

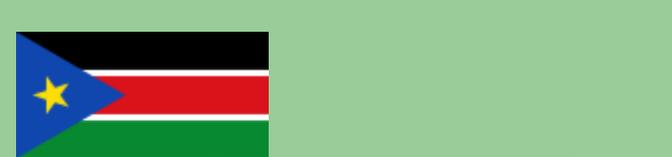
HESPI Training on Public Expenditure Management for Middle-Level Government Officials of South Sudan

Fantahun Belew Asfaw
Grand Juba Hotel
Juba
April 20-21, 2018



Budget Planning, Preparation and Credibility





Outline

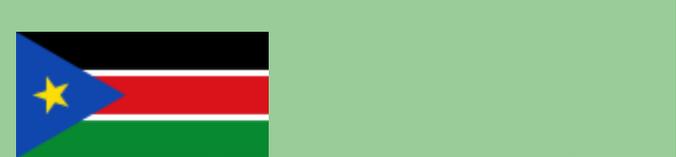
- **Budget Planning Process and Preparation;**
- **Ensuring Budget Credibility and Comprehensiveness;**
- **Participation and Involvement of Various Stakeholders (The Budget Actors and their interrelationships);**
- **The Roles of Middle Level Officials in Budget Planning and Implementation;**



Legal Basis

PF MA- Act, stipulates that: (Article 16-17)

- Detailed forecast of proposed revenue for the forthcoming year shall be presented to the Assembly within a consistent three (3) year macro-economic framework,
- multi-year projects and programmes, the detailed estimates of proposed expenditure for the forthcoming year shall be presented to the Assembly within a three year Medium Term Expenditure Framework
- Public spending shall match with the available financing;
- No Government expenditures shall be off-budget.
- The appropriation shall be for budgetary expenditure for the forthcoming financial year in its totality,



Budget Process and Planning

- Preparation of the budget usually takes many months and involves all public institutions: the Ministry of Finance manages the process;
- the Cabinet/President sets or approves the policy priorities,
- Line ministries plan and advocate for their resource needs and the legislature reviews and approves the final plan.
- A successful budget preparation process combines top-down direction and bottom-up planning.

Comprehensiveness of the Budget

- Budgets should be comprehensive, transparent and realistic.
- In order to promote these objectives, a budget should contain the following elements:
 - a macroeconomic framework and revenue forecast,
 - a discussion of budget priorities,
 - planned expenditure and past outturns,
 - a medium-term outlook and details on budget financing, debt and the government's financial position
- all expenditures and revenues of the national government (Central+Sub-national)

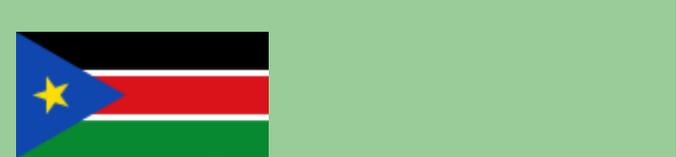
Comprehensiveness of the Budget...

- **Comprehensiveness of the budget is measured by:**
 - Completeness of the coverage of government operations in the budget document;
 - comprehensive and include all sources of revenue and all expenditures incurred in a given period
 - Containing budget estimates in gross;
 - The implementation of comprehensive budget classification;

Comprehensiveness of the Budget...

Comprehensiveness of the Budget is important for :

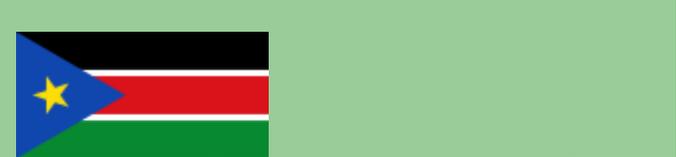
- Policy formulation and performance analysis.
- Allocating resources efficiently among sectors.
- Ensuring compliance with the budgetary resources approved by the legislature.
- day-to-day administration of the budget;
 - to have a meaningful budget tracking analysis and identify the efficiency and effectiveness of the allocation of scarce resources to specific public services.



Budget Process and Planning ...

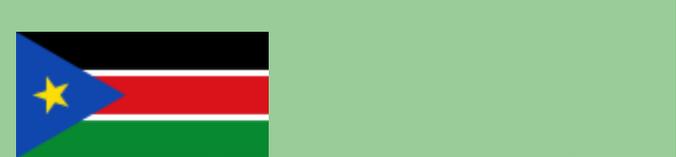
The budget cycle usually has six stages

- **Stage one:** Designing MTEF, designing resource Framework and identifying priorities
- **Stage two:** Setting budgetary guidelines, expenditure ceiling; budget call; budget proposal; budget hearing and drafting the Budget and submission to Cabinet;
- **Stage three:** Endorsement by the Cabinet submission to Parliament; and Appropriation by Parliament;
- **Stage four:** Notification of the appropriated budget and submission of annual and semi-annual cash flow need and release of fund by Ministry of Finance through zero-balance cash flow management system;
- **Stage five:** Reporting of the use of fund, consolidating all reports, external audit, submission of audit report to parliament undertaking corrective actions;
- **Stage six:** Review the entire budget process efficiency and effectiveness and draw lessons for the next process .



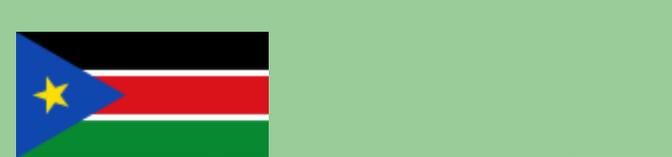
Budget Process and Planning ...

- The budget process starts with the planning stage;
- This stage is the most critical in linking the annual budgetary process with medium and long term development objectives of the country and having feasible and credible budget.
- The planning stage encompasses:
 - economic and budget review of previous years,
 - the setting of future policy directions,
 - determination of available resources,
 - setting program priorities and distribution/allocation of the corresponding resources.



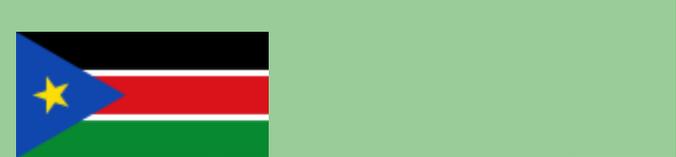
Budget Process and Planning ...

- Public budgets translate a government's policies, political commitments, and goals into decisions on how much revenue to raise, how it plans to raise it, and how to use these funds to meet the country's competing needs,
- Budgets should be closely aligned with the medium-term strategic priorities of government:
- To promote alignment with the multi-year planning, prioritisation and goal-setting functions of government, the budgeting process should
 - develop a stronger medium-term dimension, beyond the traditional annual cycle; and
 - organise and structure the budget allocations in a way that corresponds readily with national objectives.



Budget Process and Planning ...

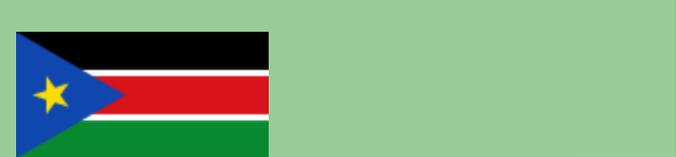
- A medium-term expenditure framework (MTEF) is an important tool in setting a basis for the annual budget.
- One-year time horizon of the annual budget process is too short to enable the government to assess current spending decisions in the light of future claims on resources.
- Budgeting on short-term perspective encourages incremental decisions, where the next budget is built on the previous one, with only marginal adjustments.
- The MTEF seeks to counter this tendency by extending the time horizon to the medium-term (typically, 3-5 years);
- MTEF involves both the top-down fiscal plan and the bottom up sector planning.
- MEFF is a rolling plan that is updated each year to accommodate changes in the economic developments and adjust the expenditure carry-over of programs and projects not implemented in the previous fiscal year;



Budget Process and Planning ...

MTEF has the benefits to:

- Improve macroeconomic balance by developing a consistent and realistic resource framework;
- Improve the allocation of resources to strategic priorities between and within sectors;
- Increase commitment to predictability and transparency of both policy and funding so
- Provide them with a hard budget constraint and increased autonomy, thereby increasing incentives for efficient and effective use of funds.
- setting fiscal targets which would be a basis for the preparation of the annual budget.



Budget Process and Planning ...

The MTEF document mainly contains the assumptions and forecasts

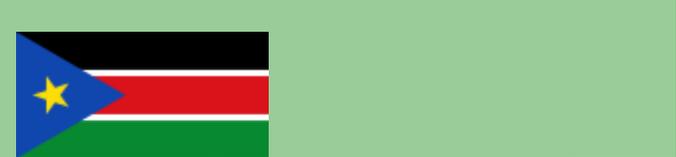
- Economic Growth and GDP;
- External sector (Import and Export);
- Inflation;
- Exchange Rate;
- Government revenues projections;
- the allocation to capital and recurrent expenditures for the federal government;
- the allocation to the total block grant transfers to the regional governments; and
- The fiscal deficit.



Annual Budget Formulation Stages

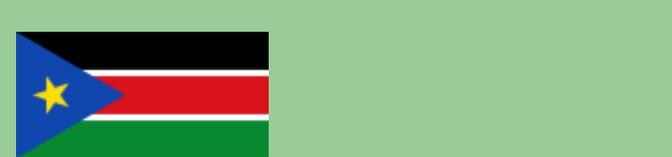
The annual budget cycles involves:

- Setting budgetary guidelines and expenditure ceiling;
- Produce budget ceiling note and notify budget call;
- Preparation and submission of detail budget proposal to Ministry of Finance by Budgetary Institutions;
- Appraisal of the submitted budget proposal and conducting budget hearing by Ministry of Finance; and
- Drafting and submission of the draft budget to the Cabinet by Ministry of Finance;



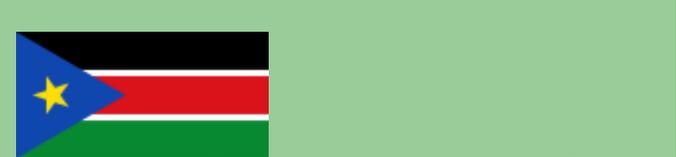
Ethiopia: Federal Government Annual Budget Calendar

Planning/Budgeting cycle	Period
1. Macro-Economic and Fiscal Framework (MEFF)	By January 8
1.1 MEFF preparation	Until December 9
1.2 MEFF Approval	By January 8
3. Notification of The Five-Year Subsidy Estimates	By January 9
4. Preparation of the Annual Fiscal Plan	By January 23



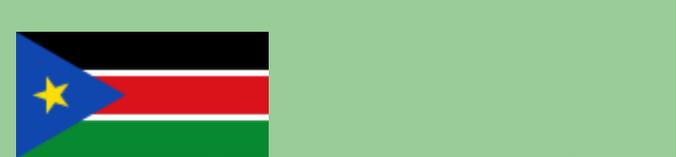
Ethiopia: Federal Government Annual Budget Calendar

A. Pre-preparation of budget by public bodies	
1. Pre-preparation of budget	Before February 8
2. Notification of annual subsidy	By February 8
3. Issuing the budget call	By February 8
4. Budget requests	March 24
5. Preparation of the draft recommended budget	March 24-May 23
6. Review of recommended budget by the Council of Ministers	May 24-June 2



Ethiopia: Federal Government Annual Budget Calendar

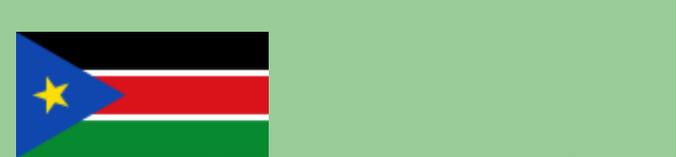
B. Budget Approval	
7. Legislative approval and appropriation of the budget	June 8-July 7
C. Implementation	
8. Notification of approved Budget	July 8-July 14
9. Accepting the approved budget and action plan preparation	July 15-August 6
10. Implementing the approved budget	July 8- July 7, the next year



Budget Legislation/Approval Stage

The approval of the annual budget is the third stage consisting of:

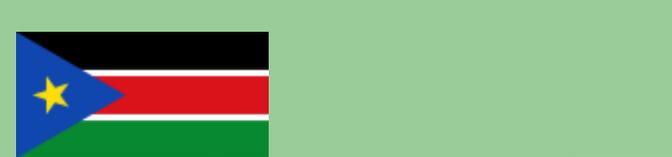
- Approval of the draft budget by the Council of Ministers and submission of the recommended budget to Parliament; and
- Appropriation of the recommended budget by Parliament;



Budget Legislation/Approval Stage...

Approval of the draft budget by the Council of Ministers
Importance:

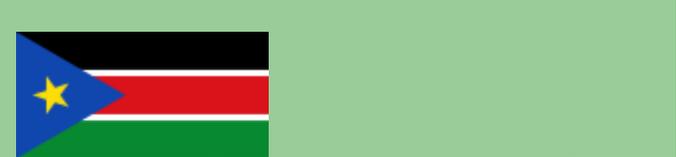
- Create ownership by the executive body.
- Help to enforce common or collective interests in pursuit of the country's development and poverty reduction strategy.
- Decides the aggregated limit of spending, level of domestic financing, and check whether the budget is prepared in conformity with the MEFF.



Budget Legislation/Approval Stage...

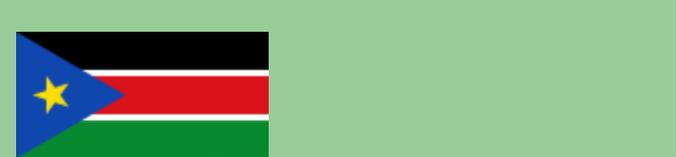
Appropriation of the recommended budget by Parliament

- the annual budget should be approved by the Parliament prior the commencement of the new fiscal year.
- This avoids the practice in retroactive approval of the budget.
- The Minister of Ministry of Finance usually delivers detail Budget Speech.
- The speech covers:
 - internal and global economic situations,
 - programs intended to promote economic and social developments,
 - constraints, challenges as well as opportunities and threats to implement the proposed budget and
 - Calling up on every stakeholder to shoulder its respective responsibility.



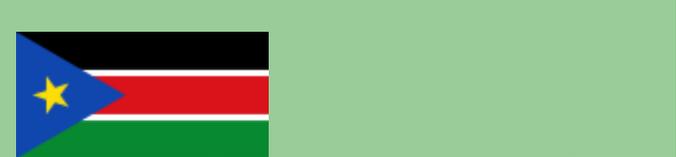
Budget Execution and Implementation

- Notification of the appropriated and approved allocated budget by Ministry of Finance to the budgetary institutions is undertaken following the budget approval;
- annual and sub-annual cash flow need planning by the budgetary institutions is submitted to the Ministry of Finance through zero-balance cash flow management system;
- Monies are released to various line ministries (or departments/agencies) as per the approved budget and their cash plan;
- Budgetary institutions initiate expenditures directly or by procuring goods and services;



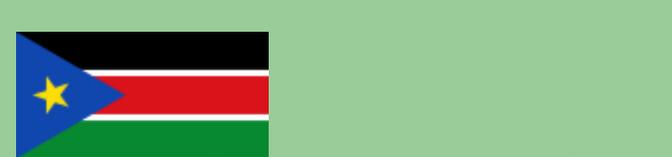
Budget Execution and Implementation...

- Payments are made for these expenditures;
- Expenditure transactions are recorded in accounting books;
- Execution reports (monthly, quarterly, mid-year and annual) are produced throughout the year,
- Ministry of Finance the close the accounting books and the produce Year-End Reports for external audit (the final execution report of a given budget year);



Monitoring and External Audit

- Aims to measure whether public resources have been used effectively and efficiently.
- The executive branch should report on its fiscal activities to the legislature and the public.
- ensure compliance with government policies and procedures;
- Monitoring is done at two levels: internal audit at line ministry level and external audit by the auditor general.
- The findings of the audit body should be submitted to the legislature,



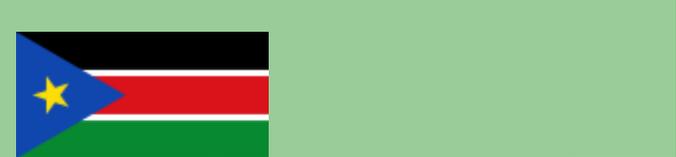
Potential Weaknesses in Budget Planning & Preparation

Ideal Situation

- Unified budget with full coverage.
- **Universality:** all revenues go into one fund for financing central government activities.
- Knowledge and analysis of previous year's projected outturn expenditures

Common Weakness

- Dual budget (separate development and recurrent budgets);
- **Earmarked funds,** especially common for financing extrabudgetary funds.
- Lack of data; data not communicated to budget office, or data are not analyzed.



Potential Weaknesses in Budget Planning & Preparation

Ideal Situation

- Multiyear planning
- Procedures for resource prioritization implemented early in budget preparation
- Comprehensive Budget classification

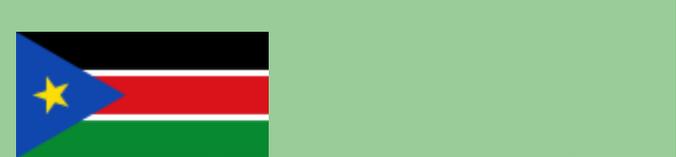
Common Weaknesses

- Focus on current year only; no anticipation of future circumstances.
- No direction in priority setting, or attempt to prioritize until too late in the budget preparation process.
- Inconsistent nomenclature

Government and Public Participation

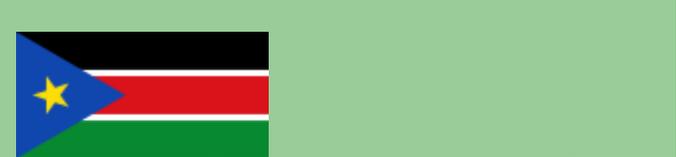
Objectives:

- Help in prioritization of development needs;
- Enhance budget efficiency and effectiveness;
- promotes Government service delivery;
- Facilitate budget formulation and implementation;
- provide governments with valuable information flows about the use or misuse of public expenditures at a local level and the quality of service delivery.



Involvement of Stakeholders

- Major Actors in the budget process can be categorized in to two.
- These are government and non-government actors.

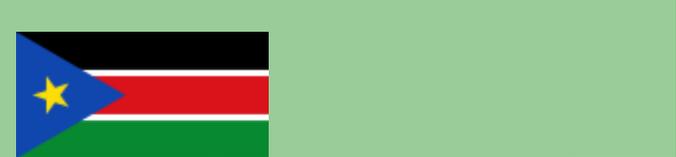


Involvement of Stakeholders...

Legislators

Legislatures have a critical role to play at all stages of the participatory budget process:

- **Formulation:** Parliament can make demands about spending priorities for specific sectors or policy areas before the budget is submitted to it.
- **Analysis:** Once the budget is submitted in the legislature, parliamentary analysis and review of the of the budget may lead to amendments, or in exceptional cases a refusal to approve budget appropriations.
- **Tracking and performance evaluation:** produce valuable analysis that tracks the use, outcome and impact of public spending.



Involvement of Stakeholders.....

Promoting Participation of Parliaments in the PB Process

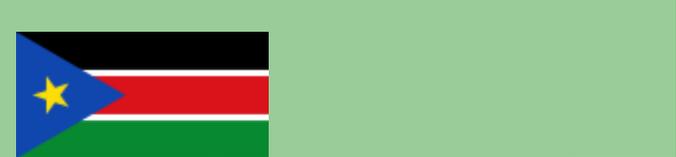
- Provide in-house technical expertise to contribute meaningfully to the budget process.
- Argue for an increase in the powers of the legislature to amend and review budgets.
- Expand the role of Parliamentary Committees in budget process.
- Allow more time for the legislative review of budget proposals.
- Provide monthly or quarterly public expenditure reporting to parliament;
- Form alliances with civil society and others;



Involvement of Stakeholders...

The Executive

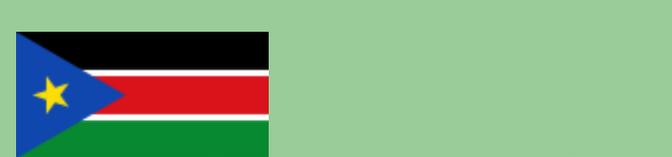
- The Cabinet/President offices engage in setting and /or approving the policy priorities,
- Ministry of Finance formulate the budget including planning and designing the entire budget;
- Line ministries plan and advocate for their resource needs and submit to MoF;



Involvement of Stakeholders.....

Non-Government Actors

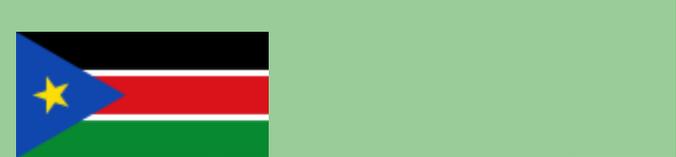
- Currently in realizing sound budget formulation and implementation process, the role of clear transparency and accountability has been increasingly recognized.
- There is a growing acceptance that the active engagement of citizens, civil society, and the media in budget processes is an ideal practice in budget formulation and implementation.
- A transparent and inclusive budget process is now seen as essential to facilitating investment, ensuring efficient outcomes, and holding government accountable for managing public resources.
- Thus outside of government, other actors are actively involved in budget evaluation and monitoring.
- Basic actors in the process therefore include citizens, CSOs; the media and donors.



Government and Public Participation...

Citizens/Members of the Public

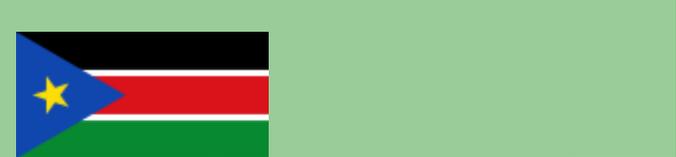
- They are directly affected by government budgets—they are the beneficiaries of publicly funded programs,
- Contribute to finance government budget through paying taxes.
- Citizens' participation in planning and budgeting allows them to decide in the allocation of resources and involve in development projects selection.
- Contribute in ensuring the three principles namely, accountability, participation and transparency in resource allocation and utilization.
- Strengthen policy choices, increase public support for budget decisions, and strengthen oversight,
- provide critical information on needs and priorities and, and engage in monitoring how the budget is actually carried out,
- Reduce mismanagement and opportunities for corruption, thus further enhancing budget efficiency and effectiveness.



Involvement of Stakeholders.....

Civil Society Organizations (CSOs)

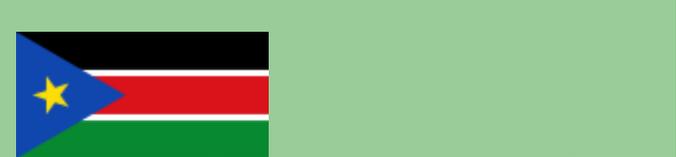
- Help improve budget policies by providing information on public needs and priorities through their connections with citizens, communities, and sectors.
- Play an important role in holding the executive accountable for how it uses public resources.
- Help the executive to choose appropriate programs, and fight corruption.
- Given their knowledge of a policy issue, such as health or education, with a solid knowledge of budgets and an effective advocacy strategy they can positively influence policy decisions.
- Better positioned than governments to explain budgets to ordinary people in more accessible language, and to disseminate this knowledge to local communities.



Involvement of Stakeholders...

Civil Society can contribute to the quality of budget process through:

- contribute critical information on the public's needs and priorities that can lead to stronger policy choices;
- draw more people into the debate by collecting, summarizing into easily understandable formats, and spreading budget information;
- train members of the public to understand and analyze government budgets themselves;
- supplement government's capacity to budget effectively by providing technical support;
- give an independent opinion on budget proposals and implementation;
- hold public officials accountable for using public resources efficiently and effectively to achieve desired outcomes; and
- Develop important new allies in government, including program managers in government agencies, legislators, and auditors.



Involvement of Stakeholders...

Media

- Keeping the public and other stakeholders informed and holding the government accountable by reporting on any differences between what is promised in the budget and what is delivered.
- Providing updates on what is happening at different stages in the budget process;
- Stakeholders in the budget process use the media as a tool to reinforce support for their positions;



The Role of Middle Level Budget Officials in Budget Planning and Execution

- Implementing and contributing to the development and review of credible plans;
- Follow up the financial and non-financial implications of plans and strategies and goals,
- Understanding and undertake mitigating measures on the impact of financial and non-financial changes on plans.
- Implementing plans within the government legal framework.
- Understanding and act that the past and current performance and financial position of their institution may impact national plans and strategies and goals.
- Supporting the chief financial officer/accounting officer and other senior managers in the design of the MTEF.



The Role of Middle Level Budget Officials in Budget Planning and Execution

- Implementing and contributing to link policy objectives with annual budget;
- Evaluating and reporting to the chief financial officer/accounting officer and other senior managers on the alignment and achievement of intutional strategies and goals in respect of activities, service delivery and performance within the area of responsibility.
- Supporting and maintaining strategic alliances within the design of MTEF;
- Supporting and maintaining strategic alliances with organizations and bodies outside government.
- Communicating their institution mission and vision to various stakeholders



The Role of Middle Level Budget Officials in Budget Planning and Execution

- Contributing to the preparation of multi-year revenue and expenditure forecasts.
- Contributing to the development of sustainable strategies to address revenue shortfalls in alignment with strategic plans.
- ensure that the budget process aligns the budget and related budget policies to the integrated development plan (IDP) and service delivery and budget implementation plan;



Thank you

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