



Yobe State



YOBE STATE

YOBE STATE BUDGET MANUAL

PRACTICAL GUIDE TO THE STATE'S BUDGET PROCESS



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Abbreviation and Acronyms

AG	Accountant General
BD	Budget Department
BEAM	Budget Evaluation and Monitoring
BIR	Board of Internal Revenue
BWG	Budget Working Group
CIAD	Central Internal Audit Department
CSO	Civil Society Organisation
EA	Economic Adviser
EU	European Union
MOF	Federal Ministry of Finance
GDP	Growth Domestic Product
GFS	Government Financial Statistics
IDF	Infrastructural Development Fund
IT	Information Technology
LGA	Local Government Area
MDA	Ministries, Departments and Agencies
MTBF	Medium Term Budget Strategy
MTEF	Medium Term Expenditure Strategy
MTFF	Medium Term Fiscal Framework
MTSS	Medium Term Sector Strategy
M&E	Monitoring and Evaluation
N	Naira
NEEDS	National Economic Empowerment and Development Strategy
NGO	Non-Governmental Organisation
PBB	Program Based Budgeting
PEM	Public Expenditure Management
PFM	Public Financial Management
PIP	Project Investment Program
RA	Revenue Administration
SAG	State Auditor General
SBIR	State Bird of Internal Revenue
SEEDs	State Economic Empowerment and Development Strategy
SMOBEP	State Ministry of Budget and Economic Planning
SMOE	State Ministry of Education
SMOF	State Ministry of Finance
SPC	State Planning Commission
SRIP	Support to Reforming Institutions Programme
STO	State Treasury Office
YTV	Yobe State Television
YOSADP	Yobe State Agriculture Development Programme
YOSAMA	Yobe State Agriculture Mechanization Authority
YOSERA	Yobe State Economic Reforms Agenda
WB	World Bank



FORWARD

Budget Manual is a book that vividly describes the methods, steps and guidelines about the Budget Process in Yobe State, from Preparation to implementation stages. It's a road map that gives a clear and concise picture of what Budget processes is all about. It's a watershed or cutting-edge document that addresses issues at stake as far as budgeting for the state is concern.

The book is valuable and essential towards educating, informing and guiding all interested persons e.g. the stakeholders, MDAs Developing partners, CSOs etc to appreciate such laudable effort in understanding the essentials of Budgeting.

The Ministry remains highly indebted to the entire people who have in one way or the other contributed in the production of this material we always count on your support and understanding.

I also wish to particularly express my profound appreciation to His Excellency. **Alh. Ibrahim Geidam FCNA CPA**, the Governor of Yobe State who has contributed immensely towards the realization of this book and his continuous support for the progress of our Ministry.

ABDULLAHI MUHAMMAD JAWA
Permanent Secretary
Ministry of Budget and Economic Planning



INTRODUCTION

i. Purpose of this Budget Manual

This Manual documents the Yobe State Government Budget Procedures and steps to guide the budgeting process in the state. Globally, the main budgetary procedures include:

- Budget Planning Stage
- Preparation Stage
- Budget Execution Stage
- Monitoring and Evaluation Stage

The document endeavors to answer or provide guidelines to the following question:

- What are the basic steps in budget preparation and execution?
- Who is responsible for preparation and execution of the budget?
- What is the typical calendar of budget preparation system?
- How can budget performance be monitored and evaluated?
- How can the reconciliation of budgetary and expenditure?

This manual is therefore a documentary of best practice procedures in the budgetary processes which are consistent with the SEEDs Benchmarking Standards.

This Budget Manual provides a set of guidelines on public financial management, including specifically the procedures relating to the annual budget cycle process for the Yobe State Government. It situates this annual budget cycle within the Government's medium-term approach to expenditure planning and also makes reference to the changes that will be necessary when implementing a medium-term perspective to the budget process, in other words, the move towards a Medium-Term Expenditure Framework (MTEF). This practice is also influenced by relevant Federal and State legislations, for example, the Fiscal Responsibility Act 2007, Public Procurement Act, and the 1999 Constitution of the Federal Republic of Nigeria. Together these provide the legal framework and the basis in law for the budget process.

The manual provides for a standardized set of procedures which means that all officers in the Yobe State Government undertake their public financial management duties in accordance with the law and the Government's commitment to transparency and accountability as part of its good governance agenda.

The Manual is intended as a key source of documentation of the budget practices of the State and will provide vital information for new and experienced officials and politicians alike. It will be particularly helpful for sector analysts and planning officers, both those based in the State Ministry of Budget and Economic Planning (SMOBEP)



and those based in other MDAs (Ministries, Departments and Agencies) the manual aims to document the main duties and responsibilities of these officers. The manual will also provide a key resource for training on budget processes and procedures.

The manual should be consulted regularly by all officers engaged in public financial management duties. It is intended that the manual will be subject to periodic review to ensure that it is consistent with the latest processes and procedure adopted by the Government in regards to public financial management, including those resulting from any revision to the law.

This periodic review underscores the importance of officials consulting the manual regularly to ensure that their conduct is in accordance with the latest requirements.

ii. Structure of the Budget Manual

The structure of the budget manual is as follows:

An Introductory section that provides useful foundation information on strategic expenditure planning and the annual budget cycle. It provides an explanation of the Medium-Term Expenditure Framework (MTEF) process and how this links to the annual budget cycle.

This is followed by three separate sections that looks in detail at the entire processes and activities involved in the budget cycle. Each section begins with a concise summary of relevant background information for the user. While the various activities are presented in tabular forms indicating description of task; timelines; and expected outputs, further explanatory notes are also provided outside these tables where necessary. These are the three main Processes covered:

This is followed by three separate sections that looks in detail at the entire processes and activities involved in the budget cycle. Each section begins with a concise summary of relevant background information for the user. While the various activities are presented in tabular forms indicating description of task; timelines; and expected outputs, further explanatory notes are also provided outside these tables where necessary. These are the three main Processes covered:

- Process 1 provides a guide to the activities/steps involved under the Budget planning phase;
- Process 2 provides a guide to the activities /steps involved under the Budget Preparation phase;
- Process 3 provides a combined guide to the activities/steps involved in both the Budget execution and Monitoring and Evaluation (M&E) phases.
- The manual ends with a section on annexure, which contains useful reference materials consistent with global best practices in medium term planning and budgeting.



**iii. Linking Policy, Planning and Budgeting at the Government-Wide Level:
A comprehensive Medium-Term Expenditure Framework**

An MTEF is a whole –of government strategic policy and expenditure framework within which ministers and line ministries are provide with greater responsibility for resource allocation decision and resource use. The key to a successful MTEF is the institutional mechanisms assist and require relevant decision makers to balance what is affordable in aggregate against the policy priorities of the country or state. The MTEF consists of a top-down resource envelope, a bottom –up estimation of the current and medium-term costs of existing policy and, ultimately, the matching of these costs with available resources. The matching of costs should normally occur in the context of the annual budget process, which should focus on the need for policy change to reflect changing macroeconomic conditions as well as changes in strategic priorities of the government. Conservatively defining the medium-term aggregate resource envelope should help change the psychology of budgeting from a “needs” to an “availability” mentality as well as enhance the predictability of resource flows and policy over the medium and short term.

The objectives of an MTEF are to.

- Improve macroeconomic balance by developing a consistent and realistic resource framework;
- Improve the allocation of resources to strategic priorities between and within sectors;
- Improve commitment to predictability of both policy and funding so that ministries can plan ahead and programs can be sustained;
- Provide line agencies with Hard budget constraint and increased autonomy, thereby increasing incentives for efficient and effective use of funds.

The approach to building an MTEF will depend on the conditions in the particular country/state. The more unstable fiscal policy is, the more out of balance are available resources and policy, program and project demands. The less integrated policy making, planning, and budgeting are, the more budget making focused on funding on funding. The more unsustainable particular categories of expenditure are (e.g. wages and salaries, pension, interest payments) the longer it will take to put in place a credible MTEF. In fact, where these conditions exist, it is likely that a significant one –off adjustment of expenditures may be required before an MTEF can be expected to deliver.

Where significant imbalances exist, there is a case for aggressively employing top-down expenditure ceilings and providing such ceilings for the period covered by the MTEF. However, the very nature of the uncertainties confronting countries/states with such imbalances means that forward year ceilings will be, at best, indicative. Sector level managers must understand that the ceiling will be, reset during each



annual budget cycle to reflect changing macroeconomic conditions and policy priorities (and, more simply, better information). The contribution of an MTEF to improving budgetary outcomes will depend on the ceilings delivering greater predictability than the current arrangements. Therefore, ceilings should be set conservatively. Budget decision making must shift as quickly as possible to being policy driven and away from being funding driven. For the annual budget, sectoral ceilings should be set after key strategic policy decisions are made at the centre of government (Cabinet, Council of Ministers, President). These ceilings, in turn, must be provided to sectors in sufficient time for the minister and officials to be able to reprioritize on a programmatic basis.

Serious and sustainable reprioritization and reallocation will not occur so long as the focus is on inputs by economic type (wage and salary bill, operations and maintenance, “development” investment, interest). To engage policy makers, the reconciliation of what is demanded with what is affordable must be increasingly policy and program based.

Where these imbalances are not so great or have been reduced, use of top-down ceilings should be confined to the budget year. Most importantly, there must be a medium-term aggregate expenditure constraint, medium-term cost of existing policy, and institutional mechanisms that facilitate reprioritization and reallocation of resources.

iv. Linking Sector Policy, Planning and Budgeting

Year of short-term planning for annual budgets and hand-to-mouth adjustment during the budget year have led to accumulated over-commitments and inefficiencies at the operational level. The separation of policy making, planning and budgeting so often in evidence at the center of government is replicated at the sector level. The requirement, therefore, is to create enough certainty so that line ministries and agencies can plan ahead, have the incentives to do so, and have better information on which to base strategic and operational decision. In other words, it requires, at its core, the development and effective implementation of a comprehensive MTEF.

However, integrating planning, policy and budgeting at the sectoral level through sectoral MTEF's could result in significant gains and could be the foundation of a comprehensive MTEF. The example of Malawi is a case in point, where the reform process began with the implementation of MTEF's in selected pilot sectors and was then progressively expanded to become comprehensive. Defining and implementing a sectoral MTEF involves preparing estimates of overall resource availability, reviewing financing mechanisms, and preparing prioritized government spending plans. This is clearly not a one –off process. Rather it is iterative and must take into



account, on a periodic basis, changes in sectoral needs and priorities and changes in the overall resource envelope.

PROCESS 1: ANNUAL BUDGET PLANNING

A policy and planning system should force governments to understand better the realities of what is affordable over the medium term and to address sectoral priorities strategically. The system needs to provide:

- A medium-term framework for public expenditure by identifying the resources that are to be available and the sectoral priorities that will drive resource use.
- Political ratification (legitimacy) to the policies and programs that will be the basis of subsequent public expenditure proposals.

The following activities and outputs are the joint responsibilities of the Budget and Planning Departments of the Yobe State Ministry of Budget and Economic Planning (SMOBEP).

1. Budget startup and planning activity (Budget Planning Committee and Guidelines)
2. Review of MTSS and MTEF targets
3. Economic and fiscal up dates
4. Preparation of fiscal framework
5. Stakeholders consultation
6. Budget policy statement of fiscal policy thrust including priorities.
7. Consideration of draft call circular

The first step is for the Budget Department to assemble its staff to hold budget planning meetings to resolve the above questions and draw up fiscal management calendar in consultation with Treasury and Planning Departments. At the outset, a fundamental distinction needs to be drawn between budget planning and budget preparation. Effective annual budget planning is considered a pre-requisite for successful budget preparation and consists of all activities undertaken before the issuance of annual call circular, which is the start of budget preparation sub-process.

The SMOBEP (specifically budget department staff) would be expected to:

- Collect and review information on expenditure outturn
- Collect and review information on revenue performance
- Develop revenue forecasts
- Develop expenditure projections.



Yobe State



ACTIVITY 1.1 BUDGET START-UP

DESCRIPTION TASKS	TIME LINE	KEY OUTPUT
By the beginning of April of a fiscal year, the SMOBEP would constitute a 10 member Budget Working Group (BWG) which should consist of six officers from the SMOBEP including the Honourable Commissioner, Economic Adviser to the Governor on SEEDs, Permanent Secretary, Director of Budget, Director of Planning and one other officer. Three members from SMOF including the Honourable Commissioner, the Permanent Secretary and one other officer with a representative of SBIR, to brainstorm on the state budget performance and the economic situation. On the basis of the brainstorming session, the BWG should draw up a detailed budget preparation calendar for the next fiscal year. The BWG should make the necessary arrangement to collate the current budget performance data for the first quarter of the year.	Early April	Budget Working Group Information on key revenue and expenditure performance and forecasts

In this step, the budget department inaugurates the Budget Committee to properly harmonize all issues relating to the medium-term fiscal targets and annual fiscal priorities. The key members of the committee may include.

- State Ministry of Budget and Economic Planning
- State Treasury Office
- State Ministry of Finance
- State Board of Internal Revenue

The duties and responsibilities of this committee include the following:

- Review of fiscal targets
- Review aggregate spending limit
- Review and make recommendations on fiscal policy thrust.



ACTIVITY 1.2 RELEASE OF BUDGET CALENDAR

DESCRIPTION OF TASKS	TIME LINE	KEY OUTPUT
The budget calendar should cover the months of April to November and should outline in detail the required steps and activities for both the planning and budget preparation activities which are expected to take place between April and November.	Mid April	Annual Budget Calendar

ACTIVITY 1.3 ECONOMIC AND FISCAL REVIEW & UPDATES

DESCRIPTION OF TASKS	TIME LINE	KEY OUTPUT
<p>A report of the Broad economic and fiscal analysis, including a review of the all key sectors of the State economy. This report would include the analysis of the fiscal policy and the growth of aggregate demand in the past year, inflation and unemployment rates. And it would endeavour to provide overview of the coming fiscal year particularly the prospect of resource availability.</p> <p>The budget Working Group in conjunction with the Economic Adviser’s office are expected to collect and analyse quarter year economic and budget performance data and produce a quarter year’s report. This will entail a review of the budget implementation against the approved estimate. While the budget performance would focus on outputs, economic analysis would focus on outcomes during the first three months of the year.</p>	15 th May	A Statement of economic & fiscal updates

FISCAL PERFORMANCE INDICATORS	ECONOMIC PERFORMANCE INDICATOR
<ul style="list-style-type: none"> • Total revenue collection with Breakdown. • Total Expenditure with breakdown • Capital investment per sector as against the budget • Description of key tangible projects and programmes per sector • The expected impact of the aggregate capital investment 	<ul style="list-style-type: none"> • Aggregate economic growth • Economic growth per sector, e.g. increase in housing stock • Unemployment level • Inflation rate • Poverty level



ACTIVITY 1.4 PREPARATION OF A FISCAL FRAMEWORK (REVENUE AND EXPENDITURE FORECASTS)

DESCRIPTION OF TASKS	TIME LINE	KEY OUTPUT
<p>A formulation of multi-year fiscal targets including projections of revenues and expenditures. This statement depends on the analysis provided in the basis for the Budget Policy statement and the Annual Budget Call Circular.</p> <p>The BWG in collaboration with the Accountant General, Economic Adviser to the Governor, Commissioners for B&EP and finance will produce fiscal framework for the budget.</p> <p>The Budget Working Group will work in accordance with the approved calendar, proceeding with development of fiscal framework which will consist of aggregate revenue forecast with breakdown as to sources of collection including capital receipts. In addition, aggregate expenditure projections should be presented to the EXCO for consideration with respect to aggregate spending limit, sector ceiling as well as cost boundaries.</p>	Mid May	Aggregate Fiscal Framework Statement

ACTIVITY 1.5 REVIEW OF ANNUAL BUDGET POLICY

DESCRIPTION OF TASKS	TIME LINE	KEY OUTPUT
<p>The draft annual Budget policy would provide insight into government policy thrust and directions in the next fiscal year and set out procedures for allocation of resources to sectors and spending ceiling in consonance with the policy priorities. This process would be carried out by the SMOBEP and submitted to the Governor-in-Council for review and approval. This key activity would outline the rules for next budget year with regards to rations of planning and contingency reserves to aggregate revenue.</p> <p>On basis of fiscal framework produced for the EXCO, the EXCO will indicate its priority sectors and programmes for the next budget period. Budget Policy Statement would provide sector spending ceiling and clearly state the government capital investment priorities and the intended economic impact in the next fiscal year within the context of the existing medium-term expenditure framework.</p>	End of May	An Annual Budget Policy Statement



ACTIVITY 1.6 PREPARATION OF DRAFT ANNUAL BUDGET CALL CIRCULAR

DESCRIPTION OF TASKS	TIME LINE	KEY OUTPUT
The SMOBEP draws up a comprehensive annual budget call circular including budget preparation calendar, summary of medium-term fiscal targets, instructions on up-dating MTSS, sector ceiling and detailed templates of budget proposals from the MDAs.	1 st Week June	Draft Annual Budget Call circular with Calendar and Sector Ceilings

ACTIVITY 1.7 PREPARATION – DATING OF MEDIUM-TERM SECTOR STRATEGY (MTSS)

DESCRIPTION OF TASKS	TIME LINE	KEY OUTPUT
Preparation/up-dating of the Medium-Term Sector Strategy (MTSS). The MTSS is prepared by the sector Ministries based on the approved sector policy document and translated into costed operation plan for action plan) using the program budget structure format.	15 th May	A Statement of economic & fiscal updates

ACTIVITY 1.8 STAKEHOLDERS’ CONSULTATION

DESCRIPTION OF TASKS	TIME LINE	KEY OUTPUT
<p>Conduct pre-budget stakeholders’ consultations (including key MDA’s Legislators, Organized Private Sector (OPS), organized labour, CSOs and CBOs) to deliberate on the proposed budget thrust as documented in the Budget Policy Statement. The stakeholders’ consultation would provide feedbacks and contributions to serve as inputs into budget preparation process.</p> <p>SEEDs (YOSERA) requirements: The State Government is expected to organize key stakeholder’s consultative forum for the following interest groups in the senatorial zones.</p> <ul style="list-style-type: none"> • Public servants • Organized Private Sector (OPS) • Civil Society Organizations (CSO) • Traditional and Community based Institutions • Other Interest Groups. <p>The outcome of these consultations would be summarized and presented to the state Government for consideration.</p>	15 th May	A Statement of economic & fiscal updates



The process of consulting with relevant Stakeholders has three main benefits.

- Effective ways to involve citizens in each stage of government’s work; from planning and budgeting to monitoring the performance of public services.
- Open and transparent government
- A clear flow of information from the government to its citizens and vice-versa.

The whole essence of consultation at this stage is to enable the civil society assure itself that the policies and programs in the MTEF & MTSS document are basis for the annual budget and for alignment of its annual budget priorities with current resource constraints.

Stakeholders’ consultation can be done through:

- Democratic representation
- Direct consultation in meetings and seminar, either with civil society groups, business leaders, traditional leaders, faith group, or the general public.
- Range of survey techniques e.g opinion polls, to record what the public needs and what it thinks about specific issues.
- Through radio and other media seeking out the public views

Stakeholders include:

- CSOs/NGOs
- Organized Private Sector
- International Development partners
- Professional Organizations
- Traditional & Religious Institutions

ACTIVITY 1.9 CONSIDERATION/APPROVAL OF DRAFT CALL CIRCULAR BY BUDGET WORKING GROUP

DESCRIPTION OF TASKS	TIME LINE	KEY OUTPUT
The State Budget Working Group would review the draft Annual Budget Call Circular Submitted by the Budget Department in line with the statement of fiscal thrust, the aggregate and sector spending limit/ceiling and recommend it for approval of the Honourable Commissioner (SMOBEP) and signed by the Permanent Secretary (SMOBEP) before circulation to MDAs	Mid June	Approved Annual Budget Call Circular for the year concerned

PROCESS 2: ANNUAL BUDGET PREPARATION

The process of annual budget preparation should be derived from the MTEF and ideally consists of the following stages:

- Assessment of overall resource availability and the adoption of aggregate expenditure and revenue targets;
- Disaggregation of aggregate targets into ministry ceilings;



- Preparation and distribution of budget guidelines, including ministry ceilings, and their distribution to spending ministries (the “budget call circular”);
- Preparation of submissions by spending ministries and departments;
- Review of submissions by the SMOBEP;
- Preparation of draft estimates;
- Submission to and approval by State House of Assembly of draft estimates.

The determination of aggregate resource availability and ministry expenditure ceiling are crucial stages for the budget process to be credible. Aggregate targets must be explained and agreed upon at the political level before the elaboration of the budget proceeds. In practice, most budgets are incremental, taking last year’s allocation as base, adding a small percentage for inflation and perhaps, a little real growth. Incremental budgeting usually reflects a mismatch between policies and resources and excessive focus on funding, at the expense of policy, in budget deliberations.

ACTIVITY 2.1 APPROVAL AND CIRCULATION OF ANNUAL BUDGET CALL CIRCULAR TO ALL MDAS

DESCRIPTION OF TASKS	TIME LINE	KEY OUTPUT
<p>The SMOBEP would issue the approved Annual Budget Call Circular to the MDAs and constitute a team of Budget officers to support the MDAs to comply with the requirements of the Call Circular.</p> <p>The call circulars should be issued by the SMOBEP early in the second half of the year preceding the new fiscal year (by June 1) and it should include the following information:</p> <ul style="list-style-type: none"> • Aggregate spending limit • Sector spending ceiling • Input spending boundaries (e.g. personnel and overhead costs) • Priority projects and programmes 	1 st July	Budget Call Circular

The formal budget preparation process starts with issuance of Annual Budget Call Circular to all Ministries, Departments and Agencies (MDAs) of government. In principle the call circular should include the following which have already been developed and agreed at the Annual Budget Planning State:

- Economic and Fiscal outlook of the State for the fiscal year
- Aggregate spending limit (indicating planning and contingency reserves)
- A summary of State Budget Policy Statement
- Government-wide priorities
- Explanations and guidelines on admitting/downloading projects and programs into medium Term Sector Strategies (MTSS) component of the MTEF.



- Sector spending ceiling
- Form and format the budget estimates would take
- Input spending boundaries (e.g. capital versus recurrent and personnel versus overhead cost)
- Guidelines for preparing recurrent expenditure (particularly personnel costs)
- Instructions for completing the budget forms
- Detailed time table for submission of proposal and defense

The time of issuing the call circular is very critical for early presentation of draft annual Budget to State House of Assembly (it is however recommended that call circular need to go to MDAs by 1st July, ideally).

ACTIVITY 2.2 CONSULTATION BETWEEN EXCO AND STATE HOUSE ASSEMBLY

DESCRIPTION OF TASKS	TIME LINE	KEY OUTPUT
The Honourable Commissioner, SMOBEP would initiate and coordinate a meeting between the members of the Executive Council and the Appropriation Committee of the State House of Assembly (SHA) to explain the State's fiscal policy direction and the thrust of the proposed budget. This will improve the understanding of the Honourable members of the fiscal possibilities and options. Political engagement in Budget process helps to improve acceptability and buy-in of members of state House of Assembly.	Mid July	Report of the Consultations

A budget process that promotes political engagement provides a framework in which political intentions are reflected in stated policies and in the budget. This builds political commitment to follow the Budget, reinforced by an effective process of State House of Assembly Scrutiny.

The EXCO would arrange for an official engagement with members of House Assembly to explain the State fiscal policy directions and the thrust of the proposed budget including aggregate resource envelope. This is to improve the understanding of the Honourable members of the fiscal possibilities and options. Political engagement in Budget process helps to smother unrealistic demands and adds credibility to budget enforcement.



ACTIVITY 2.3 PREPARATION OF ANNUAL BUDGET PROPOSALS BY MDAs

DESCRIPTION OF TASKS	TIME LINE	KEY OUTPUT
All MDAs would be guided by the contents of the Annual Budget Call Circular (BCC) when preparing their revenue and expenditure estimates for the coming budget year. The budget department of SMOBEP would constitute a team of officers to provide support and backstopping to MDAs in need of Assistance.	July	Draft MDAs Budget proposals

The Ministries, Departments and Agencies (MADs) on receipt of the Annual budget call circular are required to prepare detailed proposals, which should be submitted to the SMOBEP. Each MDA proposal is expected to.

- Be in the approved form and format
- Apply the proper budget classification and codes
- Have qualitative presentation of the substance of their budget submission
- Integrate recurrent and capital expenditures

To produce the above stated documents within the timeframe, each MDA or main organization is expected to.

- Constitute MDA Budget sub-committee (to be chaired by the respective Permanent Secretary)
- Send copies of the Budget call circular or ministerial (main organization) circular to all sub-organizations calling for their proposals
- The sub organization would prepare detailed proposal in accordance with the approved form and format
- The sub-organization would also prepare qualitative presentation of the Budget.
- The Ministry (or Main organization) Budget sub-committee would review the submissions from all the sub-organizations.

Some MDAs may not have the requisite in-house technical manpower to prepare their proposals in line with the above requirement. Non-adherence with the format would critically undermine the budget preparation process. There may be need for SMOBEP to have a standing technical back-stopping team that would offer technical support to MDAs in the state. The technical support may be in respect of:

- Visiting the MDAs to ensure that Budget proposals are being prepared in line with the above requirements.
- Specific training to budget staff in MDA where the staff are sufficiently qualified but lack proper knowledge of the requirements, or
- A member of Technical Back-stopping Team leading the Process in the MDA



ACTIVITY 2.4 SUBMISSION OF DRAFT BUDGET PROPOSALS BY MDAS TO SMOBEP

DESCRIPTION OF TASKS	TIME LINE	KEY OUTPUT
MDAs complete the preparation and production of their budget proposals and submit them within schedule to the SMOBEP	1 st Week of August	Draft MDAs Budget Proposals

ACTIVITY 2.5 REVIEW OF BUDGET PROPOSALS BY SMOBEP

DESCRIPTION OF TASKS	TIME LINE	KEY OUTPUT
<p>Preliminary review and exploratory of the financial estimates to ensure that the proposals substantially comply with the requirements of the Budget Call Circular including sector ceilings.</p> <p>SMOBEP would ensure that all the forms annexed to the Circular are properly completed. It would also ensure that the projects and programmes include in the proposals comply with the State's policy objectives and priorities and in accordance with the MTSS/MTEF.</p>	Mid August	Draft Budget Proposals.

ACTIVITY 2.6 BILATERAL BUDGET DISCUSSIONS (NEGOTIATION AND DEFENSE OF MDAS' BUDGET PROPOSALS)

DESCRIPTION OF TASKS	TIME LINE	KEY OUTPUT
<p>The SMOBEP would carry out the bi-lateral discussions of the budget proposals with the MDAs.</p> <p>Budget proposals are corrected and adjusted in line with the finding during scrutiny and analysis of budget proposals by SMOBEP. A Planning Reserve would then form the basis of any incremental adjustment of any MDA's estimates.</p> <p>This underscores the need to set aside a planning reserve of about 3% of total projected annual revenues when formulating sector ceilings for the MDAs. The same argument applies to setting aside a Contingency Reserve of about 5% to fund any supplementary budget in the event of unforeseen occurrences.</p>	15 th May	A Statement of economic & fiscal updates



The Budget Department on receipt of Budget proposals from MDAs would conduct bilateral discussion/negotiation with MDAs on their proposals. The essence of a bilateral discussion is as follows:

- Review the proposals with each MDA to ensure consistency with approved proposal completion guidelines
- To ensure that the MDA complied with the input spending boundaries
- Review the personnel and overhead input and its compliance with State government overall recurrent expenditure policy (particularly the personnel profile)
- To test the strategy, projects and programmes consistency with State Budget Policy as well as sector policies.
- Review and judge the reasonableness of the costing mechanism of projects and programmes in the proposal
- Where necessary allocate additional resources from the planning Reserve for funding important projects and programmes not covered within the MDA resource envelope (expenditure ceiling)
- Review of MDA performance indicators and method of measuring output and outcome to ensure consistency with State approved system.

ACTIVITY 2.7 COLLATION, ANALYSIS AND CONSOLIDATION OF DRAFT BUDGET PROPOSALS

DESCRIPTION OF TASKS	TIME LINE	KEY OUTPUT
This should be carried out by the Budget Department in the SMOBEP, supported by members of the Budget Committee.	2 nd week of September	Consolidated Draft Budget Estimates.

ACTIVITY 2.8 PRESENTATION OF DRAFT CONSOLIDATED BUDGET TO TREASURY BOARD (TB).

DESCRIPTION OF TASKS	TIME LINE	KEY OUTPUT
The draft budget at this stage will be reviewed and adjusted by the TB for consistency with the State's revenue projection as per the Medium Term Fiscal Framework (MTFF).	3 rd week of September	Draft Consolidated Budget.

ACTIVITY 2.9 PRESENTATION OF DRAFT CONSOLIDATED BUDGET TO EXCO

DESCRIPTION OF TASKS	TIME LINE	KEY OUTPUT
Review, deliberation and approved by members of the state Executive Council.	End of September	Draft State Budget Estimates
The submission of draft estimates to the EXCO should be done early enough (end of September) to enable the council carry out review and amendment of the draft budget estimates.	1 st week October	

The proposals from MDAs would be consolidated, incorporating amendments and adjustments based on the bilateral discussions. The consolidated proposals will be presented to the EXCO for review. In most states in the developing world, Budgeting



is more of a political process than a purely technical one, and so there is need for EXCO to own the Budget and the consolidated proposals should reflect the following:

- State Budget Policy as well as sector policies approved EXCO at the Annual Budget planning level
- Trade off and balance of interests agreed at both political engagement and consultative processes with Assembly members and stakeholders respectively.

ACTIVITY 2.10 PRESENTATION OF DRAFT BUDGET TO THE HOUSE OF ASSEMBLY

DESCRIPTION OF TASKS	TIME LINE	KEY OUTPUT
After review of the consolidated proposals, the Governor is expected to present the draft Budget to the House of Assembly for deliberation and approval (i.e. Appropriation)	15 th October	Annual Appropriation Bill

ACTIVITY 2.11 DEBATE AND APPROVAL OF THE APPROPRIATION BILL BY THE STATE ASSEMBLY

DESCRIPTION OF TASKS	TIME LINE	KEY OUTPUT
Review of the draft State Budget Estimates by the Appropriations Committee of the House. By law, the State Assembly is expected to review and approve the Draft budget before it could be implemented by the State Government	End of October	Appropriation Bill passed for the new fiscal year.

The State House of Assembly is responsible for officially enacting the Budget or approving it at the formal legal level. The steps include.

- The executive formally propose the Budget to the House of Assembly (the Public presentation by the Governor is regarded as the first reading of the Appropriation Bill)
- The Second reading and thereafter the Bill will be referred to House Committee on Appropriation and other committee for discussion
- Discussion of the Budget may involve public hearing, discussion with the MDAs and votes by House Committees
- Presentation of Report of the House Committee on Appropriation to the House (referred to as the third reading)
- Final deliberation and passage of the Appropriation Law.

ACTIVITY 2.12 GOVERNOR ASSENTS TO APPROPRIATION ACT

DESCRIPTION OF TASKS	TIME LINE	KEY OUTPUT
The approved budget will be presented to the Governor for his assent. The Governor reviews the approved Appropriation Bill and appends his signature.	November	



ACTIVITY 2.13 ANALYSIS AND DISSEMINATION OF THE BUDGET TO THE GENERAL PUBLIC

DESCRIPTION OF TASKS	TIME LINE	KEY OUTPUT
Detailed analysis of the budget will be presented by the State Commissioner for Budget and Economic Planning to the public. The approved budget together with the budget policy statement will be published and circulated through the media and official State website.	Late November December	Budget Speech; Published Budget Document

PROCESS 3: BUDGET EXECUTION, MONITORING AND EVALUATION STAGE

Constrictions in the “plumbing” of the budget are a major cause of poor program and project implementation, of failure to translate strategic into results on the ground and of inefficient resource use. Even when there is provision in the estimates, Budget and Planning or Finance Ministries may still make tactical budget cuts by authorizing expenditure levels well below those provided for in the estimates. Cuts tend to fall heavily on non-staff O&M costs, thereby compounding the effect on the operation of government services. Another likely candidate is capital spending. Outlays on salaries, however, are rarely touched.

Even where expenditure has been authorized, there can still be problems caused by delays in authorizations, by insufficient funds in Ministry or District Bank accounts, or by the requirements of government tendering procedures. These problems are often compounded in the Development Budget by the multiplicity of donor disbursement procedures.

Another issue relates to the use of funds. Expenditures may reflect budget categories but may be applied to purposes different from those originally intended. For example, vehicle operating costs intended for an agricultural extension staff service may be used by Ministry headquarters. This will often be the case where expenditure items are under-costed in the estimates. Funds may be misappropriated either directly or indirectly, e.g., where a government vehicle is used for private activities.

The focus of auditing is to determine whether public funds have been spent for the purposes for which they were designated. The scope of auditing should be sufficiently broad. The objectives of an audit should include: (a) compliance with budget appropriations; and (b) whether public funds purchased value for money.

Three general recommendations to improve internal and external auditing are:

- Build staff capacity to the extent that constraints allow;
- Establish and abide by uniform and transparent standards and procedural norms for basic financial accounting and management (In- house training in basic and more advanced programs in government financial management might be a useful starting point.);
- Standardize and centralize control of a financial information system.



A well- functioning evaluation system permits managers to determine how the use of resource is contributing to the achievement of objectives. A rule of thumb is that no major new program should be launched without either an extensive evaluation of similar earlier programs or a pilot program. Close monitoring followed by an interim evaluation could provide valuable information for decision making on expansion, modification or termination of a program.

Evaluation can be ex ante, during implementation and ex post. Well- focused and properly timed evaluation can; (a) provide the information needed to bring about mid-course corrections in programs and projects; (b) allow for the analysis and resolution of systemic or policy issues; (c) Improve the design of future operations; and (d) contribute to strategic policy and program decisions.

Regular evaluation is most effective and should include staff involved in implementing the program. Regular independent evaluations should also be carried out Evaluation skills within a Ministry of Budget/ Planning or Finance are needed so the budget proposals can be rigorously scrutinized based on cost-effectiveness or cost- benefit analysis.

ACTIVITY 3.1 DEPARTMENTS CARRY OUT BUDGET PROFILING OF BOTH REVENUES AND EXPENDITURES

DESCRIPTION OF TASKS	TIME LINE	KEY OUTPUT
Each sector MDA would carry out profiling of the approved budget estimates of both revenues and expenditures for 12 months.	January (or upon approval of Budget)	Budget Profile Report for 12 Calendar months

At the inception of the budget implementation, the Budget Department and Treasury Department would jointly issue a specific budget implementation guideline and request for work plan (or programme) from all spending entities within the State Government. The Work Plan of the MDAs would be the basis for making capital expenditure projections on quarterly basis. The budget profile and work plan would be responsibility of the Accounts Department to coordinate within the SMOBEP.

ACTIVITY 3.2 REQUEST FOR QUARTERLY CAPITAL PROJECT WORK PLAN

DESCRIPTION OF TASKS	TIME LINE	KEY OUTPUT
In early December, the State Commissioner for Budget and Economic Planning would request that a circular be issued to all departments calling for capital budget work plan for the first quarter of the fiscal year. The work plan would be discussed with the office of the Accountant General to ensure adequate cash planning and release of warrants before the end of December. The work plan should provide details of capital work programme including costing, funding	2 nd week of January	Quarterly work Plan Call Circular



requirement, work schedule, inputs and outputs and should be submitted by the second week of December (at the latest) to ensure early release of warrants and early implementation from the beginning of the fiscal year.		
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ACTIVITY 3.3 SUBMISSION OF QUARTERLY CAPITAL PROJECT WORK PLAN

DESCRIPTION OF TASKS	TIME LINE	KEY OUTPUT
Each Dept/Unit would review its capital expenditure component of the approved budget (after budget profiling) and prepare a quarterly capital projects work plan on the prescribed format	4 th week of January	Quarterly work plan for Capital Project

ACTIVITY 3.4 BUDGET CONTROL

DESCRIPTION OF TASKS	TIME LINE	KEY OUTPUT
<p>Fiscal discipline demands that the approved budget estimates would serve as the effective guide for budget releases. With a robust vote book system, each MDA is expected to effect the necessary entries in each vote book per sub head. Each MDA is expected to render monthly returns to the SMOBEP and Accountant General's office after carrying out reconciliation of its actual figures with that of the Treasury.</p> <p>Extracts from the vote books make up monthly returns of expenditure to the SMOBEP and the Treasury office. The responsibility for Budget (expenditure) control rests with the SMOBEP and the Accountant General's office.</p>	Monthly	Monthly Transcripts of Revenue and Expenditures

ACTIVITY 3.5 BUDGET MONITORING AND EVALUATION

DESCRIPTION OF TASKS	TIME LINE	KEY OUTPUT
The SMOBEP would through budget control mechanisms, generate the Necessary WEEKLY performance data to enable it compare actual expenditure with budgeted figures SMOBEP should analyze the budget variances and outline reasons for the variances as well as proffer solutions. With minimum automation, budget monitoring and evaluation can be carried out on daily basis. This can be initially commenced through the provision of laptops with spread sheets to Budget officers and later graduated to installation of complex software	Weekly	Weekly Monitoring and Evaluation Report



ACTIVITY 3.6 MONTHLY BUDGET PERFORMANCE REVIEW

DESCRIPTION OF TASKS	TIME LINE	KEY OUTPUT
<p>Each MDA is would prepare detailed budget performance review of revenues and expenditure and compare and contrast budgeted and actual figures and provide explanation for variances.</p> <p>The Honourable Commissioner for Budget and Economic Planning should communicate MONTHLY budget performance report already consolidated and analyzed by SMOBEP in conjunction with MOF to the EXCO with definite recommendations (the report should be forwarded on or before 21st of subsequent month). The budget performance report should show the variance in personnel cost, overhead and capital costs as well as revenue collections under various sources.</p>	Monthly	Monthly Budget Performance Reports

ACTIVITY 3.7 QUARTERLY BUDGET PERFORMANCE REVIEW

DESCRIPTION OF TASKS	TIME LINE	KEY OUTPUT
<p>A consolidated Quarterly budget performance review should be carried out by the Honourable Commissioner for Budget and Economic Planning every quarter of the budget year to inform members of the public of the performance of the budget. The quarterly review should incorporate the budget outturns for the previous quarter/s, the impact on the overall budget, and the expectation for the next quarter.</p>	Quarterly	Quarterly Budget Performance Reports

ACTIVITY 3.8 MID- YEAR BUDGET PERFORMANCE REVIEW

DESCRIPTION OF TASKS	TIME LINE	KEY OUTPUT
<p>Mid-year consolidated budget performance review should be carried out by the Honourable Commissioner for Budget and Economic Planning every month of July of the budget year to inform members of the public of the performance of the State Government.</p>	Mid July	Mid-Yearly Budget Performance Reports



**ACTIVITY 3.9 YEAR –END BUDGET PERFORMANCE REPORT
(CONSOLIDATED)**

DESCRIPTION OF TASKS	TIME LINE	KEY OUTPUT
At the end of the fiscal year, the honourable Commissioner for Budget and Economic Planning should prepare a year-end budget performance report incorporating all the quarterly budget performance reports.	End of December	Consolidated Annual Budget Performance reports

ACTIVITY 3.10 PREPARATION OF STATE ACCOUNTS

DESCRIPTION OF TASKS	TIME LINE	KEY OUTPUT
At the end of the fiscal year, the State Accountant-General should product and present the comprehensive state accounts to the State Auditor General for audit.	Before 1 st July of the following year (SEEDS) requirement	Consolidated Monthly Budget Performance Report

ACTIVITY 3.11 AUDIT OF STATE ACCOUNTS SUBMISSION TO PAC

DESCRIPTION OF TASKS	TIME LINE	KEY OUTPUT
The State Auditor- General should audit state accounts and present audit report to the State House of Assembly’s Public Accounts Committee (PAC) for consideration.	Within 90 days of the receipt of the state accounts (SEEDS requirement)	Mid-Yearly Budget Performance Reports

ACTIVITY 3.12 PRESENTATION OF FINDINGS TO GOVERNMENT

DESCRIPTION OF TASKS	TIME LINE	KEY OUTPUT
The State House of Assembly’s Public Accounts Committee presents its finding on the audit report to the government.	Within 1 month of the receipt of audit report	SHA findings on Audit Report

**ACTIVITY 3.13 PUBLICATION AND ACTION ON AUDIT FINDINGS
BY GOVERNMENT**

DESCRIPTION OF TASKS	TIME LINE	KEY OUTPUT
Government publishes audit report and acts timeously on the audit findings of the public Accounts Committee (PAC)	Third week of following month	Government Audit Report



ANNEXURES

Annex 1:

Linking Annual Budget Process with MTEF and MTSS

Diagram below depicts the linkage between the planning and budget processes during the annual budget cycle.

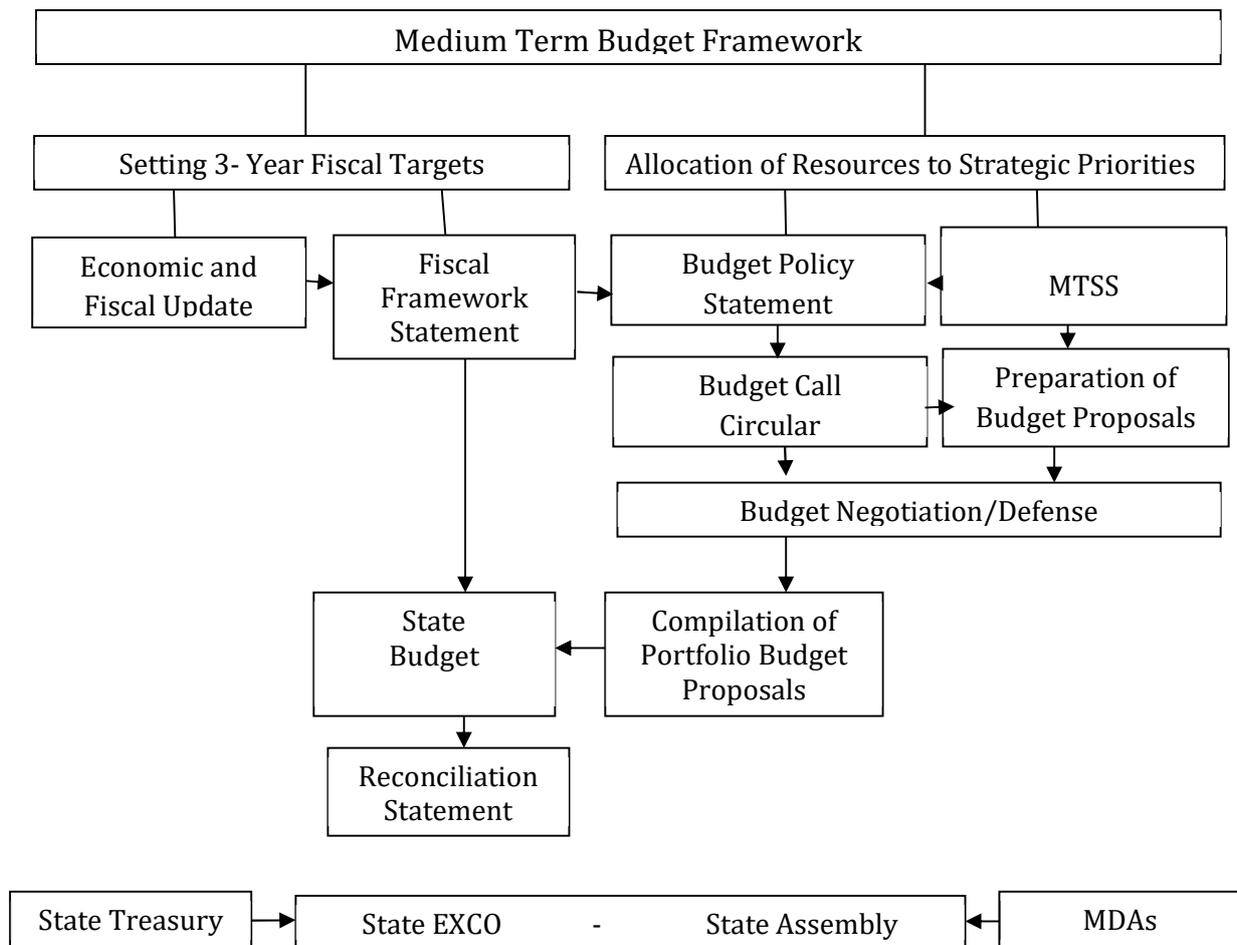


Figure above illustrates the relationship of the Medium-term planning with the annual budget process. The third set of boxes in the figure contains three crucial outputs (Fiscal Framework, Budget Policy Statement and Medium-Term Sector Strategies (MTSS) these outputs from the Medium-Term Budget Framework (MTBF) serve as inputs into the annual budget planning stage. The fiscal framework is the basis for fiscal targets of the annual call circular, while budget policy statement provides guidance as to aggregate spending limit, reserves, sector resource allocation and government wide priorities. The MTSS is an amalgamation of all sectors' three years' budgets.

This diagram is adapted from World Bank Manual.



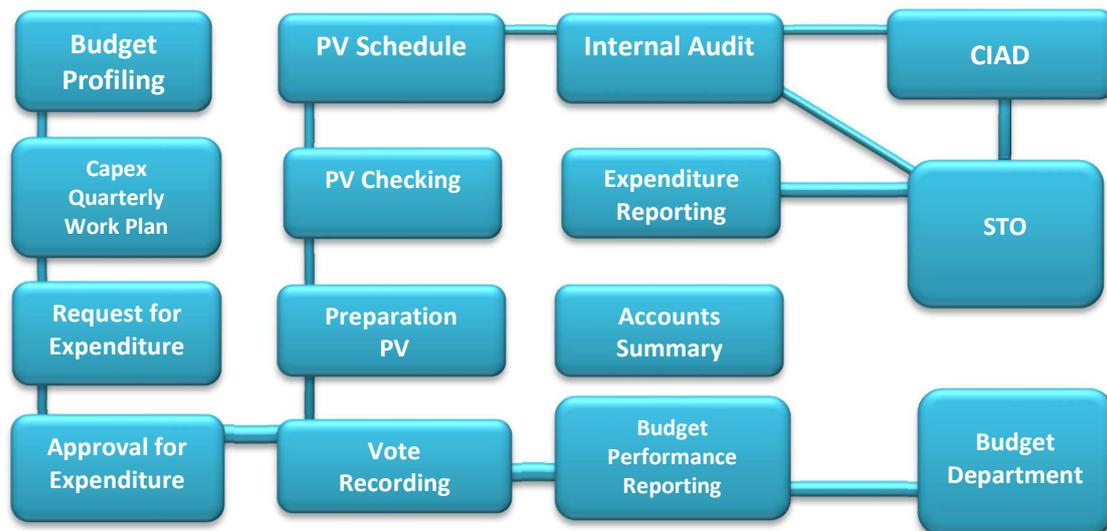
Annex 2:

Summary of key Budget Control and Accounts Activities

The Budget Execution process, substantial part of which is accounting and control function, State should consist of the following activities:

- Budget Profiling
- Preparation of Work Plan
- Expenditure Projection
- Payment Process
- Expenditure Recording & Accounting (Vote Book Management)
- Monthly Expenditure Transcription
- Bank Reconciliation
- Recording & Accounting for Revenues.

Account and Control Process



Budget execution is one of the crucial sub-processes in the budget cycle and consists of series of activities that starts as soon as the budget is passed into law, these activities would usually being in January the first month of the fiscal year with request from the State Ministry of Budget and Economic Planning (in Consultation with Treasury Department/Accountant General's office) ceiling for capital expenditure work plan from spending units (or MDAs)

This sub-process relies on the Budget Classification and Chart of Accounts (BC&COA) used in allocating resources and recording transaction. Budget is executed by spending units classified as administrative entities such as organization (Ministries) and sub-organization (service providers).



Annex 3:

Principles of Sound Budgeting and Financial Management

(adapted from World Bank's PEM handbook 1998)

The approach in the handbook is shaped by principles that focus on the institution and are widely accepted as underpinning sound budgeting and financial management.

Comprehensiveness and discipline lead the list. This is because the annual budget process is the only mechanism available, at least between elections, to discipline decision making. Comprehensiveness requires a holistic approach to diagnosing problems, understanding all the links and evaluating institutional impediments to performance and then finding the most appropriate entry point to launch phased reform that will eventually expand to become comprehensive. The budget must encompass all the fiscal operations of government and must also force policy decisions having financial implications to be made against the background of a hard budget constraint and in competition with other demands. Effective restraint requires comprehensive coverage, and choosing the most appropriate policy instrument to achieve a particular policy objective means that, for sound PEM, current (recurrent) and capital expenditure decisions need to be linked. Discipline, coupled with economy, also implies that the budget should absorb only the resources necessary to implement government policies.

Legitimacy means that decision makers who can change policies during implementation must take part in and agree to the original policy decision, whether it is made independent of or during budget formulation. Legitimacy also means that decision made during the budget process should focus on those that affect policy. Associated with legitimacy is the principle that line agencies should decide how to make best use of inputs and the community and the private sector should make decisions that they are best placed to make.

Flexibility is linked to the concept of pushing decisions to the point where all relevant information is available. Operationally, managers should have authority over managerial decisions and programmatically, individual ministers should be given more authority over program decision. This must be accompanied by transparency and accountability, but it also requires a tight strategy. Too often in the public sector, implementation is tight but strategy loose.

Predictability is important for efficient and effective implementation of policies and programs. The public sector will perform better where there is stability in macro and strategic policy, and funding of existing policy. This requires attention to be balance between the short term and long term. Fiscal policy must take account of the need to ensure the timely flow of funds to programs and projects. This requires a medium-term approach to the adjustment of budgetary imbalances, program development and evaluation.

Contestability in policy development and service provision is the quid pro quo for greater predictability as it ensure that existing policy is subject to review and evaluation and that line agency performance is subject to continuous improvement.



Honesty denotes a budget derived from unbiased projections of both revenue and expenditure. Sources of bias can be both technical and political. Optimistic projections soften the budget constraint on strategic priority setting and lead to a failure to implement priority policies efficiently and effectively.

Information underpins honesty and sound decision making. Accurate and timely information on costs, outputs and outcomes is essential.

Transparency and **Accountability** require that decisions, together with their basis and the results and the costs, be accessible, clear and communicated to the wider community. Transparency also requires that decision makers have all relevant issues and information before them when they make decisions. Decision makers must be held responsible for the exercise of the authority provided to them. These are essential as quid pro quos for greater flexibility and also increase the demand for accurate and timely information.



Annex 4:

Program budgeting and performance Budgeting

(Adapted from World Bank's PEM Handbook 1998)

Beginning in the 1960s, reforms began to focus on planning for the use of public resources. The predominant early reform of this type, program budgeting, is most closely associated with the efforts to institute a planning-programming-budgeting system (PPBS) during the administration of U.S President Lyndon Johnson. In this chapter, similar systems will be called program budgeting.

In contrast to performance budgeting, program budgeting was explicitly focused on budgetary choices among competing policies. While performance budgeting was designed to discover the most efficient method of accomplishing a given objective, program budgeting treated the objectives themselves as variable. Program budgeting was not a management system, but a resource allocation system. It was a specific alternative to the traditional manner of making budgeting trade-offs, which focused on marginal adjustments to the status quo.

Program budgeting attempted to link program cost with the results of public programs. Key to program budgeting is the program- a public policy objective along with the steps necessary to attain it. The budget is classified in terms of programs, rather than along organization lines. Program budgeting require that program objectives stretch beyond a single fiscal year. In addition, program budgeting requires effectiveness measures, which means the measurement of outputs and outcomes. Advocates of Program budgeting hoped that budget allocation decisions would be made according to the marginal value that could be attained from varying use of public resources.

Program budgeting is the principal budget reform (beyond traditional line budgeting) that has been exported to developing countries. Program budgeting has had an impact where programs have been agency or, at most sector specific. In addition, critics argue that it is impossible to compare programs on the basis of effectiveness and choose among them, since there is no common index of worth for public programs.

Other critics do not see program budgeting itself as a flawed concept, but rather stress the conditions that are needed for program budgeting to be successful. These might include, for example, adequate information about programs and about social, economic and environmental conditions. Critics argue that these conditions are not present in many countries, thereby making it impossible for program budgeting to take root and flourish. In addition, they argue that developing countries often lack the trained personnel needed to carry out the requisite analyses, although this point is usually exaggerated. More serious is the lack of stability necessary to enable longer-term budgetary planning and the lack of consistent political commitment necessary to allow the reform to be fully implemented.



**Annex 5:
Annual Call Circular for Budget Preparation**

YOBE STATE GOVERNMENT
Ministry of Budget and Economic Planning

ANNUAL CALL CIRCULAR FOR PREPARATION
AND SUBMISSION OF YEAR 2012 BUDGET PROPOSALS

October 2011

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ANNUAL BUDGET CALL CIRCULAR 2012

1. Introduction

This call circular sets out instructions for submission of information and statistical data that will be used to prepare the 2012 Annual State Budget and 2012 2014 Medium Term Budget Framework.

Each spending unit is requested to prepare and submit its recurrent and capital budget proposals in accordance with the guidelines provided in the circular.

Year State is continuing with MTSS, which would be based on Medium Term Budget Framework (MTBF) along with new classifications of program budget structure. As a result of these fundamental changes in the public finance management system, each MDA is requested to study this call circular carefully so as to comply with all provisions and requirements herein. Should you be in doubt about any provisions of this Circular, you should be free to contact the Budget Department at SMOBEP for clarifications and it is envisaged that technical support would be available to assist any entity in complying with the provisions of this Circular.



2. Medium Term Budget Framework

With the introduction of Medium-Term Fiscal Framework (MTFF) in Yobe State, focusing on one fiscal year revenues and expenditures is no longer adequate. Expenditure planning should be extended beyond one year, not least to gain a full appreciation of the future spending implications of present policy decisions. Nowhere is this more important than on the recurrent costs of capital spending. In our budget system, such plans need to be integrated with recurrent expenditure and into a multi-year expenditure plan that provides the basis for establishing a realistic global budget. This approach is what is called Medium Term Budget Framework. This essentially means translating MTFF into multi-year detailed budget for 2012 2014.

MTBF will assist in laying the foundation for a more unified multi-year budgeting and economic planning. The MTBF will be up-dated annually and will involve.

- Projecting revenues and expenditures for three-year period
- Keep spending within limits created by the ability to raise revenue and maintain debt levels which are not prohibitively expensive to service;
- Linking public expenditure to strategies outlined in the MTSS;
- Integrating recurrent and capital spending;
- Advising the MDA on their expenditure envelopes (i.e. the amount that is available to them for personnel, overhead and capital projects & programs that will enable them meet their mandates) over the period.

The MTBF will enable the MDA know how much resources is available for them from the State Government Budget over a three year period.

3. Economic and Budget Performance for 2010

INSERTION (half a page, summary of economic and fiscal up-date)

The preliminary Budget Performance data for the first half of 2011 is presented table 1 below.

Table 1: 2011 (JANUARY JUNE) FISCAL PERFORMANCE

	ITEM	Budget	Actual	Variance	%
1.0	REVENUE				
1.1	IGR				
1.2	Federation Account				
1.3	Capital Receipt				
	Total				
2.0	EXPENDITURE				
2.1	Personnel				
2.2	Overhead				
2.3	CRFC				
	Recurrent				
2.4	Capital				
	TOTAL				
3.0	GROSS TOTAL				



4. 2012-2014 Fiscal Framework

The fiscal framework envisages improved efficiency in revenue administration and strict expenditure control. Consequently, no spending unit would be allowed to deviate from its resource envelope during the three year period.

4.1 Key Assumptions

Key assumption underlying the preparation of revenue and expenditure under the MTBF (2012-2014) are set out in the table below. This framework has adopted the most plausible and conservative assumptions based on information available from the federal fiscal and monetary authorities.

Table: to be reviewed in light of the economic events

Key Assumption	2012	2013	2014
Average Oil Price Per Barrel	\$65	\$75	\$85
Average Production (dppb)	2.75	2.85	2.90
Foreign Exchange	Stable	Stable	Stable

Given the key assumptions set out above and on the basis of time series data analysis, revenues have been projected to grow at 10% per annum during the planning period of 2011 and 2013.

Aggregate revenue from all sources is projected at (N billion) for 2013 as computed in the exhibit 1 below. The projected aggregate expenditure for 2012 is put at (N billion) with a budget planning and contingency reserves of (N billion).

Table 2: FISCAL FRAMEWORK 2014-2016 PROJECTION

	2012	2013	2014
REVENUE			
IGR			
Federation Account			
Capital Receipts			
TOTAL			
EXPENDITURE			
Personnel			
Overhead			
Total Recurrent			
Capital			
TOTAL			
Planning/Contingency Reserves			

4.2 Aggregate Resources Envelope for 2012



4.2.1 Objectives of 2012 Yobe State Government Budget

Apart from the overall objectives of the MTBF articulated above, the objectives of state 2014 Budget are:

- Set the 2012 expenditure at sustainable level;
- Ensure that 2/3rd of the total capital investment fund is directed to the government priority areas
- Build greater transparency, accountability and comprehensiveness into the budget process;
- Use budget to further the goals of job creation, poverty reduction and agricultural growth as articulated in the MTSS/MTBF document;

The 2012 budget preparation procedure is aimed at making the government's priorities clear and at selecting, from the many budget requests by spending units, those which are really important to be government. In principle that requires two elements. First, a budget policy statement as determined at EXCO level, which determines (1) the affordable total, (2) new policies to be accommodated, and (3) any changes in existing project provision. Second, each spending unit and the central budget department as well as the treasury department meet to discuss each entity's estimates. To accommodate new policies, the central budget department requires each spending unit to prioritize its requests.

In introducing MTBF, the Yobe State Government has also introduced the concept of planning reserve, which is a sum (three percent of total expenditure) not allocation in the budget policy statement and call circular, which the ministry of budget & economic planning later intends to allocate to new project/programs, if necessary above the sector ceilings during budget negotiations. In addition, a contingency reserve is a reserve for in-year expenditures "over and above appropriates" for handing genuine contingencies; it is modest in size and thus does not exceed 5 percent of total expenditures. It is under the control of the Ministry, and access would be granted by the EXCO only under stringent conditions by way of supplementary budget proposals.

The sum of (N billion) is set aside for contingency reserve for 2012 from the aggregate resource envelope and another sum of (N billion) is set aside from the capital development fund as planning reserve to be used by the government to augment compelling shortfalls in sector/function allocations where there is a proven need backed with statistical data and information. The contingency reserve would be used strictly for the following reasons:

- Expenditure that could not be anticipated during the time of budget preparation;
- Cost of overrun or variations that could not be reasonably anticipated during the time of the budget preparation;
- Contingencies approved by the EXCO;



4.2.2 Sector/Function Spending Ceiling

To ensure that the budget Maintains strategic equilibrium during the 2012 fiscal year, government has stated and produced the resource envelope for each spending unit collectively as sector/function (see table 3). The main entity within the sector/function would meet with all its sub-organizations (INCLUDING THE PARASTATALS) to prioritize their needs and prepare and present proposals within the resource envelope in accordance with the guidelines contained herein. However, the subventions to the parastatals would be treated outside the sector/function spending ceiling. Each parastatal is expected to consult with the main entity in its sector or area of operation.

Table 3: 2012 Resource Allocations by Sector/Function

SECTOR/FUNCTION	2012	2013	2014
CABINET OFFICE			
EDUCATION			
HEALTH			
AGRICULTURE			
SOCIAL DEV			
TRANSPORTTION			
WORKS			
RURAL DEVELOPMENT			
ECONOMIC PLANNING			
LOCAL GOVERNMENT			
HOUSE OF ASSEMBLY			
JUSTICE			
FINANCE			
HOME AFFAIRS			
COMMERCE & INDUSTRY			
INFORMATION & STRATEGY			
ESTABLISHMENT & TRAINING			
WOMEN AFFAIRS			
YOUTH & SPORTS			
SCIENCE & TECHNOLOGY			
GENERAL PUBLIC SERVICE			
OTHER PARAST			
Sub-total capital cost			
PERSONNEL			
OVERHEAD			
Sub- total recurrent cost			
PLANNING & CONT			
TOTAL			
NOTES			
Personnel Increased by 5%			
Overhead Increased by 10%			



5. Strategic Prioritization

The Yobe State Government does not plan to present a supplementary budget during the 2012 fiscal year except in the event of unforeseen occurrences such as natural disasters and other compelling reasons. Accordingly, every spending entity is advised to ensure that all activities that are urgent and important to them in 2012 are included in their 2012 proposals by way of strategic sector prioritization within the allocated resources.

One of the key advantages of the MTBF is that annual budget would enhance predictability of funding for MDA activities during the fiscal year. The government would aim to achieve not less than 85% funding of capital projects and programs in the approved budget estimates for 2012.

The MDA must live within the allocated resource for 2012 and table 4 provides detailed spending ceiling. It means that they have to provide for their personnel, overhead and capital costs within these envelopes. It is therefore important that every MDA achieves the right balance among its competing needs. The table has set a ceiling on the amount to be spent on each component of budget. Any MDA that succeeds in rationally reducing its recurrent costs would have its capital cost enlarged by the same amount of savings.

6. Guidelines on Preparation and Submission of 2012 Budget

The 2012 Draft Budget Proposals should be prepared using the code system. Please refer to the Yobe State Guide Book on Budget Classification & Chart of Accounts.

6.1 Recurrent Revenue

The receipts from Federation Account would still be over 40% of the recurrent revenue of the state. The State Government expects internal revenue to contribute substantially to the total recurrent in the 2012 fiscal year. Accordingly, Yobe State Government expects all internal revenue generating entities to introduce the recently proposed strategies for internal revenue administration to meet the internal revenue performance targets.

In order to meet internal revenue targets for 2012, the following strategies are to be adopted:

- a. Revenue budget for 2012 would be disaggregated according to the sources as outlined in the Yobe State Guide Book for Budget Classification and Chart of Accounts;
- b. There should be a realistic revenue budget in respect of assessment and collection
- c. A detailed enforcement action plan should be formulated and implemented;

6.2 Expenditure

Budgeting for personnel and overhead costs must be done on the prescribed format. A guide book on new Budget Classification and Chart of Accounts (BC&COA) should be consulted during budget preparation.



Debt incurred by the MDA up to 31st December, 2010 should be listed separately, using the prescribed debt schedule. Please note that this does not mean that the Ministry of Budget & Economic Planning or Ministry of Finance would take the debt from the MDA. The reasons for requesting the information is to quantify the level of indebtedness as at the date and to ensure that the treasury department would devise global strategy on how to address the internal debt situation.

7. Budget Defense plan and Schedule

The 2012 Budget defense would be carried out in systematic manner based on the newly introduced administrative classifications (main org Codes and Sub-Org Codes). The defense will be organized along the line of the Main org with all its sub-organization attending the bi-lateral negotiation on the same day(s), (see the budget defense schedule Annex i). The budget defense schedule would facilitate effective negotiations and iterative sessions to ensure that the proposals are comprehensive and reflect the priorities of the sector/function and it is inclusive.

Table 4: Proposed Budget Timetable

Activity	Timeline	Responsibility

In line with the introduction of MTBF in Yobe State, all entities are required to provide detailed budget proposals for 2012 and provisional figures for 2013/2014.

The deadline for submission of all budget proposals is 4p.m August 31, 2011.

All enquiries concerning this Call Circular Should be directed to the Budget Director, Central Budget Department, Ministry of Budget & Economic Planning, Block __, Room __, State Secretariat, Damaturu, Yobe State.

**Permanent Secretary
Ministry of Budget & Economic Planning (SMOBEP)
Damaturu, Yobe State.**



APPENDIX 6:

MTSS Process Template

STEP

