Evaluation (M&E); (iii) Public Finance Management (PFM); and (iv) Public Service Management (PSM). SPARC has placed emphasis on documenting lessons learned and developing generic guides for replicating and sustaining key success areas in non-SPARC-supported states and SPARC-supported states, respectively. One such key area of success worthy of documentation is the Medium-Term Sector Strategy (MTSS) Performance Review, otherwise known as the Sector Performance Review (SPR).

How to Conduct a Sector Performance Review is one of a series of guides produced by SPARC to facilitate development in Nigeria. This Guide provides practical direction to the technocrats in the Ministry of Economic Planning or its equivalent and the implementing sector institutions, on how to conduct a Sector Performance Review and prepare findings and recommendations, and adjust or develop Medium-Term Sector Strategies in response to the findings and recommendations of the SPR. It includes guidance on developing a Performance Management Framework, and preparing a Sector Performance Management Report with the findings from the SPR analysis and recommendations.

The tools are of two types:

- **Checklists** that help review where a sector is at the moment, identify strategic deficiencies and plan ways to prepare and put an MTSS into practice;
- **Tips** to provide suggestions on tackling various tasks along the way.

The Guide is structured into six sections. **Section 1** explains how to use the Guide. **Section 2** provides the background and purpose of the Guide. **Section 3** provides information about Sector Performance Review, explaining what an SPR is, why a performance review should be conducted, by whom and when. It also explains the approach to SPR that was adopted in this Guide. **Section 4** focuses on how to conduct an SPR and contains stages and steps from commencement to completion. **Section 5** provides information on how to structure and present the findings from the performance analysis and the main recommendations. **Section 6** gives final words to the reader and potential user of this Guide. For definitions, see **Annex 1**.

Section 2: Introduction

Background

Well-articulated, evidence-based policies and strategies that set out a series of priorities, goals and programmes for the state government form the foundation for tackling poverty, reducing inequalities and building a sustainable economy. In many states in Nigeria, unrealistic policy and strategies exist because of the unavailability of independent, relevant, credible, accurate, reliable and accessible data on which to base policy and strategy decisions. Policy and strategy goals should be based on sound, objective and verifiable evidence to be effective. Targets should be Specific, Measurable, Achievable, Realistic and Time-bound (SMART). In many cases, where targets are not SMART, this has led to failures in achieving policy goals and strategic priority targets. Policies and strategies should be subjected to regular performance reviews, against their goals and targets.

This Guide provides recommendations for reviewing performance of the sector and the accompanying MTSSs to improve its efficiency, effectiveness, cost-effectiveness and equitability with the aim of contributing to economic growth and reducing poverty.

Purpose of the Guide

The purpose of this Guide is to provide hands-on guidance to technocrats and their partners as well as stakeholders with whom performance reviews are undertaken on how to undertake a Sector Performance Review with the aim of improving the effectiveness of the MTSS and the performance at sector level.
Section 3: About Sector Performance Review

What is an SPR?

The aim of the SPR is to review the performance of the sector as stipulated in the MTSS. The aim of the MTSS is to achieve state policy goals through the delivery of programmes, projects and activities. It aims to do this as cost-effectively as possible, taking equity issues into consideration.

SPR is undertaken with a view to enhancing strategy decisions, implementation and monitoring as well as facilitating decision making at all levels of government operations. The purpose of the Sector Performance Review is to:

- Monitor and analyse the efficiency, effectiveness and equitability of programmes and projects that have been implemented in the sector. These include those planned (for example, in the MTSS or work plans) and not planned, as long as public funds have been spent on them;
- Assess progress made in implementing the activities; expending the budget; achieving the MTSS strategic priorities (outcome) and strategic objectives (output) targets;
- Identify the possible factors responsible for the level of performance;
- Review the strategic priorities and objectives and produce key findings and recommendations for adjusting and implementing to increase efficiency, effectiveness, cost-effectiveness and equity;
- Revise the activities, budget and strategic priorities/objectives (outcome/output) targets in response to key findings;
- Facilitate stakeholder engagement and feedback to the public as part of the review process;
- Produce key findings in relation to institutional and organisational performance;
- Identify whether interventions in the sector have been successful in addressing inequalities in relation to vulnerable or marginalised groups in society (e.g. women, children, people who are poor, old, socially disadvantaged) for whom specific targeted strategies may be needed.

Why Should an SPR be Conducted?

The SPR is a practice of change process which is designed to improve service delivery, strengthen management efficacy, effectiveness, and cost-effectiveness, taking equity issues into consideration. The aim is to produce long-term sustainable impact. This can be understood by using a ‘results chain’ which explains how inputs should lead to activities, which lead to outputs (strategies), which lead to outcomes (strategic objectives), which lead to impact (policy goals).

The main approach described in this How to Guide is the Results Based Management (RBM) approach. An RBM is a performance management strategy by which all actors, contributing directly or indirectly to achieving a set of results, ensure that their processes, products and services contribute to the desired results (outputs, outcomes and impact).

- It encourages the use of information and evidence on actual results to inform decision making on the design, resourcing and delivery of programmes and activities, as well as for accountability and reporting;
- Traditional M&E focuses on project inspection and supervision, with a view to identifying technical gaps in implementation, while Results Based Management focuses on performance information and related results;
- It ensures that resources (inputs) are linked to results – the impact informs the key sets of outcomes to deliver it; each outcome informs the necessary outputs to deliver it, while each output informs the relevant activities, and the activities inform the inputs (human and financial resources) required for proper implementation;
- All these form a good results chain which ensures that all expenditure must be linked to high level results (Resources for Results, ‘R4R’);
- The results chain promotes value for money and enhances easy identification of strategy relevance/effectiveness. However, the current M&E practice has limited logical links between impact and resources.
Figure 1. Monitoring, evaluation and review process: a results chain relationship

**Inputs** → **Activities** → **Outputs** → **Outcomes** → **Impact**

- Efficiency
- Effectiveness

**Equity considerations**

The sector performance review is used to assess whether the sector is performing:

- **Efficiently**: Assess whether inputs are delivering outputs;
- **Effectively**: Assess whether outputs are delivering outcomes;
- **Cost-effectively**: Assess whether outcomes present value for money;
- **Equitably**: Assess whether equitable targets have been met. For the sector to be considered equitable, it needs to deliver equitable results.

### Checklist: Getting started

A technically sound review will use the following documents and data:

- A comprehensive and costed MTSS;
- A comprehensive Performance Management Framework;
- Access to other data including financial and organisational data or other data available to assess the needs of the state.

### MTSS

An MTSS links policy, planning and budgets to facilitate the development of the state. The MTSS sets out the projects and programmes that will be carried out in a sector over a three-year period and addresses the policy goals and outcomes defined in the State Development Plan (SDP); how much each programme and project will cost, where the money for them will come from and who will carry them out. The MTSS covers three forward years but is rolled over each year for the next three-year period. MTSSs are ‘living documents’ that need to be revised annually.

At the end of each financial year, there will be a need to roll over the MTSS to a further three-year period. A key aspect of the rollover is an annual review of the sector’s performance. The purpose of such a performance review is to make an assessment of the actual results achieved by programmes and projects set out in the MTSS. The findings and related recommendations from an SPR should then be used to adjust medium-term strategies and budgets within the MTSS, in order to ensure they remain relevant and effective in achieving longer-term policy goals and objectives for the sector.

What is required for a Sector Performance Review?

This Guide provides recommendations for reviewing performance of the sector and the accompanying MTSSs. So before you commence you need to obtain all the relevant documents and data to enable you to undertake the review. The following checklist will help to ensure you have everything in place to undertake your SPR.
Performance Management Framework
A Performance Management Framework (PMF) consists of a set of management and analytical tools that enable the state to define, manage and measure performance against its strategic priorities (outcomes) and strategic objectives (outputs) that are included in the MTSS. The purpose of the PMF is to set out Key Performance Indicators (KPIs) and targets against which the sector can be reviewed. The SPR uses the PMF to assess the sector’s performance against key performance indicators. It is used to collate and display data to enable effective management and reporting of performance.

Before you undertake an SPR you should ensure you have a comprehensive PMF in place.

Tips: Essential things to think about to ensure your Performance Management Framework is comprehensive

The PMF should include the following:

- **Strategic objectives (outcomes) and strategies (outputs):** these are the objectives as stipulated in the MTSS. In the SPR you are reviewing and assessing the objectives and their performance;

- **Key Performance Indicators:** KPIs are used to measure progress against the strategic objectives (outcomes) and strategies (outputs). The SPR uses these to collate key data to assess the objectives and make recommendations for changes to the strategic objectives;

- **Baseline data:** this is collected to determine the current situation so it will be possible to project realistic targets. The SPR then measures and assesses year-on-year changes against the baseline to inform its findings and recommendations;

- **Targets:** are developed for KPIs to determine what the sector wants to achieve. The SPR measures progress against the targets and makes findings and recommendations based on these targets. It also assesses whether the targets are SMART;

- **Data source:** this is assigned to ensure the source of data is known. Data sources should be independent, relevant, credible, accurate, reliable and accessible. The process of the SPR ensures that data is collated at regular intervals to enable an effective performance review.

Checklist: Questions to consider in relation to the PMF

Give some initial thought to these questions.

- **Is the data for the PMF available, accurate and reliable?**
- **Are the targets in the PMF SMART (Specific, Measurable, Achievable, Realistic and Time-bound)?**
- **Is there adequate data to identify the socially excluded?**
  - Key Performance Indicators should be able to identify vulnerable groups in society (e.g. the poor, the aged, children and socially disadvantaged).

Figure 2 provides an example of how the PMF could look.

Figure 2. A Performance Management Framework

|------------------------------|--------------------------|-----------------|-------------------------|------------------------|---------------------|----------------|

Other data
The purpose of gathering data is to assess the existing situation to inform strategic objectives and targets. In line with the Government of Nigeria’s commitment to equality, state plans (e.g. State Development Plans (SDPs) or MTSSs and budgets) should be based on need. There should be clear identification of the needs of those who require services most, depending on the sector (e.g. ensuring equitable access to education for girls and boys in rural and urban areas, or access to resources for women and other marginalised communities in the agricultural sector).

To enable financial analysis and expenditure tracking to determine cost-effectiveness, financial and budget data is required. Trends from the financial performance analysis (budget allocation, releases and actual
Section 4: How Should Sector Performance Reviews be Conducted?

There is no hard and fast way of conducting a Sector Performance Review. This Guide puts forward one approach that has been tested and found to be sound.

Once you are sure you have the tools you need here are some other things to think about.

Tips: Questions to consider before undertaking a SPR

Give some initial thought to these questions.

- Who will undertake the SPR?
- What process will be used?
- What will be the key milestones?
- How will stakeholders be informed and involved?
- Over what time frame will the review be undertaken?
- Who will sign off on the report?
- How much will undertaking the review cost (for example, running workshops, meetings)?

Tips: Data and information for Sector Performance Review

<table>
<thead>
<tr>
<th>Comments or actions</th>
</tr>
</thead>
<tbody>
<tr>
<td>What data is required to assess the need and has this been collected?</td>
</tr>
<tr>
<td>What financial data is available and does this allow you to track expenditure to results?</td>
</tr>
<tr>
<td>Is financial data on donor spending available?</td>
</tr>
<tr>
<td>What data is available to enable you to assess organisational arrangements?</td>
</tr>
</tbody>
</table>

Expenditure will be used to make recommendations. Expenditure should be linked to results as much as possible in order to enable informed analysis of whether strategies are the most cost-effective and enable recommendations for changes to the strategy accordingly.

Data on organisational arrangements and changes (such as revised mandates, revised structure, more familiar technical processes for carrying out tasks, clearer job descriptions, better staffing strength, better equipment, enhanced skills, etc.) are needed to assess: Institutional and Organisational Capacity Development Progress and Human Resource Management Performance.
Essential stages of the SPR:

Stage 1: Getting Organised;
Stage 2: Engagement of Stakeholders;
Stage 3: Collating Data for the (i) Performance Assessment; (ii) Financial Assessment; and (iii) Organisational Assessment;
Stage 4: Analysis for the (i) Performance Assessment; (ii) Financial Assessment; and (iii) Organisational Assessment;
Stage 5: Key Findings and Recommendations;
Stage 6: Validate and Finalise the Sector Performance Report.

Stage 1: Getting Organised

Stage 1 is about getting organised for the review and obtaining the relevant documents and data required. The appropriate timing for implementing Stage 1 activities will be in January.

- **Step 1: Identify a ‘Change Champion’**: The Permanent Secretary (PS) of the Ministry of Economic Planning or its equivalent provides the overarching leadership to an SPR process. It is important to have someone with a good level of bureaucratic and political influence. Such a person, like the PS, will work within the institutional authority to encourage progress and should be someone who is open to change.

- **Step 2: Agree on the Utility**: Identifying those who will need and use the performance information is critical at an early stage. The key persons that will need to approve or use the report findings should be identified and made part of the process at a higher level. There could be many ways of getting the Permanent Secretaries and Honourable Commissioners of the sectors involved in the SPR process. One of the recommended ways is by making them part of the team at the outset and at validation of the findings and recommendations.

- **Step 3: Establish a Performance Review Team and Sub-teams**: The review team will comprise the designated sector M&E officer from the central ministry; a sector-designated statistician from the State Bureau of Statistics; Director of M&E in the main ministry supervising the sector under review; heads of M&E Department/Units from all the parastatals and agencies within the sector; and any development partners or civil society organisations (CSOs) supporting the sector. The chairperson of the Review shall be the Permanent Secretary of the lead ministry while the Director of M&E in the lead ministry shall serve as the secretary of the performance review team.

The roles and responsibilities should be aligned with the appropriate organisational structures and functions within the sector. The Ministry of Economic Planning or its equivalent in the state will provide the overall leadership and direction for the performance management review process and reporting. The key department in the central ministry to lead the performance review process is the Department of Monitoring and Evaluation (M&E). The Department will work closely with the Department of Statistics for data collation and the Department of Planning for strategy analysis.

- **Step 4: Assemble Relevant Documents**: Information contained in certain documents and materials will be required during the SPR process. You will need:
  - MTSS of the sector being reviewed;
  - Performance Management Framework – populated with the relevant data;
  - State budget for the year under review;
  - Audited accounts and budget performance reports of the year under review;
  - Corporate plan and service charter of any of the sector MDAs.

Stage 2: Engagement of Stakeholders

- **Step 1: Consultations**: Ideally, an annual Sector Performance Review process should incorporate a series of consultations with a broad range of sector stakeholders, including: (i) representatives of sector MDAs and partner MDAs (e.g. from central ministries or other sectors); (ii) the representatives of the State Houses of Assembly; (iii) representatives of civil society (e.g. non-governmental organisations (NGOs) or Community Based Organisations (CBOs) including those representing marginalised groups affected by the sector’s programmes); (iv) the organised private sector; and (v) development partners. These consultations should result in a joint assessment of MTSS implementation progress and recommendations for adjusting the MTSS. Appropriate consultation methods will need to be established based on consultation objectives and the audience and consultations held, and input recorded and fed into the findings and recommendations of the review.

- **Step 2: Include the Socially Excluded**: Ensure mechanisms are in place to allow meaningful input from socially excluded groups relevant to the sector.
Tips: Engaging stakeholders in Sector Performance Review

- Consult with civil society representatives, including those of marginalised communities relevant to the sector;
- Keep in mind the fact that civil society groups represent different interests and may not agree with each other. Ensure diverse views are taken into account by having representation from groups whose views may disagree, such as community and religious leaders, women’s organisations and young people’s groups;
- Consult local representatives to ensure greater local community buy-in and that information-sharing feedback mechanisms are constructed to handle any potential grievance at the community level.

Stage 3: Collating Data for the:
(i) Performance Assessment;
(ii) Financial Assessment; and
(iii) Organisational Assessment

Collating data for the PMF

- Step 1: Establishing KPI Actual Values: The performance of the sector is reviewed against the KPI annual milestone set for each year in the PMF. One year’s performance is reviewed and performance trend is reviewed annually. The review team will work closely with the state statistical agency or department to establish the actual values of the KPIs for each year under review. The data source for each indicator will be indicted in the PMF. It is important to collect current and reliable data.
- Step 2: Disaggregate the Data: Each state and sector will have different sets of data and different kinds of information and so will tackle this step differently. However, all states will need to disaggregate their data by a range of factors relevant to each sector. For example, in education, data should be disaggregated by sex for students at all levels of enrolment and completion, human resources and facilities (e.g. housing for teachers, toilets for students, etc.) as well as by Local Government Area (LGA) to show where access to education is worst and best. Sectors relating to employment (e.g. agriculture, commerce) need data that will demonstrate where initiatives to stimulate the economy are required (e.g. by LGA) and to show which sectors may need additional resources or support (e.g. information by type, such as fishing, agricultural products, various industries) as well as social issues (such as sex and age) to allow analysis of employment levels.

- Step 3: Unavailability of Data: Where data and information – such as data disaggregated by sex or LGA – are not available or reliable, data improvement plans should be made to improve them to ensure those who plan, deliver and monitor programmes and services are able to target resources effectively.

Collating data for the financial review

- Step 1: Financial Data Gathering: The financial data should be sourced from the Ministry of Finance. The most reliable source of data is the audited accounts for the years under review.
- Step 2: Disaggregated Data: Expenditure needs to be disaggregated by capital, overhead and personnel. However, to inform cost-effectiveness analysis, finance data also needs to be broken down into outcomes and outputs and where possible linked to KPIs. The expenditure of each activity/project/programme in terms of capital, overhead and personnel costs should be broken down, and where possible this should be linked to the objectives and KPIs in the PMF.
- Step 3: Unavailability of Data: In many states in Nigeria, the financial information classification is often not aligned with the programme classification and this limits the depth of analysis that could be done on financial and results performance. A plan to improve alignment should be made to ensure that the expenditure can be assessed in relation to results.

Collating data for the organisational review

- Step 1: Organisational Data Gathering: Information on institutional and organisational changes that happened during the year under review will also be collated. The information needed here includes the organisational reforms that might have taken place in the sector MDAs such as the Corporate Planning Process.
Stage 4: Analysis for the:
(i) Performance Assessment;
(ii) Financial Assessment; and
(iii) Organisational Assessment

Performance analysis against KPIs

**Step 1: Objectives of the Analysis:** The review team will first extract the state’s overarching goals and the related sector objectives in the MTSS, as assessed in chapter one of the report. A summary of the stakeholders operating in the sector will need to be included. It is important to clearly state the purpose and specific objectives of writing the report. It will help the reviewers to have the audience/user (earlier identified in Stage 1) in mind while writing the report.

**Step 2: Actual vs. Target:** The review team should analyse the performance of each KPI against the set KPI target for the year in the PMF:
- Discuss the actual performance trend for the past 3 years (for example 2012, 2013, 2014);
- Review the current year’s target versus actual. Use line graphs to show the trend above and performance;
- Highlight the indicators with outstanding performance (either positive or negative);
- Investigate to find out what factors are responsible for such outstanding high or low performance;
- If the outcome KPI is one that either is or should be disaggregated by sex and LGA (e.g. whether the results are different in urban and rural areas) or other factors (e.g. youth), analysis should be done to point to the effect of the performance in relation to males and females, or urban and rural settings or other issues.

**Step 3: Analyse the Performance:** For each of the objectives and their corresponding KPIs, the strategies that were implemented to achieve the performance should be analysed and discussed. Relevance, efficiency and effectiveness should be reviewed. Equity considerations should also be assessed. The analysis will provide the performance information on the relevance, efficiency and effectiveness of the adopted strategies/activities implemented (planned and unplanned) within the year being reviewed. It is particularly important to consider and draw out analysis of whether issues of inequalities in the sector are improving. For example, has there been an improvement in enrolment of girls and boys across school levels, or are the LGAs with the worst outcomes improving, as indicated in targets? If not, that performance will need to improve.

**Tips: Analysing for inequities**
- Ensure that needs analysis takes into account all communities and issues that could contribute to conflict such as ethnicity, religion, poverty, competition for resources;
- Consult local representatives to ensure greater local community buy-in and that information-sharing feedback mechanisms are constructed to handle any potential grievance at the community level;
- Ensure that transparent and inclusive selection criteria for strategies are clearly shared with the public;
- Identify geographical areas where outcomes (e.g. health, education, access to water) are worst and have potential to exacerbate conflict, and ensure views from these areas are taken into account when considering targeting these areas with additional resources;
- Ensure that the needs of target vulnerable beneficiaries are taken into account (e.g. latrines for girls/boys, single-sex wards in hospitals, private breastfeeding facilities, access ramps for physically challenged people);
- Ensure socially excluded groups (e.g. rural people, older people, people living with HIV/AIDS, people who are physically challenged) are targeted, based on needs assessment and evidence of effectiveness;
- Ensure that conflict and needs analyses include consideration of the needs of all groups in an area, not simply of the main or more powerful population group.

Financial analysis

**Step 1: Sector Budget Appropriation, Disbursement and Expenditure Trends:** Expenditure should be reviewed against the allocated budget – broken down into capital and recurrent. Where possible a relationship between the financial performance (sector budget performance and timeliness of cash releases) and where it has contributed to the level of outcome KPI score in the same year should be established. For the year’s sector budget performance (variance), establish its link with the level of outcome KPI yielded for that year. Provide the general view on the possible contribution (positive, negative or neutral) of the financial performance to the level of outcome KPI under review.

**Step 2: Cost-effectiveness Analysis:** The expenditure should be discussed in relation to the performance. This analysis goes beyond the usual analysis of expenditure against the approved estimate. In this case, it tries to understand whether the results achieved demonstrated value for money.
Step 3: Overview of Development Partners and NGO External Assistance Trends: Summary of donor assistance (specific donors, type of support, sub-sectors supported and result of support). Wherever there is external support in funding a programme or project, in the form of a loan or grant, this should be captured by the sector. Analysis should be conducted of the development partners’ support in relation to performance against KPIs.

Institutional and organisational performance analysis

Step 1: Institutional and Organisational Performance Analysis: In this case, the analysis will focus on the changes and reform activities that were implemented within the sector MDAs in the year under review. The focus will be to establish the effect of these institutional and organisational changes on the results (the performance scores). The kind of performance information expected from this step is how the organisational changes (such as revised mandate, revised structure, more familiar technical processes for carrying out tasks, clearer job descriptions, better staffing strength, better equipment, enhanced skills, etc.) in the sector MDAs have contributed either positively or negatively or even neutrally to the outcome performance score, including:

- Summarising the existence of mandates for the sector MDAs and if any mandate review or alignment has been undertaken in any of the sector MDAs, in relation to sector performance;
- Summarising positive/negative developments related to structural, functional and operational issues, in relation to the sector performance;
- Summarising the status of the human resources management process and capacity development including inequalities issues, in relation to sector performance.

Stage 5: Key Findings and Recommendations

Step 1: Reporting the Key Findings: The findings from all the analysis undertaken in Stage 4 should be summarised and stated clearly in a user friendly way. This section should provide the overall performance verdict on the relevance, efficacy, effectiveness and cost-effectiveness of the projects and activities implemented in the year that is being reviewed. Findings in relation to equity should also be summarised (e.g. by pointing to improvements in gross school enrolment rates (M/F)). This brings out the deeper effect of how policies affect different groups – including those experiencing inequalities.

Step 2: Recommendations: Sets of recommendations on what to adjust in the (i) MTSS; (ii) PMF; (iii) budget; and (iv) organisational arrangement, should be articulated for each of the findings.

Stage 6: Validate and Finalise the SPR

Step 1: Draft Report Validation: The draft report will need to be validated with key government officials. The membership of the validation team should be drawn from high level government officials such as Permanent Secretaries and Commissioners to ensure validity. The purpose of the validation will be to further discuss the findings and sets of recommended actions with the potential implementers or those that will be responsible for approving implementation. It will provide an interface between the reviewers and the decision makers to understand the underlying factors relating to the findings and recommendations and to agree on the next steps required to implement each recommendation. This step is very important in eliciting the buy-in of the potential users of the performance information.

Step 2: Produce Final Sector Performance Report: Based on the agreed relevant comments from the validation session, the report will be finalised and ready for presentation and approval by the appropriate body.

Step 3: Dissemination: Key interested stakeholders should be informed about the findings of the review. As part of the stakeholder engagement, a process for dissemination and feedback of the report should also be established.
## Section 5: Using the Findings and Recommendations

The findings should be used to review and revise the (i) MTSS; (ii) PMF; (iii) budget; and (iv) organisational arrangements. The recommendations should be used to help adjust medium-term strategies, the targets and budgets within the MTSS, in order to ensure they remain relevant and effective in achieving medium- and longer-term goals and objectives for the sector.

### To Adjust the MTSS

The annual process of revising a medium-term plan provides Ministries, Departments and Agencies with a systematic process for adapting to deal with changes and to produce a new version that reflects present ‘realities’ and circumstances. The purpose is to make adjustments to ensure more effective and equitable strategies are implemented to inform strategic objectives and targets.

In line with the Government of Nigeria’s commitment to equality, there should be clear identification and recommendations in relation to the needs of those who need services most – people who are marginalised and socially excluded.

The adjustments need to be in line with the allocation for the sector. Revising the MTSS may mean:

- Postponing some programmes;
- Dropping or consolidating some proposed programmes or activities;
- Preparing to make a very strong case to political leaders for additional (no more than 10% of the sector allocation) resources (bearing in mind that if they agree it will take away resources from other sectors).

### Summary of timeline

The time frame is summarised in Figure 3 and designed to fit with the planning cycle for Nigerian states.

#### Figure 3. Timelines and relationship with MTSS and budget cycle

<table>
<thead>
<tr>
<th>JAN</th>
<th>FEB</th>
<th>MAR</th>
<th>APR</th>
<th>MAY</th>
<th>JUN</th>
<th>JUL</th>
<th>AUG</th>
<th>SEP</th>
<th>OCT</th>
<th>NOV</th>
<th>DEC</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Political Leadership**

- **(ExCo) Outline Policy Guidelines**
  - Sector Multi-Year Envelope Projections

- **(ExCo) Decide on Options**
  - Define Annual Envelopes

- **(Assembly and ExCo) Approve Budgets**

**MoEP/MoF**

- **Macro-Economic Framework, and Overall Performance Review**

**Sectors**

- **Conduct Sector Performance Review**

- **Make Medium-Term Sector Strategies**
  - Set Outcome Targets, National Policy Guidelines, Baseline Data, Complete Programme and Capital Cost Projections, Check Organisational Capacity to Deliver, Research into Responsiveness and Effective Technical Solutions, Participation, Cross Sector Implications, Monitoring and Evaluation Systems

- **Develop and Defend Annual Budgets**

- **Establish Performance Targets, Make Operational or Action Plans, Implement, Monitor and Evaluate**
To Adjust the PMF Targets

The purpose is to make adjustments to ensure that the targets are SMART. Recommendations should be in line with the revised strategy adjustment recommendations and in line with resources available, to ensure targets are feasible.

Adjustments should ensure that inputs are linked to results targets to allow Results Based Management of the budget. If the budget is not available then the results targets need to be reduced accordingly.

Recommendations should support the vulnerable groups in society – both females and males – and aim to reduce inequality.

To Adjust the Budget

The purpose is to make adjustments to MDA and programme budgets, including: (i) budget increases; (ii) budget reductions; or (iii) discontinuing or merging budgets and in line with new priorities and new evidence.

Adjustments should be made in any sector/MDA financing policy. For example the state’s Economic and Fiscal Update, Fiscal Strategy Paper and Budget Policy Statement (EFU/FSP/BPS) documents, or comparable budget forecasting documentation.

Recommended adjustments can also be made to any sector/MDA financing strategies or for improving financial management in the sector, including accounting, reporting, internal audit and related staff development.

The costs of the programme and projects in the MTSS should not exceed the financial resources that are allocated to each sector.

- Using the findings and trends from the financial performance analysis (budget allocation, releases and actual expenditure), recommend required actions to improve the level of actual expenditure from the approved estimates, towards better outcome KPIs in the next year(s);
- State the required actions that would lead to better results on the sector issues using limited resources (enhanced efficiency and effectiveness). These are mainly the set of actions already proposed in Section 4 (Stage 5) of this Guide.

Results vs. resources

Results targets need to be based on available budget

- There are often limitations in relation to resource constraints so what is ‘needed’ should be weighed up against what is ‘realistic’ and decisions made accordingly;
- The results targets need to be based on available budget. If the budget is not available then the results targets should be reduced accordingly;
- Policy objectives cannot only be based on ‘need’; they should also be realistic and based on available funds.

Regardless of the lack of funds the aim should always be to reduce social inequality – and targets should reflect the requirement to reduce social exclusion.

Essential things to think about when adjusting the budget

Resources for results

- The input resources required to achieve the results targets should be thought about and articulated in the EFU/FSP/BPS;
- The results targets must be feasible and need to be based on available budget;
- If the budget is not available then the results targets need to be reduced accordingly;
- Inputs should be linked to results targets to allow Results Based Management of the budget;
- The budget classification (BC) and Chart of Accounts (CoA) should support linking resources to results.

Budget defence

- The Fiscal Responsibility Acts require that part of the process of ‘fitting the desired results to the available resources’ should be carried out in public;
- Representatives of civil society should be invited to public hearings to discuss budget proposals and provided with information to allow them to make meaningful input.

Results and expenditure tracking

- When the programmes are implemented, actual achievements should be measured against the results targets, through Key Performance Indicators.

---

To Adjust the Organisational Arrangements

Recommendations for increasing and broadening the participation of relevant stakeholders (e.g. civil society, NGOs, private sector, academic institutions) and, where opportunities exist, for developing new areas of partnership. These may include but are not limited to:

- Partnership processes used within the sector. For example, Sector Working Groups, Steering Committees, joint annual performance reviews and shared results frameworks;
- Institutional and organisational arrangements for partnership in the sector. For example, use of Memoranda of Understanding, partnership principles and donor coordination functions within the sector and partner organisations;
- Propose what the sector MDAs could do differently or how they could improve on the mandate alignment, structural, functional and process improvement in support of better organisational performance;
- Propose what the sector MDAs could do differently or how they could improve on the staff strength, skills mix and capacity management in support of better organisational performance;
- Propose what the sector MDAs could do differently or how they could improve on infrastructure and facilities (e.g. buildings, equipment, ICT and transport, such as toilets for males/females) development in support of better organisational performance;
- Propose how Gender and Social Inclusion (G&SI) data and information on institutional and organisational performance could be improved during MTSS adjustment.

Section 6: Final Word

The most appropriate body to approve a Sector Performance Management Report (SPMR) is the State Executive Council (ExCo), for which the authority is often rested on the Honourable Commissioner of the lead ministry, because of the report’s policy direction/adjustment implications. However, some ExCos may give such power to another body such as the Economic Management Team (EMT) or the political head of an agency, such as an Honourable Commissioner or Honourable Minister for Planning. In either case, the authorised signature is important to confirm authenticity of the findings and recommendations by the relevant government. With this act of signature, the report will be considered 'published'.
Annex 1: Glossary

**Budget Classification (BC):** One of the fundamental building blocks of a sound budget management system that aims to enhance the transparency and coherence of the budget.

**Chart of Accounts (CoA):** A financial organisational tool that provides a complete listing and coding of every account in an accounting system, which should be consistent with the budget coding and classification. An account is a unique record for each type of asset, liability, equity, revenue and expense.

**Budget Policy Statement (BPS):** Follows on from the Economic and Fiscal Update and the Fiscal Strategy Paper. It draws together key findings and policy recommendations from these documents into a cohesive statement on budget policy which then informs preparation of the annual budget, and produces the three-year sector allocations (either for all expenditure, capital only, or capital and recurrent separately). It should be prepared and approved prior to the issuance of (and be the basis for) the annual budget call circular. The BPS is approved by the Executive Council (ExCo) and as such provides a political directive on the strategic allocation of resources across the state. The BPS is produced annually in Quarter 2 together with the EFU and FSP, and should be used by the sectors to update their MTSSs, and also by the Budget Department to produce the annual budget call circular and its applicable annual budget ceilings. Expenditure allocations in the BPS, the FSP and the Annual Budget should correspond. Any differences should be explained.

**Economic Fiscal Update (EFU):** Provides economic and fiscal analysis in order to inform the budget planning process. As well as considering recent economic developments, the document also provides an assessment of budget performance – both historical and current – and identifies key factors affecting budget implementation. Since it needs data from the previous year on actual fiscal performance, and macroeconomic data, the process of preparing the document cannot really be done until this is available.

**Fiscal Strategy Paper (FSP):** A multi-year document outlining the key fiscal parameters associated with the government’s budgetary operations, namely: revenue; expenditure; budget balance; financing; and debt. It locates these in a strategic framework which is consistent with macroeconomic stability, growth and sustainable debt management. It should also go to the stage of three-year sectoral allocations (these might be for capital expenditure only) based on the aggregate resource availability. The FSP draws on analysis contained in the preceding Economic and Fiscal Update. It provides revenue and expenditure estimates which are then embedded in the annual Budget Policy Statement.

**Goal:** The higher-order objective to which the work of the sector/MDA is intended to contribute (e.g. achievement of Millennium Development Goals).

**Indicator:** Quantitative (numerical) or qualitative factor or variable that provides a simple and reliable means to measure achievement, to reflect the changes connected to an intervention, or to help assess the performance of a development actor. Indicators allow measurement to help allow decisions, and monitor and evaluate to facilitate improvement. It allows assessment of success/performance in achieving the project’s results, purpose and overall objective. It further specifies the quantity and quality (targets) of the results, purpose and overall objective of the programme.

**Objective:** Intended impact contributing to physical, financial, institutional, social, environmental, or other benefits to society, community, or group of people via one or more sector/MDA initiatives (e.g. provision of free basic education for all).

**Results:** The output, outcome or impact (intended or unintended, positive and/or negative) of a sector/MDA initiative.

- **Impact:** Positive and negative, primary and secondary long-term effects produced by a sector/MDA initiative, directly or indirectly, intended or unintended (e.g. improved economic competitiveness of the state);
- **Outcome:** The likely or achieved short-term and medium-term effects of a sector/MDA initiative’s outputs (e.g. increased numbers of graduates (M/F) with a range of high quality skills);
- **Output:** The products, capital goods and services which result from a sector/MDA initiative; may also include changes resulting from the initiative which are relevant to the achievement of outcomes (e.g. increased number of senior secondary schools; increased numbers of school toilets (M/F)).

**Performance Monitoring:** To make a study of operational processes, day-to-day/periodic functions, steps, events, activities carried out within project(s), programme(s) and/or plan(s) implementation period. This is aimed at spotting and measuring gaps between actual progress/developments and the totality of the planned achievements in order to adopt immediate corrective measures in project, programme or plan implementation. Performance Monitoring is standard good management practice and often used synonymously with Performance Review or Progress Review.
**Performance Evaluation**: Activity carried out at the end of the implementation period of a programme (or project), possibly also halfway through the project (or periodically throughout implementation). It is aimed at making in-depth diagnosis of the project and its effects and impact, on the basis of *predetermined criteria*, draw useful lessons for decision making (future programmes/projects or re-orientation of the current programme) or plan.

**Revision**: The act of adjustments, changes, alterations, modifications and amendments made to the project, programme and/or plan as a result of the findings and recommendations in a review or evaluation report.

**Target**: Values which are defined for specific indicators which indicate what ‘success looks like’ for a specific indicator. These are the targets which sector/MDA plans should aim to achieve.
Notes:
Contact details
SPARC has eleven offices in Nigeria.
For more information on our work:
Email: info@sparc-nigeria.com

Or

at ask@sparc-nigeria.com
Telephone: +234 (0) 809 564 3426
Visit our website: www.sparc-nigeria.com

Find us on Facebook
www.facebook.com/SparcGovernanceNews

www.sparc-nigeria.com

The opinions expressed in this leaflet are those of the authors and do not necessarily represent the views of the Department for International Development.