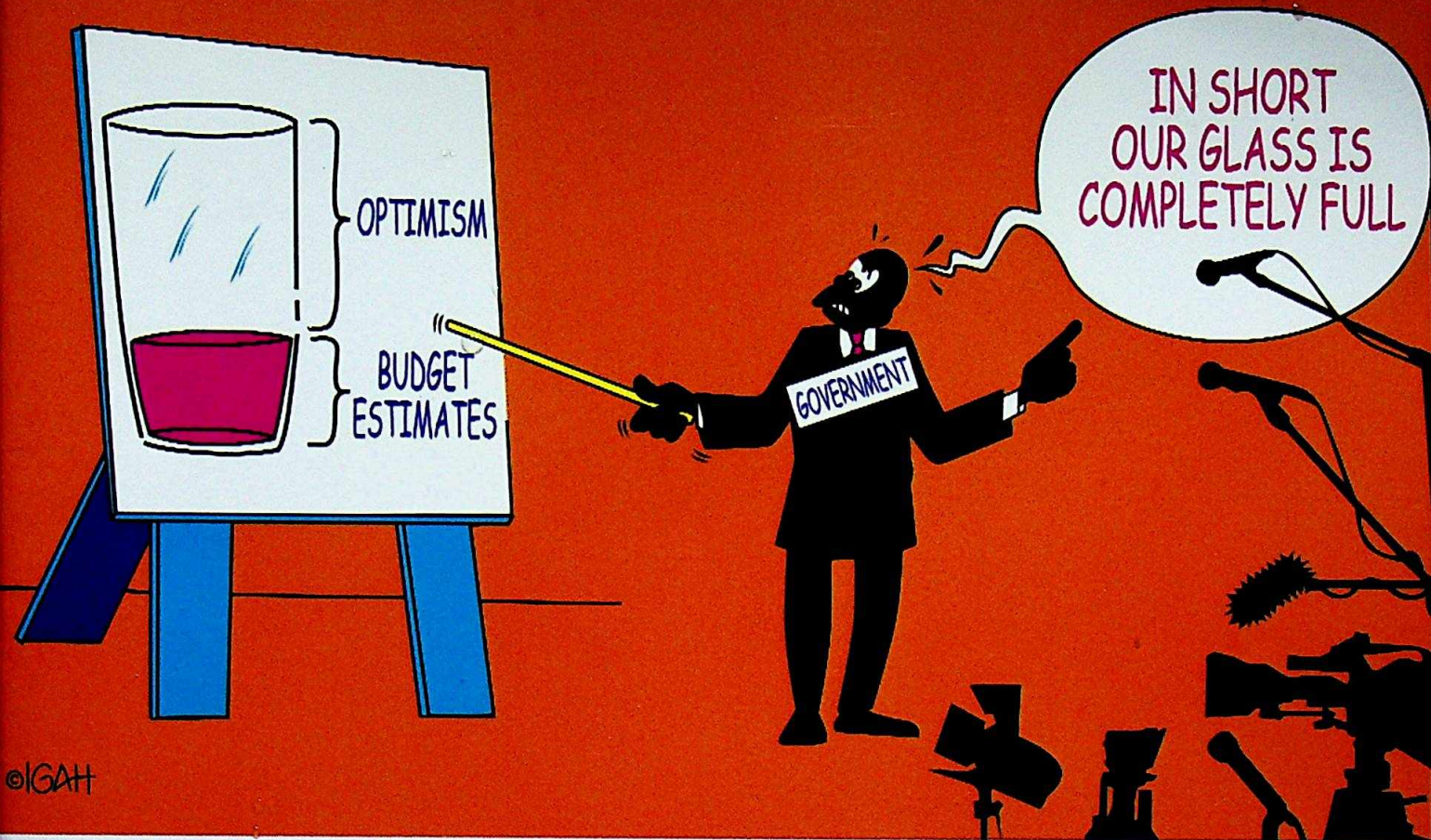


HOW TO GUIDE



How to prepare realistic budgets:
A step-by-step guide

sparc

JUNE 2014

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Contents

Abbreviations and acronyms	1
Introduction	2
Purpose of this <i>How to</i> guide	2
How to use this guide	2
What is budget realism?	2
Budget realism	3
Annual and medium-term budgets	3
Budget realism concepts and characteristics	5
The budget system	5
Annual budget cycle	6
Key budget processes	8
Medium-term budget	10
'Top-down' planning and budgeting	11
Economic and fiscal update	11
Fiscal strategy paper	12
Budget policy statement	12
'Bottom-up' planning and budgeting	14
Preparing a realistic budget	14
Processes, responsibilities and documents	15
Budget regulation framework	16
Step 1: Planning and preparing the budget	16
Step 1A: Setting up a Budget Planning Committee	16
Step 1B: Budget calendar	16
Step 1C: Preparing the budget	16
Step 2: Getting legislative approval for the budget	16
Step 3: Implementing the budget	16
Step 4: Tracking and evaluating performance of the budget	16
Step 4A: Recording, auditing and reviewing budget performance	16
Step 4B: Monitoring and evaluating the budget	16
Mainstreaming gender and social inclusion in budget processes	16
Useful websites and documents	16
Definition of terms	16
List of figures	16
Figure 1. Annual budget cycle	16
Figure 2. 'Top-down' and 'bottom-up' budget processes	16
Figure 3. Relationship between MTFF, MTBF and MTSSs	16
Figure 4. Annual budget cycle – key processes, responsibilities and documents	16

Abbreviations and acronyms

AfDB	African Development Bank
AG	Accountant General
AuG	Auditor General
BCC	Budget call circular
BPS	Budget policy statement
CBO	Community-based organisation
CSO	Civil society organisation
DFID	Department for International Development (UK)
ExCo	Executive Council
EFU	Economic and fiscal update
FSP	Fiscal strategy paper
G&SI	Gender and social inclusion
IGR	Internally generated revenue
IMF	International Monetary Fund
LGA	Local government area
M&E	Monitoring and evaluation
MDA	Ministry, department, agency
MDGs	Millennium Development Goals
MoEPB	Ministry of Economic Planning and Budget
MoF	Ministry of Finance
MTBF	Medium-term budget framework
MTEF	Medium-term expenditure framework
MTFF	Medium-term fiscal framework
MTSS	Medium-term sector strategy
OAG	Office of the Accountant General
OSAGI	UN Office of the Special Adviser on Gender Issues and Advancement of Women
PAC	Public Accounts Committee
PFM	Public financial management
SHoA	State House of Assembly
SPARC	State Partnership for Accountability, Responsiveness and Capability
VAT	Value added tax

Introduction

Purpose of this *How to* guide

This guide describes practices that Nigerian States can adopt to develop realistic budgets, and provides step-by-step directions and tools to make the task easier. In order to make the guide useful, descriptions of the budget process and tools are simple and straightforward. Readers can find further and more detailed information in documents and websites listed at the end of the guide.

How to use this guide

This guide will be particularly useful to members of the executive arms of both federal and state governments. It sets out the important stages in preparing budgets, and describes government processes for planning, preparing, implementing, monitoring and evaluating budgets. An understanding of the stages and processes involved in budgeting will help government officers to deliver budgets that are realistic, and that governments can effectively implement to achieve strategic objectives.

The guide describes the processes in legislative budgetary oversight, together with processes for monitoring and tracking budget performance to ensure transparency and accountability in the use of public resources.

Exercise: The importance of budget realism

In the space below, give a brief explanation of why you think it is important for budgets to be realistic.

What is budget realism?

Budget realism

Very simply, 'you cannot spend what you have not got'. This premise is the foundation of budget realism and applies just as much to a state budget as it does to an individual or household budget. For example, for a person's budget to be realistic and achievable it must be based on the amount of money earned or saved – from which expenses such as housing, food, electricity, vehicle and school fees can be met. There is no point planning to buy a new car if it cannot be bought either with savings put aside for such a purchase or with a loan which has to be repaid. Moreover, there is no point planning to buy a car if there is no money available to run it. It is the same with a state budget. It is unrealistic to plan projects when there are no state revenues or reserve funds to pay for them. Likewise, it is unrealistic for a state to plan to invest in a capital project, such as a new school or hospital, if it cannot afford to staff and buy the necessary equipment to operate it.

Exercise: The advantages of realistic budgets

In the space below, list what you think are the advantages of realistic budgets.

The basic rule for a realistic budget is that a state can only spend what it has. In many instances, however, especially in state governments, politicians are under pressure to spend more. For example, in some states, politicians can find it difficult to approve a budget that is less than in previous years, or less than the budget in an adjoining state. However, a budget driven by these

kinds of issues can become unrealistic and undeliverable. Politicians try to 'balance' unrealistic budgets by including sources of funding, such as grants and loans that will never materialise. This guide will help you to help your politicians to budget realistically.

Tip: Golden rule for realistic budgets

Never forget that a state can only spend what it has. Expenditure should not exceed receipts plus other available funds.

Annual and medium-term budgets

All Nigerian States prepare an annual budget – a financial plan that allocates state resources to achieve stated policy objectives. While all states prepare a detailed annual budget, some also prepare a less detailed medium-term budget. The medium-term (usually three-year) approach provides a longer term view of potential revenue and the funding required for implementing policies than the annual budget approach. The medium-term approach acknowledges that programmes and projects usually extend over several years rather than a single year. However, because medium-term plans look several years ahead, revenue projections and financing requirements become less certain towards the end of the plans. This is why medium-term plans are 'rolling' plans and are reviewed and adjusted every year.

Budgets are governments' most important economic policy tool. Budgets translate a government's policies,

political commitments and goals into decisions on how to use revenues to meet the country's competing needs.

Budget realism concepts and characteristics

In order to be realistic, a state government budget must:

- **Be financially realistic.** Governments must base budgets on realistic projections of all sources of revenue – both external (for example Federal Government allocations, grants, loans and borrowing) and internal (for example taxes, fees and charges, and existing funds). To project revenue realistically, governments must have reliable data, information and analyses. Realistic projections of revenue will enable states to 'cut their coats (expenditure) according to the size of their cloth (revenue)'
- **Identify total expenditure.** Total capital and recurrent expenditure on programmes, activities and projects must not exceed the sum of projected revenue and other available funds
- **Reflect priorities.** Budgets must reflect government priorities and should be carefully implemented and monitored
- **Be clear.** Budgets should be clearly structured, and classifications in the budget and the chart of accounts must be consistent to enable expenses to be accurately recorded and monitored
- **Be accountable.** Responsibilities for planning, preparing and approving the budget must be clear and transparent, and involve representatives of civil society, including socially excluded groups.

Exercise: Long-term policy goals

From your review of state government policy documents list the main long-term policy goals. Note any likely state or Federal Government changes in policy.

Checklist: How realistic is your budget?

Answering the questions below will give you an indication of how realistic your budget is and issues you may need to tackle.

	YES	NO
■ Are there clear and documented processes, controls and rules governing budget preparation?	<input type="checkbox"/>	<input type="checkbox"/>
■ Are responsibilities for preparing, approving, implementing and monitoring the budget clearly identified and defined?	<input type="checkbox"/>	<input type="checkbox"/>
■ Are revenue, expenditure and borrowing considered when determining annual budget targets?	<input type="checkbox"/>	<input type="checkbox"/>
■ Does the budget cover all government operations and plans?	<input type="checkbox"/>	<input type="checkbox"/>
■ Are budget estimates gross or does netting take place?	<input type="checkbox"/>	<input type="checkbox"/>
■ Is all revenue pooled in a common fund and allocated according to the current priorities of the government?	<input type="checkbox"/>	<input type="checkbox"/>
■ Do policies and expenditures clearly link to a programme structure setting out strategic goals, objectives, key performance indicators and budget categories?	<input type="checkbox"/>	<input type="checkbox"/>
■ Is the budget prepared annually, even if derived from a medium-term framework?	<input type="checkbox"/>	<input type="checkbox"/>
■ Is the budget published?	<input type="checkbox"/>	<input type="checkbox"/>
■ Is there meaningful public and other stakeholder involvement in setting the budget, including socially excluded groups, and representation from women and men?	<input type="checkbox"/>	<input type="checkbox"/>
■ Is the budget based on a realistic macroeconomic framework?	<input type="checkbox"/>	<input type="checkbox"/>
■ Are estimates based on reasonable revenue projections?	<input type="checkbox"/>	<input type="checkbox"/>
■ Are the financing provisions realistic and cost effective?	<input type="checkbox"/>	<input type="checkbox"/>
■ Is there a realistic costing of policies and programmes and hence expenditures (for example are clear assumptions made about inflation, exchange rates etc.)	<input type="checkbox"/>	<input type="checkbox"/>
■ Are future cost implications (for example ongoing costs of operating schools, hospitals) taken into account?	<input type="checkbox"/>	<input type="checkbox"/>
■ Is the distinction between existing and new policies clear?	<input type="checkbox"/>	<input type="checkbox"/>
■ Are spending priorities determined and agreed under the budget process?	<input type="checkbox"/>	<input type="checkbox"/>

The more 'yes' boxes you tick, the more realistic your budget. A realistic budget would tick all the 'yes' boxes.

This guide will describe processes, documents and tools that governments can use in developing reliable, comprehensive, transparent and realistic budgets.

Exercise: Priorities for budget realism

List and comment on what you think are the priorities for making the budget you are involved in preparing more realistic.

Priority for making the budget more realistic	Comment

The budget system

This section defines what a budget is and describes the budget system.

A budget can be defined as:

'A statement of a government's estimated receipts and expenditure for a particular period (normally a year for an annual budget and three years for a medium-term budget). A government budget is the financial mirror of government policies. The budget is an economic and financial management instrument for allocating resources in order to achieve stated objectives.'

A budget system is a government tool for achieving policy priorities. The system relies on:

Estimates. Financial estimates for a specified period to determine:

- What a government expects to receive in financial terms (receipts)
- What a government plans to implement in financial terms (expenditure)

- What is to be accomplished with the financial resources available.

Controls. Controls to check:

- How well government has discharged its responsibilities for managing finances and resources
- What has been accomplished with the revenue projected.

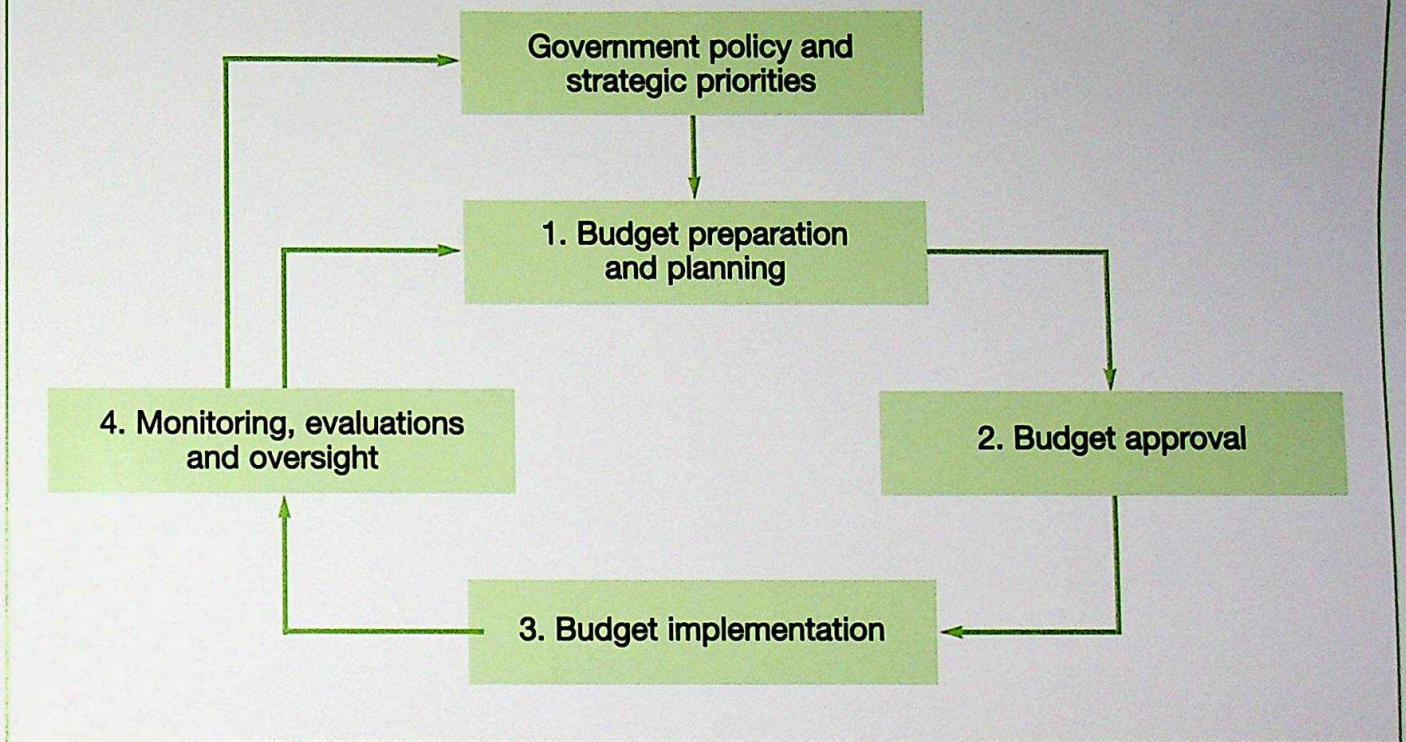
Annual budget cycle

The annual budget cycle (Figure 1) takes as its starting point government policies as set out in a state development plan. The state development plan is "an approved public document outlining a state's overarching policy position and the outcomes that the government expects these policies will deliver".¹ The annual budget is a tool for implementing the development plan.

The policies set out in the development plan and sector strategies, together with an estimate of the amount of

¹ Nigeria Governors' Forum *How to Prepare a State Plan: A Step-by-Step Guide*

Figure 1. Annual budget cycle



money that will be available to the state government, are the basis for planning and preparing the annual budget. Once the annual budget has been prepared, the legislature approves it and implementation begins. At the end of the budget year, the performance of the budget is monitored and evaluated, and the findings feed back into the next budget cycle.

Key budget processes

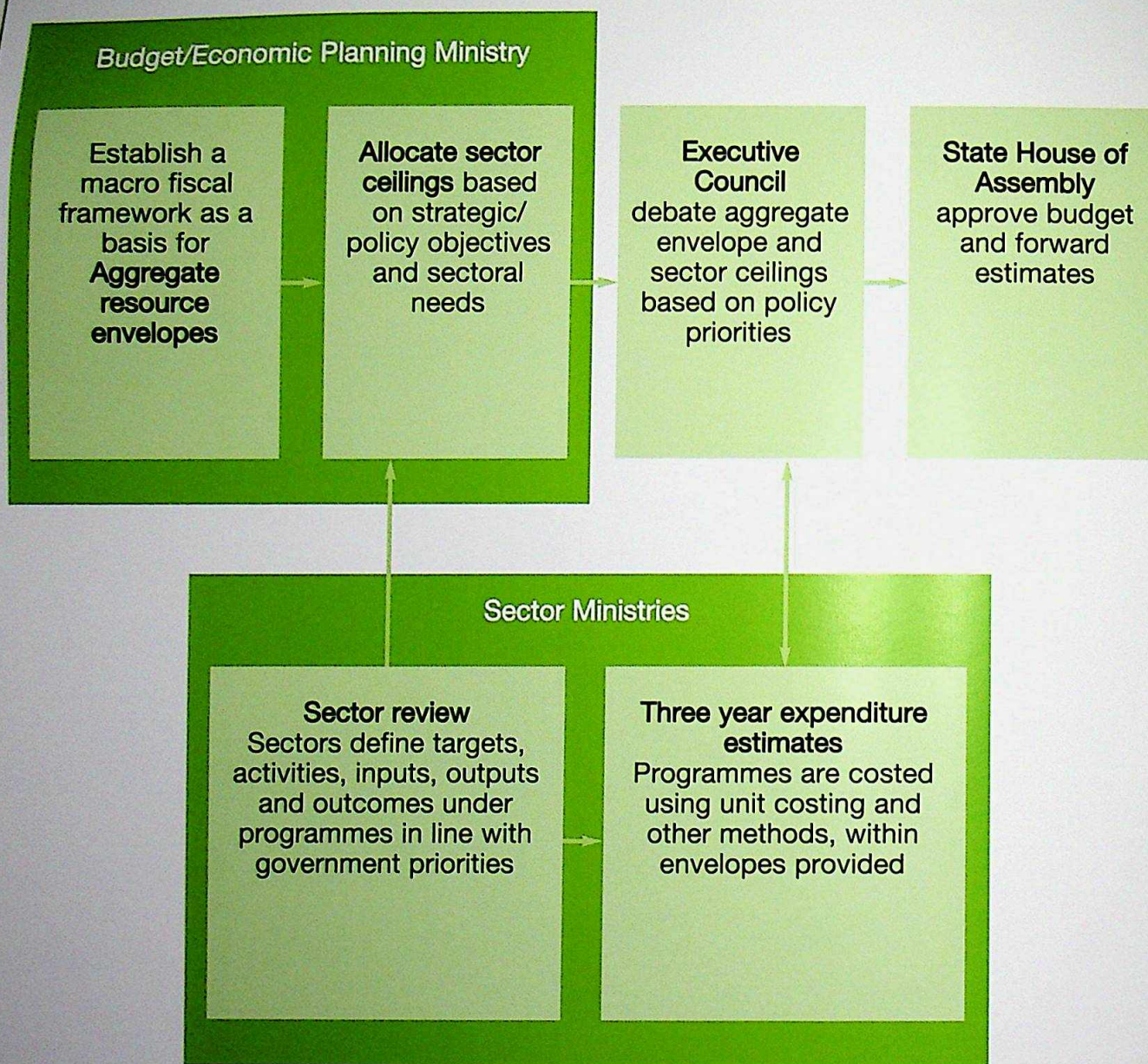
Government policies usually take more than one year to implement. This means that, to be realistic, plans need to recognise that it can take years to carry out policies. Some governments now plan on a three-year 'rolling' time frame, which allows them to allocate resources and plan activities for the medium-term rather than just for one year. In a medium-term 'rolling plan', the annual budget is the budget for the first year. At the end of the year, the performance of the budget is monitored and evaluated. The results of the monitoring and evaluation provide information for updating strategies and budgets to 'roll over' the medium-term plan for the next three years.

Government budgeting involves two key approaches or processes, one 'top-down' and the other 'bottom-up' (Figure 2).

Exercise: The budgeting process in your state

In the space below, give a brief explanation of the current budgeting process in your state.

Figure 2. 'Top-down' and 'bottom-up' budget processes



In the 'top-down' process, the central ministry or agency, for example a Ministry of Economic Planning and Budget (MoEPB) provides technical input by determining how much money is available for spending and, in consultation with the Executive Council (ExCo) allocates this money based on government policies and political priorities.

The 'bottom-up' process involves MDAs working out what will be required in order to implement a government's priorities. Here, the MDAs that will be responsible for implementing the budget are supported

by the MoEPB to prepare sector strategies that reflect government policies and priorities, together with related costed budget proposals. This 'bottom-up' budgeting process involves stakeholders, including civil society, to ensure the budget addresses their needs and that the costs are realistic.

The next sections of this guide will discuss in more detail the process of 'top-down' budgeting, the concepts and techniques of medium-term budgeting, and the annual budget process.

Exercise: Steps in the annual budget cycle

In the left hand column, list the four main steps in the annual budget cycle. In the right hand column, describe what happens in this step in your state.

<i>Step in annual budget cycle</i>	<i>What happens in this step in my state</i>

Medium-term budget

Medium-term budgeting is budgeting for more than one year – usually three years – so as to provide a longer-term view of the programme activities of the government and the funding required to carry out the activities. Medium-term budgeting is useful because annual budgets only deal with shorter-term government spending, but programmes and projects to implement policies often take much longer than one year to complete.

Key documents in medium-term budgeting are the medium-term budget framework (MTBF) and medium-term expenditure framework (MTEF).

Medium-term budget framework (MTBF). The MTBF is a macroeconomic projection, based on up-to-date economic and fiscal information, which determines the government's fiscal strategy (revenue, taxation and spending) for the medium-term planning period.

Exercise: Macroeconomic issues affecting the medium-term budget

What are the key macroeconomic issues that need to be taken into consideration in preparing the medium-term budget in your state? List the issues and comment on why they need to be considered.

<i>Macroeconomic issue</i>	<i>Why the issue needs to be considered when preparing the medium-term budget</i>

Medium-term expenditure framework (MTEF). The MTEF is a multi-year (three-year) budget, which provides:

- A top-down estimate of total resources available for public spending
- A bottom-up costing of sector programmes
- A reconciliation of needs with resource allocated to sectors
- A process to ensure that annual budget submissions and budget execution reflect agreed medium-term plans.

- Establishes sector ceilings/resource envelopes consistent with available resources and government policy priorities for the medium-term period
- Disaggregates sector envelopes to guide the preparation of bottom-up medium-term sector strategies (MTSSs) and ensure that MDAs prepare budget proposals based on the resources available.

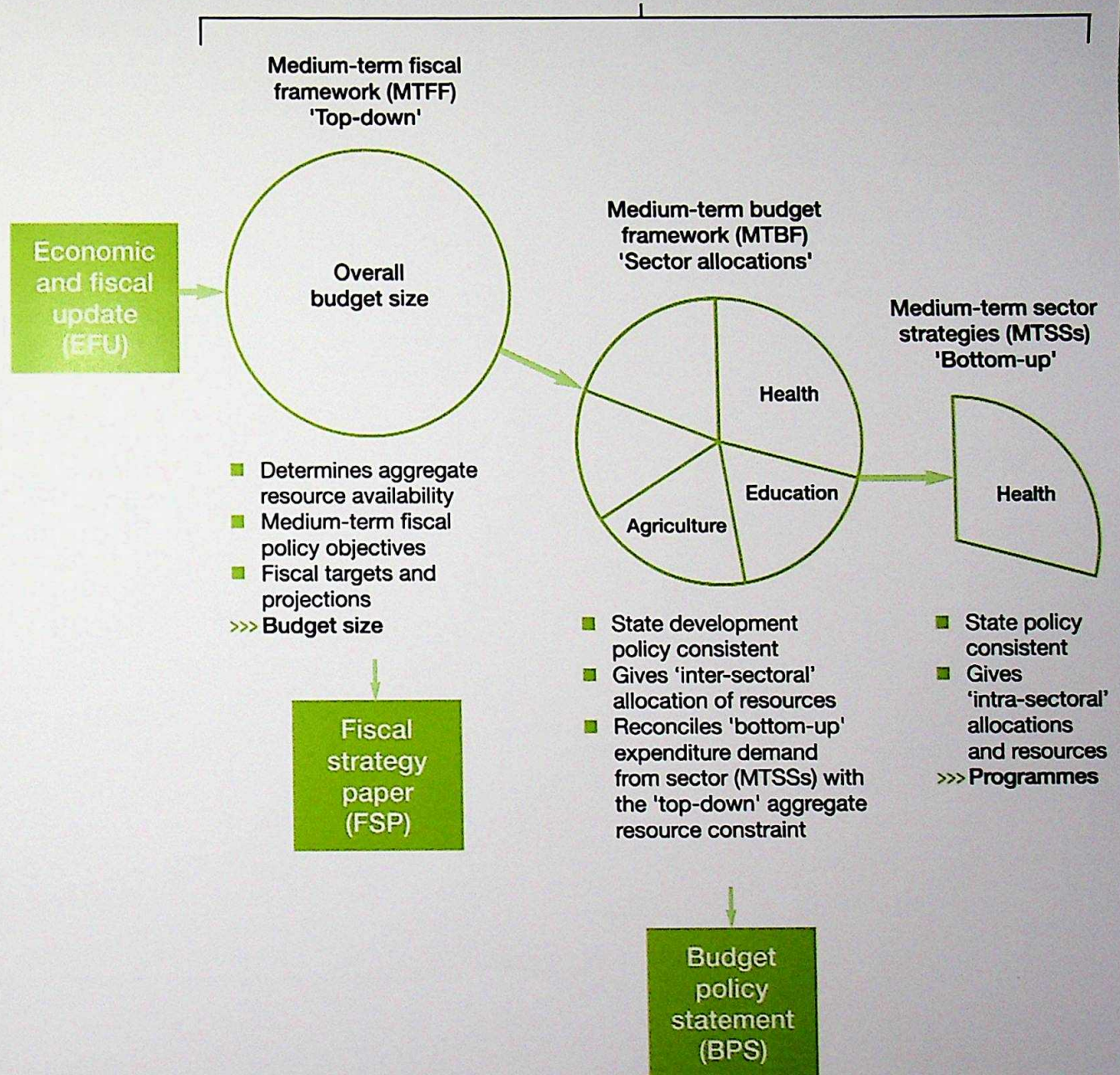
Figure 3 shows the relationship between the medium-term fiscal framework (MTFF), MTBF and MTSSs

An MTEF:

- Establishes realistic macroeconomic projections of total available resources

Figure 3. Relationship between the medium-term fiscal framework (MTFF), medium-term budget framework (MTBF) and medium-term sector strategies (MTSSs)

Comprehensive Medium-Term Expenditure Framework (MTEF)



'Top-down' planning and budgeting

MoEPB estimates the overall financial resources available to a state government in the medium-term. In other words, the MoEPB estimates the size of the financial 'cake'. MoEPB then 'cuts the cake' and allocates 'slices of the cake' to sectors and MDAs.

In order to accurately forecast and allocate resources, MoEPB considers the state's fiscal and economic performance in preceding years. MoEPB collates and analyses data on fiscal and economic performance and produces an **economic and fiscal update (EFU)**.

The technical term for the overall financial resources envelope is the **fiscal framework** (MTBF if it covers more than one year). A document called the **fiscal strategy paper** (FSP) sets out the fiscal framework. The FSP not only provides projected amounts for each of the main revenue (and expenditure) streams that make up the fiscal framework but also clearly explains how the sums were calculated. The paper describes the various assumptions (for example, macroeconomic) that underpin the fiscal framework and sets out risks that may affect forecast revenue and expenditure.

Once MoEPB has estimated the overall size of the envelope, the Ministry makes allocations to sectors based on the government policy priorities set out in state development plans, strategies and frameworks. Allocations also take account of current sector expenditures and commitments.

The **budget policy statement** (BPS) sets out the budget framework (MTBF if it covers more than one year) and allocates resources by sector. The BPS not only shows the allocations by sector, it also clearly explains and justifies the allocations.

Economic and fiscal update

When considering the overall size of the budget, and how to allocate resources across sectors, it is important that decisions take account of prior fiscal performance. Looking at prior fiscal performance indicates the level of revenue that governments can realistically anticipate to receive. An estimate of internally generated revenue (IGR) must reflect actual receipts in the previous year, not the estimated receipts in the budget for the previous year.

Tip: Take a realistic look at fiscal performance

It is important to consider whether prior fiscal performance was good (actual performance was close to the budget) or bad (actual performance was nowhere near the budget). Often, states will over-estimate revenues such as internally generated revenue, statutory allocations from the Federation and, in particular, grants and loans. Over-estimating these revenues will affect expenditure. Usually, capital expenditure suffers the most when revenues are less than estimated, as there are insufficient funds to carry out capital projects.

State revenues are closely linked to Nigeria's overall economic performance, which itself is affected by global economic performance. Transfers to state from the Federal Government rely heavily on the country's income from crude oil sales. Taking account of trends in the macroeconomic and mineral sectors is key to making realistic forward estimates of revenues when budgeting.

The EFU captures these trends. Decision makers rely on the EFU to develop forward-looking fiscal and budget frameworks.

Exercise: Fiscal performance in your state

In the space below, give a brief description of fiscal performance in your state in the past year. Was actual fiscal performance close to the budget or not? If not, why not?

Fiscal strategy paper

Preparing the fiscal framework is the first stage of the top-down budgeting process. The fiscal framework sets out:

- Key fiscal and policy targets, such as for debt ratios (how much the state can reasonably afford to borrow), IGR and the ratio of recurrent expenditure to capital expenditure
- Three-year forecasts for revenue and expenditure.

Tip: Preparing a realistic fiscal framework

In preparing the fiscal framework, pay attention to actual performance against budget in the previous year, and the source of revenues and expenditure. For example, statutory allocations to states from the Federal Government depend on oil prices and production. The price of oil has almost doubled in the last five years, which has allowed a significant rise in statutory allocations. But the rise in oil price is unlikely to continue in the medium-term, and this will be reflected in statutory allocations.

The ministries involved in budgeting and planning, and the Finance Ministry, with input from the Board of Internal Revenue, prepare the fiscal framework and present it to ExCo and the State House of Assembly (SHoA) to get their agreement.

Tip: How to avoid last-minute alterations to the budget

Presenting the fiscal framework to the Executive Council and the State House of Assembly at an early stage helps avoid last-minute changes to the budget and budget allocations. Last-minute changes do not allow sectors to plan efficiently and effectively.

The UK Department for International Development (DFID) State Partnership for Accountability, Responsiveness and Capability (SPARC) programme has developed simple forecasting tools for estimating states' and local governments' shares of the federal statutory allocation and value added tax (VAT) revenue pools.

Tip: Use the forecasting techniques developed for SPARC states

The revenue projection tool used in SPARC states can be used by other states and local governments (available online at <http://www.sparc-nigeria.com/RPT>).

Budget policy statement

The BPS shows allocations by sector, and explains and justifies the allocations. The BPS describes:

- The key policy objectives of the budget
- The MTBF showing how the overall envelope is split into sector envelopes based on:
 - Government policy priorities
 - Historical trends in expenditure by sector (it is not advisable to drastically alter a sector budget over a short period of time; the transition should be gradual)
 - Ongoing projects (many capital expenditure projects run over several budget years; those in progress should be completed and those that are finishing will need funds for operations and maintenance)
 - External grant and loan funding (funds that are usually tied to specific projects or programmes).

The three-year envelopes set out in the BPS guide medium-term sector strategies (MTSSs) and annual budget ceilings.

The BPS may consider the following:

- The criteria for including capital projects in the budget
- The ceilings for increments to personnel and overheads
- Other key considerations.

The budget, planning and finance ministries prepare the BPS and, as with the FSP, present it to ExCo and SHoA for review and approval.

'Bottom-up' planning and budgeting

Bottom-up budgeting starts with sectors and MDAs reviewing performance in the previous year. Following this review, sectors update their medium-term sector strategies in line with the results of the top-down planning process.

"A medium-term sector strategy (MTSS) links policy, planning and budgets. Whereas state policies define the big picture and long-term goals, medium-term strategies set out specific inputs and activities to deliver specific outputs in the medium-term."²

² Nigeria Governors' Forum *How to Prepare a Medium-Term Sector Strategy: A Step-by-Step Guide*

Exercise: Weaknesses in budgeting procedures

What weaknesses in budgeting procedures have you experienced? How do you think these weaknesses can be overcome?

Weaknesses in budgeting procedures

How weaknesses can be overcome

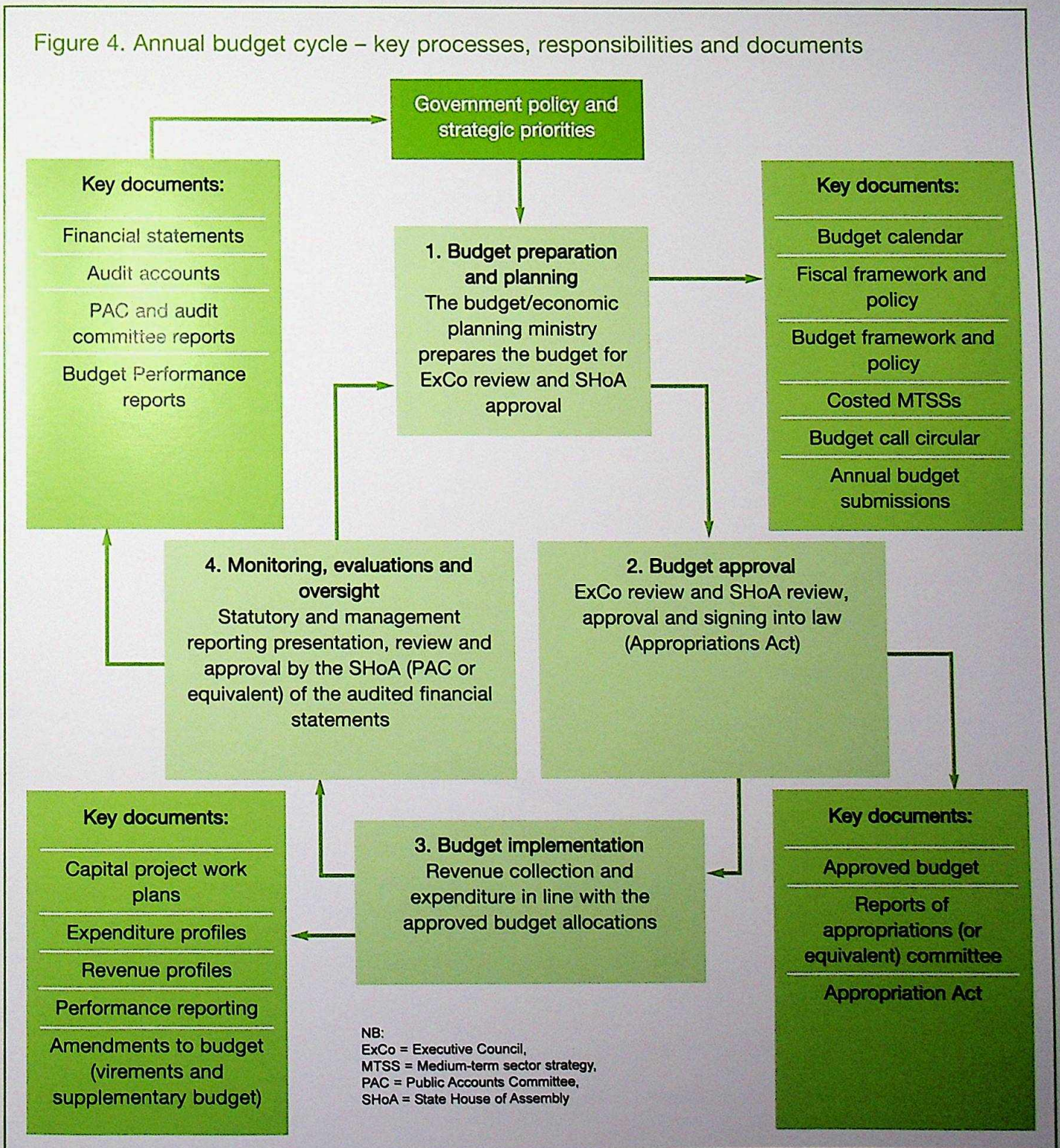
<i>Weaknesses in budgeting procedures</i>	<i>How weaknesses can be overcome</i>

Preparing a realistic budget

Processes, responsibilities and documents

This section provides a step-by-step guide to the key processes, responsibilities and documents involved in preparing a realistic budget (Figure 4).

Figure 4. Annual budget cycle – key processes, responsibilities and documents



Budget regulation framework

The budget regulation framework determines budget planning and preparation processes, the timeline for the various stages, and responsibilities for accountability and transparency.

Checklist: Budget regulation framework

YES NO

- Is there a published budget timetable? YES NO
- How is authority for budgets shared between the executive and legislative arms of government? Does the:
 - Legislative arm have the power to propose spending? YES NO
 - Legislative arm have the power to amend budgets? YES NO
 - Executive arm have the power to limit spending below appropriations? YES NO
- How is authority for budgeting distributed within the executive? List the MDAs involved and what each does.

MDA

Task

<i>MDA</i>	<i>Task</i>

- How is the agenda for setting budget negotiations determined? YES NO
- Who has the power to veto the structure of negotiations?
- How are budgeted activities funded?

<ul style="list-style-type: none"> ■ Revenues? <input type="checkbox"/> YES <input type="checkbox"/> NO ■ Extra budgetary mechanisms? <input type="checkbox"/> YES <input type="checkbox"/> NO ■ Contingency funds? <input type="checkbox"/> YES <input type="checkbox"/> NO 	<ul style="list-style-type: none"> ■ Borrowing? <input type="checkbox"/> YES <input type="checkbox"/> NO ■ Multiple funds? <input type="checkbox"/> YES <input type="checkbox"/> NO ■ Special funds? <input type="checkbox"/> YES <input type="checkbox"/> NO 	
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- Are there any legislative limits on:

<ul style="list-style-type: none"> ■ Expenditure? <input type="checkbox"/> YES <input type="checkbox"/> NO ■ Borrowing? <input type="checkbox"/> YES <input type="checkbox"/> NO 	<ul style="list-style-type: none"> ■ Deficits? <input type="checkbox"/> YES <input type="checkbox"/> NO ■ Carry-over of spending to next year? <input type="checkbox"/> YES <input type="checkbox"/> NO 	
--	---	--
- Is there ring fencing or earmarking of:
 - Special or hypothecated (funds earmarked for particular uses) funds? YES NO
 - Constitutional or legal commitments for specific public services (education, health, housing, environment)? YES NO

Step 1: Planning and preparing the budget

The Budget Planning Committee directs budget planning and preparation. If one does not already exist, the first step is to set up a Budget Planning Committee.

Step 1A: Setting up a Budget Planning Committee

Planning the budget starts with setting up a Budget Planning Committee made up of representatives from:

- MoEPB or the equivalent
- Ministry of Finance (MoF)

- Board of Internal Revenue
- Office of the State Auditor General (AuG)
- Office of the State Accountant General (AG)
- Office of the Head of Service
- State Civil Service Commission
- Budget Committee of the SHoA
- Civil society organisations (CSOs) and key state stakeholders.

The Budget Planning Committee should have a clear mandate to plan the budget.

Exercise: Budget Planning Committee

Does the Budget Planning Committee have a clear mandate to:

	YES	NO
■ Evaluate the performance of the budget in the current and previous year?	<input type="checkbox"/>	<input type="checkbox"/>
■ Appraise sector programmes?	<input type="checkbox"/>	<input type="checkbox"/>
■ Fix appropriate planning and contingency reserves?	<input type="checkbox"/>	<input type="checkbox"/>
■ Determine a realistic budget consistent with the state's sustainable fiscal deficit threshold?	<input type="checkbox"/>	<input type="checkbox"/>
■ Determine detailed fiscal targets for the state budget based on budget performance reports and trends in global, national and state economic indices and data?	<input type="checkbox"/>	<input type="checkbox"/>
■ Determine sector spending ceilings?	<input type="checkbox"/>	<input type="checkbox"/>
■ Link the state's medium-term fiscal targets to annual fiscal priorities?	<input type="checkbox"/>	<input type="checkbox"/>
■ Consult with stakeholders and formulate the thrust of the annual budget policy and sector priorities so that they are consistent with the state medium-term plan?	<input type="checkbox"/>	<input type="checkbox"/>

The answers you have given will indicate whether the Budget Planning Committee has a clear mandate and point to areas where the mandate may need clarification.

Step 1B: Budget calendar

The Budget Planning Committee prepares, agrees and publishes the budget calendar. The calendar provides the timetable for budget planning and preparation. The calendar shows what has to be done, when and by whom to ensure that the budget is signed into law before the beginning of the financial year (Table 1).

Delay in approving the budget can be self-perpetuating as delays in one year spill over into the next year.

Exercise: Importance of passing the budget act before the start of the financial year

Why is it important to have the budget act passed before the start of the financial year?
Is it because the law:

- | | YES | NO |
|--|--------------------------|--------------------------|
| ■ Provides MDAs with a legal mandate to spend resources? | <input type="checkbox"/> | <input type="checkbox"/> |
| ■ Allows MDAs to plan expenditure, particularly capital expenditure? | <input type="checkbox"/> | <input type="checkbox"/> |
| ■ Allows the budget preparation cycle for the following year to start on time? | <input type="checkbox"/> | <input type="checkbox"/> |

Table 1. Annual budget calendar

Activity	Responsibility	Month
Prepare and approve the budget calendar	Budget Department	March
Prepare budget documents: economic and fiscal update, fiscal framework, budget framework	Finance, Planning and Budget	April–May
Update medium-term sector strategies based on sector ceilings	MDAs	May–June
Prepare and issue the annual budget call circular	Budget Department	July
Prepare and submit MDA annual budgets	MDAs	August
Budget negotiations	Budget Department, MDAs	September
Executive review of the annual budget	ExCo	October
State House of Assembly approves the annual budget and signs it into law	SHoA	November–December

Delay in approving the budget can be self-perpetuating as delays in one year spill over into the next year.

Tips: Making the budget calendar work

- Learn from previous experience.** When preparing the budget calendar, compare what actually happened in the previous year with what was supposed to happen according to the calendar. If, in the previous year, the budget did not get approved before the start of the budget year (1 January), it may be worth considering starting the process earlier or allowing more time for the stages that took longer than expected.
- Inform key participants in the budget process.** Make sure all key stakeholders involved in the budget process are aware of the calendar so that they can plan to be available when needed.
- Communicate any changes to the calendar in good time.** Make sure the Budget Planning Committee communicates any significant changes to the calendar to those affected in good time.

Step 1C: Preparing the budget

Preparing the budget involves first reflecting on past performance and setting goals for the future, in particular goals for the coming year to advance the government's policies.

Updating the MTSS. Sector ministries update medium-term sector strategies based on the three-year sector ceiling provided in the budget framework. The ministries then translate medium-term sector strategies into costed operational plans, or action plans, which should be aligned to the programmes that will be included in the budget.

Preparing the draft annual budget call circular (BCC). The annual BCC initiates the preparation of annual MDA budgets. It is informed by the fiscal analysis in the EFU

and FSP, and the annual aggregate, which should be consistent with the BPS. The BCC should include the budget preparation calendar, and detailed templates and instructions for preparing the MDA budget proposals.

Consulting stakeholders. Consulting stakeholders on the budget means that, as well as planners and service providers in MDAs, pre-budget consultations involve legislators, traditional rulers, and representatives of the private sector, unions, civil society organisations (e.g. community based organisations [CBOs]) including representatives of socially excluded communities. The consultations are an opportunity for stakeholders to comment on the proposed thrust of the budget as set out in the BPS, and to provide feedback.

Exercise: Pre-budget consultations

Which of the following need to be involved in pre-budget consultations to ensure a realistic budget:

	YES	NO
■ MDA planners?	<input type="checkbox"/>	<input type="checkbox"/>
■ MDA service providers?	<input type="checkbox"/>	<input type="checkbox"/>
■ Legislators?	<input type="checkbox"/>	<input type="checkbox"/>
■ Traditional rulers?	<input type="checkbox"/>	<input type="checkbox"/>
■ Private sector representatives?	<input type="checkbox"/>	<input type="checkbox"/>
■ Union representatives?	<input type="checkbox"/>	<input type="checkbox"/>
■ Civil society organisation representatives?	<input type="checkbox"/>	<input type="checkbox"/>
■ Community-based organisation representatives?	<input type="checkbox"/>	<input type="checkbox"/>
■ Socially excluded groups/communities?	<input type="checkbox"/>	<input type="checkbox"/>

List any others below:

Tip: Make sure pre-budget consultations are inclusive

Take particular care to ensure that socially excluded communities, especially those affected by particular sectors, take part in pre-budget consultations. Feedback and contributions from the consultations are important in preparing realistic budgets.

Reviewing, approving and circulating the BCC. MoEPB prepares the BCC. The State Budget Committee then reviews the circular and the Hon. Commissioner, MoEPB, approves it before circulation to MDAs.

Consultations with ExCo and SHoA. The Hon. Commissioner, MoEPB, arranges a meeting of ExCo and SHoA Budget and Appropriations Committees to explain fiscal policy trends and the thrust of the proposed budget.

Tip: Early discussions with the Executive Council and State House of Assembly Budget and Appropriations Committees encourage buy-in to the budget

Engaging politicians at an early stage in the budget process to explain fiscal issues relating to the budget makes it more likely they will accept and buy-in to the budget when it is finalised.

Exercise: Planning and preparing an annual budget

List the activities to be undertaken in planning and preparing an annual budget.

Preparing and submitting annual MDA budget proposals. Guided by the BCC, all MDAs prepare revenue and expenditure estimates for the coming budget year. MoEPB provides a team of officers to support and backstop MDAs. MDAs complete their budget proposals and submit them according to the schedule in the budget calendar.

Defending budget proposals. When MDAs have completed their budget proposals MoEPB scrutinises and analyses the financial estimates to ensure that they comply with the sector ceilings set out in the BCC. This preliminary review checks that MDAs have completed the templates provided in the circular properly, and that the projects and programmes included in their proposals comply with state policy objectives and priorities.

In the bilateral discussions and negotiations, participants correct and adjust budget proposals to comply with the findings of the MoEPB review. The Ministry can allocate funds from the **planning reserve**, usually about 3% of total projected annual revenues, to deal with needs for incremental adjustments to MDA estimates. Likewise, the Ministry may allocate funds from a **contingency reserve**, about 5% of total projected annual revenues, to provide a supplementary budget to fund unforeseen needs.

When the bilateral discussions and negotiations have been completed, MoEPB consolidates all the budget proposals and presents a final draft budget for ExCo to review and approve.

Step 2: Getting legislative approval for the budget

The budget approval stage starts when the governor presents the MTBF and **draft state budget estimates** to the Speaker of the SHoA as an Appropriation Bill.

The House Appropriations Committee reviews the MTBF and the draft state budget estimates. The House then debates the Appropriation Bill and, when agreed, passes it. After the SHoA has passed the bill, the governor signs it into law.

Tip: Establish a Budget Research Office

A good practice is to establish a **Budget Research Office**, or equivalent, to support the Public Accounts Committee (PAC), Budget Committee, Appropriation Committee and House members as they scrutinise and analyse budget proposals. This office can also provide budget and policy research to support the preparation of realistic budgets.

It is important for the governor to sign the Appropriation Bill approving the budget before the beginning of the financial year.

Tip: Communicate the budget

A good practice is to arrange for the governor to present the state budget at a press briefing, and to follow up the briefing by publishing and disseminating the budget through the media and the state website.

Tip: Plan cash flow to avoid problems in implementing the budget

Planning cash flow is very important for the budget to be executed properly. A cash flow plan will show when cash will be scarce and when there will be a surplus. This will enable the Treasury to take action before cash flow crises arise by, for example, rearranging payment schedules or proposing adjusting project implementation.

Exercise: Getting legislative approval for the budget

List what steps need to be taken to get legislative approval for the annual budget.

Preparing and submitting MDA capital work plans to the Treasury and OAG. After MDAs have profiled cash flow they review the capital component of their approved budgets. Each MDA must prepare and submit a quarterly work plan for capital projects to the Treasury and OAG and provide copies to MoEPB.

Preparing MDA and consolidated quarterly cash forecasts. MDAs that generate revenue must also submit forecasts of quarterly cash inflow detailing all sources of revenue to the Treasury and OAG.

OAG collates submissions from all MDAs that generate revenue and produces a consolidated forecast of quarterly revenue. Based on MDA monthly expenditure projections and the consolidated quarterly revenue forecast, OAG then prepares a draft aggregated cash flow forecast for the year. OAG should ideally prepare a draft aggregated cash flow forecast within one month of the approval of the budget.

Getting cash requirements approved by the State Treasury Board. The AG then submits the aggregated cash flow forecast to the Treasury Board or Cash Management-Cash Allocation Committee for approval.

Step 3: Implementing the budget

Planning cash flow. After the governor has signed the Appropriation Bill, and ideally before the start of the financial year, MDAs, the Treasury and the Office of the Accountant General (OAG) begin planning cash flow. Coordinated by MoEPB, each MDA profiles revenues (cash in-flows) and expenditures (cash out-flows) month-by-month for the whole year.

Checklist: Membership of the Treasury Board or Cash Management-Cash Allocation Committee

YES NO

- Governor or governor's nominee (chairman) YES NO
- Commissioner of Finance YES NO
- Permanent Secretary, Ministry of Finance YES NO
- Accountant General YES NO
- Chairman, State Board of Internal Revenue YES NO
- Permanent Secretary, MoEPB YES NO

All the officials (or their equivalents) listed here need to be members of the Board or Committee.

Preparing procurement plans. The procurement officers in each MDA prepare a procurement plan in line with the State Public Procurement Law and Fiscal Responsibility Act.

Issuing expenditure warrants. The authorising commissioner, usually the Hon. Commissioner MoF, issues the warrants for approved budget expenditure. The warrants are of two types:

1. **Monthly warrants.** Monthly warrants for recurrent expenditure are based on approved cash requirement forecasts.
2. **One-off warrants.** These are warrants for specific capital expenditure as set out in the Appropriation Act. Responsible MDAs obtain due process certification for these warrants in accordance with the State Procurement Law.

Obtaining release mandates. MDAs forward authorised expenditure warrants to OAG, which issues the release mandate to the MDA and to the bank.

Obtaining monthly releases for personnel and non-salary recurrent costs. The Treasury or OAG prepares a monthly statement of recurrent expenditures (personnel and overhead costs) for monthly releases.

Preparing monthly revenue and expenditure returns. Each MDA prepares monthly returns for revenues and expenditures by budget line and forwards the returns to the Treasury, OAG and MoEPB.

Recording revenue and expenditure. Standard government financial instructions require each budget unit to record all revenue transactions by source and all expenditure transactions by line item.

Exercise: Books of accounts for recording revenue and expenditure

Tick the box indicating what each of the following books of accounts records:

	<i>Records revenue</i>	<i>Records source of revenue</i>	<i>Records expenditure</i>	<i>Records expenditure line item</i>
Departmental vote books	YES <input type="checkbox"/> NO <input type="checkbox"/>	YES <input type="checkbox"/> NO <input type="checkbox"/>	YES <input type="checkbox"/> NO <input type="checkbox"/>	YES <input type="checkbox"/> NO <input type="checkbox"/>
Registers (e.g. revenue register)	YES <input type="checkbox"/> NO <input type="checkbox"/>	YES <input type="checkbox"/> NO <input type="checkbox"/>	YES <input type="checkbox"/> NO <input type="checkbox"/>	YES <input type="checkbox"/> NO <input type="checkbox"/>
Cash book	YES <input type="checkbox"/> NO <input type="checkbox"/>	YES <input type="checkbox"/> NO <input type="checkbox"/>	YES <input type="checkbox"/> NO <input type="checkbox"/>	YES <input type="checkbox"/> NO <input type="checkbox"/>
General ledger	YES <input type="checkbox"/> NO <input type="checkbox"/>	YES <input type="checkbox"/> NO <input type="checkbox"/>	YES <input type="checkbox"/> NO <input type="checkbox"/>	YES <input type="checkbox"/> NO <input type="checkbox"/>
Budget performance statement	YES <input type="checkbox"/> NO <input type="checkbox"/>	YES <input type="checkbox"/> NO <input type="checkbox"/>	YES <input type="checkbox"/> NO <input type="checkbox"/>	YES <input type="checkbox"/> NO <input type="checkbox"/>

Procuring goods, works and services. To procure goods, works and services, the State Public Procurement Agency draws up bid documents and contract agreements in line with the State Procurement Law.

Tip: Best practice procurement

Best practice for procurement is competitive bidding and tendering.

Preparing a project implementation report. The Project Implementation Unit, usually a unit in the Governor's Office or MoEPB, working with a designated desk officer in the spending MDA, prepares a project implementation report for each project. This report assesses a project's value for money, taking into consideration assumptions, context and procurement. The Project Implementation Unit does not get involved in evaluating bids, selecting contractors and awarding contracts.

Preparing a pre-payment audit. Before authorising payments, the practice in Nigeria is for the State Central Internal Audit to undertake a pre-payment audit. The pre-payment audit ensures that all payment vouchers comply with financial instructions, and that the necessary documents are present, correct and attached to payment warrants.

Tip: Making and recording payments

To ensure good resource management and accountability, entrench transparent payment and recording procedures and controls in the budget implementation process.

Exercise: Implementing the budget

List the activities in implementing the budget.

Step 4: Tracking and evaluating performance of the budget

Exercise: Tracking and evaluating the performance of the budget

In the space below, give reasons why it is important to track and evaluate the performance of the budget.

Step 4A: Recording, auditing and reviewing budget performance

MDAs should ensure internal controls and accounting procedures capture and record all income and expenses accurately in the appropriate account books. Regular, monthly reports of revenues and expenditure enable

service units, MDAs, and the central budget and finance ministries to review actual income and expenditure against budgeted income and expenditure. Publishing monthly reports on the state website enables CSOs and other interested stakeholders to monitor progress.

Checklist: Monitoring budget implementation

	YES	NO
■ Are appropriate systems for recording revenue in place?	<input type="checkbox"/>	<input type="checkbox"/>
■ Are revenues recorded monthly?	<input type="checkbox"/>	<input type="checkbox"/>
■ Is revenue reported on time?	<input type="checkbox"/>	<input type="checkbox"/>
■ Are appropriate systems for recording expenditure in place?	<input type="checkbox"/>	<input type="checkbox"/>
■ Are expenditures recorded monthly?	<input type="checkbox"/>	<input type="checkbox"/>
■ Is expenditure reported on time?	<input type="checkbox"/>	<input type="checkbox"/>
■ Is actual income and expenditure recorded against budgeted income and expenditure?	<input type="checkbox"/>	<input type="checkbox"/>
■ Are reports of actual income and expenditure compared to budgeted income and expenditure available on the state website?	<input type="checkbox"/>	<input type="checkbox"/>

Tip: Make monthly reports publicly available

Transparent reporting, for example publishing monthly reports on the state website, allows stakeholders to monitor implementation of the budget.

The Office of the AuG (the state's external auditor) checks that MDAs have controls and procedures in place to record financial transactions. Proper controls and procedures minimise fraud and embezzlement and ensure timely and accurate recording. The Office of the AuG, an independent arm of government, is responsible for auditing financial transactions and reporting to the State House of Assembly. The AuG submits a report on the accuracy and adequacy of the financial reports prepared by the AG within six months of the end of each financial year.

Step 4B: Monitoring and evaluating the budget

Monitoring and evaluation assesses the effectiveness of the budget (did the budget achieve what was intended?) and how efficiently the budget was implemented. The findings guide future budgeting decisions.

Reviewing budget performance. Every month, each MDA prepares a detailed account of actual revenue and expenditure compared to budgeted revenue and expenditure, together with an explanation of variances. The MDAs submit these reviews to MoEPB.

Monitoring capital projects and programmes. Monitoring capital programmes and projects tracks progress, ensures that projects match designs and specifications, and that the inputs deliver the expected outputs. MDAs should produce monthly reports and send them to MoEPB Monitoring and Evaluation (M&E) Unit. MDAs should also inform the Treasury and OAG of progress on capital programmes, and particularly of any delays so that they can adjust cash forecasts and demands for funds accordingly.

Consolidating monthly and quarterly budget performance reports. MoEPB compiles MDA monthly performance reports and produces a consolidated monthly performance report. The consolidated monthly performance report allows the Ministry to compare inputs and outputs.

At the end of each quarter, the Ministry reviews MDAs' monthly reports and produces a quarterly report, which the Hon. Commissioner, Ministry of Economic Planning and Budget, presents to stakeholders.

Preparing consolidated project monitoring reports. The MoEPB M&E Unit receives monthly project monitoring reports from MDAs. MoEPB M&E reviews and compiles the reports, and produces a consolidated quarterly M&E report showing overall resource inputs compared to outputs.

Tip: Correcting potential revenue shortfalls, surpluses and under and over spending

Senior management in MDAs, and in the Treasury and Office of the Accountant General should review budget performance reports for potential revenue shortfalls, surpluses, and under and over spending and, if necessary, take corrective action. Corrective action may involve virements, transfers between budget heads, or supplementary budget proposals.

Preparing monthly internal audit reports. Internal auditors in MDAs should produce monthly summaries of internal audit operations. These monthly internal audit reports are compiled into consolidated quarterly internal audit reports.

Reviewing internal audit reports. A Legislative Audit Committee should be established to review internal audit reports. If necessary, the Legislative Audit Committee makes recommendations for corrective action to ExCo.

Preparing, auditing and publishing annual accounts. The AG prepares state government accounts and financial statements for the fiscal year:

- The AG forwards financial statements and annual accounts to the Office of the AuG for examination and opinion
- The Office of the AuG is required, usually within ninety days of receipt of the AG's Financial Statement and Annual Accounts, to report to the SHoA. The House tasks the PAC to consider the report in line with Section 125(5) of the 1999 Constitution.

The Public Accounts Committee. The PAC scrutinises the report of the AuG, obtains additional technical information from experts if necessary and asks apposite questions. On completion of the scrutiny, the Committee presents its report to the SHoA for deliberation and approval, as prescribed by the Rules of the House.

The Office of the AuG ensures publication and wide dissemination of the approved State Audited Financial Statement and Annual Accounts.

Exercise: Tracking and evaluating performance of the budget

List the activities that need to be undertaken to track and evaluate performance of the budget.

Exercise: What are you going to do differently in the future to prepare budgets that are more realistic?

Describe what you did before, what you will do differently, and why you will change?

<i>What you did before</i>	<i>What you will do differently</i>	<i>Why you will change</i>

Mainstreaming gender and social inclusion in budget processes

Mainstreaming gender and social inclusion (G&SI) is the process of identifying and taking full account of the needs and interests of citizens in relation to gender (male, female) and socially excluded groups (for example, people who are young, unemployed, old, rural, physically or mentally challenged, etc.) in policies, strategies, programmes and administrative and financial activities. The Millennium Development Goals (MDGs), which have a strong focus on equality, influence state strategies on G&SI.

Exercise: State government actions to improve the situation of women and socially excluded groups

List some of the government policies and strategies that take account of gender and social inclusion.

For reference, please see SPARC (2014) Gender and social inclusion-related treaties and laws in Nigeria: an audit and state checklist. (Due to be published in 2014). This resource focuses on Nigeria's commitments to G&SI-related conventions and laws at international, regional and national levels. It provides a description and checklist for policy makers and planners to assess how these are being implemented in their states.

Socially excluded groups differ from sector to sector. For example, in the agricultural sector, women or young people may not have access to resources such as land, agricultural inputs or extension services. In the health sector, groups such as women (particularly pregnant women), children and young people, older people, rural communities, people living with HIV/AIDS and people with disabilities may not receive adequate health care. In the education sector, girls, the illiterate and innumerate, isolated rural communities and urban homeless children, may be marginalised.

Exercise: The importance of budgeting for gender and social inclusion

Give a brief explanation of why you think budgeting for G&SI is important.

A clear outcome of budget initiatives that are sensitive to G&SI is equity for those previously disadvantaged. Initiatives that are sensitive to G&SI also ensure that groups excluded because of gender or social status are empowered to contribute economically. However, developing G&SI-sensitive budgets is not simply about striving for equity for disadvantaged people. By targeting resources to where they are most needed, G&SI-sensitive budgets can also improve the effectiveness, efficiency, accountability and transparency of government spending. G&SI-sensitive budgets can expose discrepancies between what a government says it does and what actually happens because of government action.

Tip: Making budgets sensitive to gender and social inclusion

Take G&SI issues into account transparently and consistently throughout the budget cycle – in planning, delivering services and monitoring. Identify problems in the preparation stage and ensure there are key performance indicators (KPIs) that are G&SI-sensitive. Ensure budget categories reflect those G&SI-sensitive KPIs. Review progress during monitoring and evaluation.

The following paragraphs describe key steps in mainstreaming G&SI in MTSSs and annual budgets.³

Identifying and analysing stakeholders. Throughout the budget cycle, mainstreaming G&SI helps to identify and include important stakeholder groups – male, female and marginalised. Identifying and including these groups is important, in order to:

- Build consensus for actions to be taken through transparent consultation and dialogue
- Achieve greater accountability for equality in relation to gender and other social factors
- Promote ownership of budget outcomes
- Ensure that stakeholders who might be marginalised or left out of the budgeting process are empowered to participate in a meaningful manner.

Analysing the situation. The starting point for mainstreaming G&SI is an analysis of these issues as part of the overall situation analysis. Defining the issues helps planners and budgeters to direct resources to where they are most needed, for example, to local government areas (LGAs) with the highest infant mortality or poor immunisation rates for girls and boys, lowest educational achievement for girls or areas with the most unemployment.

³ Based on UN and African Development Bank (AfDB) approaches and SPARC *Working with ministries of women affairs for gender and social inclusion-sensitive medium term sector strategies and budgets: Final project report*. March 2014.

Checklist: Analysing budget sensitivity to gender and social inclusion

Does the G&SI analysis element of the overall budget analysis:	YES	NO
■ Describe the effects of gender and other social inequalities?	<input type="checkbox"/>	<input type="checkbox"/>
■ Indicate the causes of gender and other social inequalities?	<input type="checkbox"/>	<input type="checkbox"/>
■ Identify emerging G&SI issues?	<input type="checkbox"/>	<input type="checkbox"/>
■ Identify the budget implications of G&SI issues through budget items that directly reflect G&SI-sensitive KPIs?	<input type="checkbox"/>	<input type="checkbox"/>
■ Ensure that the needs, priorities and constraints of males, females and socially excluded groups are recognised and addressed in planning and budgeting processes?	<input type="checkbox"/>	<input type="checkbox"/>
■ Disaggregate data by factors such as sex, age and local government area?	<input type="checkbox"/>	<input type="checkbox"/>

Developing indicators that reflect G&SI issues. When developing strategic goals, outcomes, outputs, key performance indicators and activities to deal with the issues raised in the budget analysis, it is important to make them specifically G&SI-sensitive where appropriate. It is also helpful to specify the target beneficiaries. For example, in education, where goals relating to the MDGs seek to raise the number of both boys and girls in education, ensure key performance indicators specify the 'number of toilets for girls constructed and maintained in schools' and the 'number of toilets for boys constructed and maintained in schools'.

Developing budget categories. It is important that budget categories reflect G&SI aspects of strategic plans, for example, in the case of providing toilets in schools, that there is a budget category for providing funds for toilets for girls and for boys in schools.

Implementing the budget. It is important that women and men, young people and other marginalised groups participate meaningfully in budget implementation. They have important roles to play in ensuring that budgets deliver quality products and services, and that budgets strengthen the capacity of state and local governments to promote economic growth and just economic governance.

Monitoring and evaluating. G&SI aspects of the budget should be monitored and evaluated to:

- Ensure that activities and indicators are on track, including specific indicators for G&SI or indicators that are G&SI-sensitive

- Track progress towards G&SI outcomes and outputs
- Evaluate the extent to which systems designed to make a difference to socially excluded groups, including women, men, girls, boys are effective
- Draw lessons from evaluating G&SI-sensitive budgets, and incorporate these lessons in policy and planning processes.

Reporting. Reports on the performance of budgets should describe how they have promoted gender equality, women's empowerment and social inclusion. Stakeholders, both women and men, are important in reporting processes, including in giving feedback.

Tip: Communicate progress on gender and social inclusion widely

Communicate the findings of performance reports to a range of audiences – politicians, government planners, service providers and citizens. Tailor communication to each audience. Disseminate the findings widely through a range of media.

Exercise: Prerequisites for preparing a budget that is responsive to gender and social inclusion

List the prerequisites for preparing a budget that is responsive to G&SI below.

The process for developing G&SI-sensitive plans and budgets is described fully in SPARC (2014) Working with ministries of women affairs for gender and socially inclusion-sensitive medium term sector strategies and budgets. Final project report: March 2014.

Useful websites and documents

Description	Web URL
African Development Bank Group (AfDB) Checklist for gender mainstreaming in governance programmes	http://www.afdb.org/fileadmin/uploads/afdb/Documents/Policy-Documents/Checklist%20for%20Gender%20Mainstreaming%20in%20Governance%20Programmes%20EN.pdf
The website of The International Budget Partnership, which collaborates with civil society around the world to use budget analysis and advocacy as a tool to improve effective governance and reduce poverty	http://internationalbudget.org
International Monetary Fund (IMF) blog site providing the views of public financial management (PFM) practitioners on a range of PFM issues, including budget realism	http://blog-pfm.imf.org/pfmblog/
IMF Guidelines for Public Expenditure Management – Section on Budget Preparation	http://www.imf.org/external/pubs/ft/expend/guide3.htm
Revenue projection tool (and documentation) developed by SPARC to assist state and local government in estimating recurrent revenue	http://www.sparc-nigeria.com/RPT
SPARC Report. Working with ministries of women affairs for gender and social inclusion-sensitive medium term sector strategies and budgets: Final project report (March 2014). This report describes a project to support ministries of women affairs and planning and budget in five states to support MDAs to develop G&SI-sensitive MTSSs and budgets	https://intranet.sparc-nigeria.com/index.php?action=document&id=4689
UN Office of the Special Adviser on Gender Issues and Advancement of Women (OSAGI) Mainstreaming gender perspectives in national budgets	http://www.un.org/womenwatch/osagi/gmtoolsnatlbudgets.htm

A wide range of documents and blogs can be found by using an internet browser to search for the following terms:

- Public financial management
- Budget transparency
- Budget realism
- Public sector budgeting
- Public sector budget execution
- Public expenditure management.

Definition of terms

Appropriation. An authorisation to a specific agency or programme to make expenditures/incur obligations from a specific fund for a specific purpose and period.

Balanced budget. When total revenues and total expenditure for a fiscal year balance.

Budget deficit. When total revenue is less than total expenditure for a fiscal year.

Budget profiling. Budget profiling is the allocation of the annual budget across the months of the year when expenditure is anticipated.

Budget surplus. When total revenue is more than total expenditure for a fiscal year.

Capital expenditure. Government expenditure on goods and services intended to create future benefits, such as investment in infrastructure or research spending.

Capital receipts. Capital receipts refer to government receipts, broadly categorised as recovery of loans, borrowings (internal and external) and other receipts, for example funds raised from disinvestment.

Contingency reserve. These are in-year expenditures above appropriations – primarily for handling genuine contingencies (or unforeseen eventualities, e.g. a flood or an outbreak of disease), and therefore not appropriated.

Executive. That part of a government that is responsible for making certain that laws and decisions are acted upon.

Fiscal target. Government revenue (taxation) and spending objectives.

Gender and social inclusion (G&SI). Gender refers to socially defined roles for men and women, girls and boys (as opposed to 'sex', which refers to biological characteristics). Please also refer to the social inclusion definition below.

Legislature. The group of people in a country or part of a country who have the power to make and change laws.

Macroeconomic indicators. These describe economy-wide phenomena such as changes in unemployment, national income, rate of growth, gross domestic product, inflation and prices.

Medium-term fiscal framework. A framework that integrates fiscal policy and budgeting over the medium-term by linking a system of aggregate revenue

forecasting to a disciplined process of maintaining detailed medium-term expenditure estimates reflecting existing government policies.

Medium-term sector strategy. Medium-term strategies set out specific inputs and activities to deliver specific outputs in the medium-term (three years).

Outcome. The result or effect of an activity, particularly insofar as it affects people.

Planning reserve. A sum (usually two or three percent of total aggregate spending) set aside, which a Ministry of Economic Planning and Budget later plans to allocate to new programmes (or to augment allocated resources) if necessary above sector resource envelopes during budget bilateral meetings with MDAs. The balance of the reserve at the conclusion of the budget bilateral meetings should be zero.

Policy. A course or principle of action adopted or proposed by a government, party, business or individual. Policymaking is the process by which governments translate their political vision into programmes and actions to deliver 'outcomes' – desired changes in the real world. Policy can take a range of different forms, including non-intervention, regulation, for instance by licensing, or encouraging voluntary change, as well as by providing public services.

Programmes. The activities of an organisation or function grouped on the basis of common objectives. They are comprised of elements, which can be further divided into components and tasks/activities.

Project. A piece of planned work or an activity completed in a set period and intended to achieve a particular aim.

Recurrent expenditure. Government expenditure on goods and services for current use to directly satisfy individual or collective needs of the members of the public, such as wages and salaries and expenditure on consumables – stationery, drugs for health services, bandages etc.

Revenue receipt. Revenue receipts are the revenues received by the Government, and are classified as tax revenue and non-tax revenue.

Sector allocation/ceiling/resource envelope. A distribution of funds, or an expenditure limit established for an organisational unit or function.

Social inclusion. Social inclusion refers to processes to ensure that people who are socially excluded (e.g. due to poverty, disability, ethnicity, age), gain the

opportunities and resources necessary to participate fully in economic, social and cultural life, and to enjoy a standard of living and wellbeing that is considered normal in the society in which they live.

Stakeholders. People, such as employees, customers or citizens, who have a stake, share or interest in something such as an organisation, project, society, etc., and therefore have responsibilities towards it, and benefit from it.

Virement. An administrative transfer of funds from one part of a budget head to another within a specific MDA.

Contact details

SPARC has eleven offices in Nigeria. For more information on our work:

Email: info@sparc-nigeria.com

Or



at ask@sparc-nigeria.com

Telephone: +234 (0) 8178 116303

Visit our website: www.sparc-nigeria.com

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