

# **FINANCIAL MANAGEMENT WORKSHOP**

## **PLANNING AND BUDGETING**

**TRAINER MATERIALS**

**DETAILED OUTLINE OF WORKSHOP CONTENT**

**GOVERNMENT TRAINING INSTITUTE - MOMBASA,  
MINISTRY OF LOCAL GOVERNMENT, REPUBLIC OF KENYA,  
and  
REGIONAL HOUSING AND URBAN DEVELOPMENT OFFICE, USAID**

**MARCH 1, 1987**

# **FINANCIAL MANAGEMENT WORKSHOP**

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### **TRAINER MATERIALS**

#### **DETAILED OUTLINE OF WORKSHOP CONTENT**

prepared by  
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for the  
**GOVERNMENT TRAINING INSTITUTE - MOMBASA,**  
**MINISTRY OF LOCAL GOVERNMENT, REPUBLIC OF KENYA,**  
and  
**REGIONAL HOUSING AND URBAN DEVELOPMENT OFFICE, USAID**

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## DETAILED OUTLINE OF WORKSHOP CONTENT

### SUNDAY AFTERNOON AND EVENING

- 75m A. OPENING CEREMONIES 5:00-  
6:15
1. Welcoming Remarks
  2. Introduction and Approaches
    - a. Introductions

Staff and participants
    - b. Schema for Entire Workshop Series
      - (1) Financial Management - Planning and Budgeting
      - (2) Financial Management - Revenue Generation
      - (3) Financial Management - Expenditure Management and Control
      - (4) Financial Management - Planning, Organizing, Staffing, Leading, Controlling, and Related Support Issues
  3. Workshop Goals
    - a. To clarify Kenyan Government processes and expectations regarding planning and budgeting.
    - b. To impart new knowledge regarding the fundamental importance of excellent planning as both a step prior to -- and incorporating -- development of the budget and as absolutely essential to sound financial management by local authorities.
    - c. To impart skills regarding the proper steps and processes required to develop sound plans and budgets for local authorities and their departments.
    - d. To develop attitudes and modify behavior so as to lead to more realistic and effective planning and budgeting by local authorities.

4. Workshop Materials and Program

Refer to Item # 1 "Overall Program"

Refer to Item # 2 "List of Materials"

Extensive use will be made of graphic and tabular handouts that illustrate the substance of this workshop. Participants will frequently be asked to engage in small group exercises. They will have the experience of developing model plans and budgets on a step-by-step basis over the five-day period of the workshop. Central government officials participating in the workshop will be drawn on as experts in their respective fields throughout the workshop.

5. Workshop Schedule

Sunday Afternoon and Evening

05:00 p.m. -- 06:15 p.m. Opening Session  
07:00 p.m. -- 09:00 p.m. Opening Dinner

Monday-Friday

08:00 a.m. - 10:30 p.m.: Workshop Sessions  
10:30 a.m. - 10:45 a.m.: Morning Break  
10:45 a.m. - 12:45 p.m.: Workshop Session  
12:45 p.m. - 02:00 p.m.: Luncheon Break  
02:00 p.m. - 03:30 p.m.: Workshop Session  
03:30 p.m. - 03:45 p.m.: Afternoon Break  
03:45 p.m. - 05:00 p.m.: Workshop Session\*

\* Sessions may run to 5:30 p.m. if necessary

Friday Evening

07:00 p.m. - 09:00 p.m.: Closing Dinner

6. Workshop Logistics

Remarks as appropriate.

120m B. OPENING DINNER

7:00-  
9:00

MAKE EVENING READING ASSIGNMENT: Items #s 7 through 17, and Appendices A, B, C and D.

MONDAY MORNING (285 minutes, including a 15 minute break, are programmed out of 285 minutes)

5m Call group to order

8:00-  
8:05

SUBSTANTIVE PROGRAM ON PLANNING AND BUDGETING

A. RELATIONSHIP OF PLANNING TO FINANCIAL MANAGEMENT TO PUBLIC FINANCE

We'd like to begin this workshop by putting (1) the subject of planning and budgeting into the overall context of the job of the financial manager and (2) the work of the financial manager into the context of the local authority's overall concern with sound public finance.

20m 1. Importance of Sound Public Finance at the level of local Authorities.

8:05-  
8:25

Let's start with public finance, which is extremely important to a local government. Ask how, from the point of view of an economist or a political scientist, we might define "public finance"?

The answer is that public finance is the name given to the economic side of the total activity of a local authority.

The political scientist will say that a local government is formed to provide for the needs of a given local population.

Ask what political and economic principle determines what should be done at the local government level as distinguished from what is done by the central government and what by the wananchi themselves?

The answer is that those things that can best be provided through common action at the local level should constitute the responsibilities of the local government.

Refer to Item #3: "Public Finance at the Local Level" (diagram).

As Item #3 indicates, these needs and services include infrastructure such as roads; major services such as water and electricity; facilities such as markets and slaughterhouses; safety and security in the form of askari and fire forces; education; health; and many others.

On the one hand, as Item #3 indicates, carrying out these activities causes the expenditures of the local authority. On the other hand, to provide for these needs requires an inflow of money.

Ask where this money comes from?

The answer is, as also shown in Item #3, that the revenue comes from:

- o the citizens themselves through charges for services rendered;
- o also from the citizens, fees, licenses, and taxes;
- o borrowing from the central government and other sources;
- o increasingly limited grants from the central government; and
- o grants from outside agencies, sometimes foreign national or international.

The boxes on the extreme right side of Item #3 indicate that the matching both short-range and long-range (1) of the expenditures to meet the needs of the wananchi and (2) of the raising, preservation, and management of funds to pay for meeting these needs is the subject matter of public finance. On the sound handling of this responsibility depends the health -- indeed, the very existence -- of the local authority.

Refer to Item #4: "How the Local Financial Manager Looks on Public Finance" (diagram)

Item #4 looks at public finance in a different way -- i.e., from the point of view of the finance committee, clerk, and treasurer --- more like an income and expenditure statement. As you can see, it is still the needs of the community and the services provided to meet these needs that are responsible indirectly and directly for all revenue and expenditures. However, in this exhibit primary emphasis is put on balancing revenue and expenditure so as to yield satisfactory operating and overall results.

The leader should review the content of Item #4 with the participants.

Discussion

10m 2. Excellent Financial Management as the Key to Sound Public Finance

8:25-  
8:35

Ask, from the point of view of management, on what sound public finance depends?

Many good answers may be given. One especially useful answer is that sound public finance depends on excellent financial management and that this depends, in turn, on the management work of specialized personnel -- i.e., in the local authority, on the work of the treasurer and his staff..

Ask why sound financial management depends on the work of specialized personnel trained in financial management?

The answer is because:

- o the whole area of public finance, at the local authority level, cannot be seen -- or managed -- by the operating department heads who are responsible in their individual areas for bringing in the various revenues and for expenditures,
- o but only by the professional financial manager, i.e., the treasurer, who is required to oversee and balance the overall picture of expenditures and income.

We are not leaving out the department heads and section heads who must also accept the responsibility to be the financial managers of the resources entrusted to their control and of the expenditures made with these resources.

But it is the local authority's overall financial manager, i.e. the treasurer, who in public finance matters is always at the right hand of both (1) the chief administrator, i.e. the clerk, and (2) higher-level authority, i.e., the council and its finance committee.

Discussion

10m 3. Good Planning as an Essential Element of Excellent Financial Management

8:35-  
8:45

But excellent financial management and sound public finance don't just happen. Rather, a great deal of attention must be given to them.

- o Needs of the wananchi and assumptions as to the nature of the evolving environment must be set forth;
- o long-range goals must be set;
- o more immediate objectives must be determined;
- o programs to achieve these objectives must be thought out, including the work to be performed, when it is to be done, and who is to do it;
- o these work plans must be costed out, sources of income to pay for them determined, and the costs and income incorporated in budgets that, once approved, will provide the resources to carry out the work to be done; and, finally,
- o policy guidelines to cover major issues that will arise, and procedures spelling out how the work is to be performed, must be thought out and put in place.

Refer to Item #5: "Management Functions Performed by the Good financial Manager" (diagram).

Item #5 illustrates, from a broad management point of view, the work of a good financial manager -- including Planning, Organizing, Staffing, Leading, and Controlling. Item #5 also illustrates the twenty-three principal management activities that comprise these five major management functions. Our several workshops touch, in various ways, on all of these responsibilities.

Discussion

B. SOUND PLANNING AS THE FIRST MAJOR RESPONSIBILITY OF THE WORK OF THE FINANCIAL MANAGER AND FIRST STEP IN THE FINANCIAL MANAGEMENT CYCLE

But it is the responsibility for planning and budgeting, which all of you share in some degree, that is the focus of this particular management workshop.

10m Introduction

8:45-  
8:55

Sound planning is not only the first major responsibility of the management work of the financial manager. It is also the first step in the financial management cycle.

Refer to Item #6: "Another View of What Good Financial Management Involves" (diagram).

Good financial management begins with Planning including Budgeting, and goes on to Generating Revenue, Managing and Controlling Expenditures, and Evaluating and Reporting, all of which are supported by Organizing, Staffing and Leading.

As you will note in Item #6, our present series of workshops is organized around these several elements of the financial management cycle.

Refer to Item #7 "Planning Elements and Considerations" (outline).

Item #7 is included for your reference purposes as more or less of an outline of the planning elements and considerations that make up the contents of this workshop.

Discussion

30m 1. Planning Required for All Aspects of a Local Authority's Activities

8:55-  
9:25

a. Planning for Capital Projects

Everyone recognizes the necessity to develop excellent plans for a capital investment project.

Ask what are some examples of projects for which such plans are always necessary?

The answer is such things as:

- o Markets
- o Bus parks
- o Slaughterhouses
- o Housing
- o Sewers
- o Water systems
- o Roads
- o Town hall
- o Stadium
- o Etc.

Discussion

b. Planning for Operating Activities

But many of us don't recognize the equal importance of planning for our normal, on-going operating activities and for administrative and financial support to them -- or we only give lip service to planning for them.

Ask what are some examples of ongoing operating activities of local authorities that should be planned for?

The answer is such things as:

- o Police services
- o Fire services
- o Health services
- o Highway maintenance
- o Recreational services
- o Education programs
- o Market operations
- o Bus park operations
- o Slaughterhouse operations
- o Housing operations
- o Sewerage operations
- o Water system operations
- o Etc.

Discussion

c. Planning for Administrative and financial Supports

Ask what are some examples of administrative and financial support activities of local authorities that should be planned for?

The answer is such things as:

o Administrative supports

- Human resources - personnel needs (in 1986, Kisumu had 1800 employees, Mombasa 2,800, and Nairobi 10,000 - imagine the scope of planning required for their recruitment, training, compensation, promotion, transfer, retirement, etc.)
- Tools - equipment requirements (typewriters, adding machines, calculators, other office equipment, cooling and heating systems, trucks, automobiles, heavy equipment, etc.)
- Software - supplies (paper, pencils, and other office needs, cleaning supplies, etc.)
- Utilities - electrical, water, and sewage needs for the town administration
- Facilities - owned and rented buildings for administrative staff and physical operations - town hall, housing, garages, etc.
- Etc.

o Financial requirements

- Budgeting
- Improved controls over revenue generation and collections
- Improved management of local authority expenditures and controls over them
- Borrowings and repayments by the local authority
- Etc.

Ask whether in any typical year the most human and financial resources are devoted by the local authority to capital projects or to operating programs and administrative support activities?

The answer will be that the most resources are devoted to operating programs and administrative support activities.

Ask whether the local authority's activities in any one year will typically have their greatest local impact on a local resident as a result of that year's capital expenditures or of its broad programs of local services and activities?

The answer will be that the greatest impact will be through the broad programs of local services and activities.

Ask where, then, in developing good long-range and short-range plans, including financial plans and budgets, the greatest attention should be given?

The answer will be that the greatest attention should be given to planning for the broad program of local services and activities.

Refer to Item No. 8: "Planning Responsibilities of Local Authorities" (diagram).

Item # 8 seeks to illustrate the relative proportions of attention that should be given to various aspects of local authority concerns.

Capital project planning is very important. But one of the major concepts to which this workshop is committed is that good planning is, to a far greater extent, required for your ongoing programs and supports -- where you collect the most in resources from your local wananchi, spend the most money, and have the greatest impact.

Discussion

10m 2. Two Major Categories of Plans and Budgets\*

9:25-  
9:35

Throughout this workshop, we will be constantly faced with the need to recognize that planning and budgeting needs can be broken down into two different categories:

- o planning and budgeting for the work of an organization, and
- o planning and budgeting for a time-limited project.

a. Work of an Organization

Ask for examples of organization units for which ongoing planning is required?

The answer is:

- o The local authority overall
- o Departments (treasurer's, public health, etc.)
- o Sections (chief accountant, veterinary, etc.)
- o Other units administering major ongoing activities (markets, slaughterhouse, etc.)

b. Carrying Out of a Project

Ask what might be examples of projects for which unique, one-time planning is required?

The answer is projects -- both capital and non-capital -- such as:

- o New slaughterhouses
- o Market expansions
- o Computerizations
- o New personnel systems
- o New planning systems

We will be dealing with both types of plans and budgets over the next several days. Regardless of whether we use a project or an organization to illustrate the concepts involved, with appropriate adaptation everything that we will be discussing will apply both to planning for an organization and planning for a project.

Discussion

\*This Section 2 is not very important or significant -- don't make too much of it.

3. Long-range Planning Undertaken First

Both long-range and short-range planning are required.

15m

a. Importance of Long-range Planning

9:35-  
9:50

Ask whether we should start our planning with long-range or with short-range planning?

The answer is that we should start with the long-range plan so that we will know where we want the next several years' short-range plans to take us. If we start with the short-range plan, we may never identify our long-range goals.

Cities built years ago often grew helter skelter with, for example, roads running every which way following brooks, cattle paths, and the like. One does not today, however, begin a road network by following old cattle paths -- or by planning only for a 20 kilometer stretch to be built next year. Today, if we are going to build a road it is necessary to know:

- o where the road is going to lead;
- o how it will fit into the highway pattern connecting major urban centers;
- o how the entire road network will ultimately relate to the population distribution and geographical topography of the country;
- o what is the long-range weather pattern;
- o what is the structure of the soils that are to bear the weight of the pavement and traffic; and
- o many more factors.

Furthermore, if we plunk down our first school in a new neighbourhood in the middle of its present population area, it may be poorly placed when population growth compels us to build the second and third ones.

10m b. Time Span(s) of Long-range Plans

9:50-  
10:00

Ask how far out must we plan, i.e., how long is long-range planning?

The answers given may be such things as:

- o 3 or 5 or 10 years
  - Someone may suggest 3 to 5 years because that is the time span of Kenyan government Forward Budgeting.
  - Others may suggest 5 years because it is the time span of the national government's Development Plans or of LADPs or because that is the time span often adopted for a long-range plan.
- o Life of the asset or program
- o Period it takes to recover -- i.e., fully amortize -- our costs, our investment.
- o Estimated period to obsolescence of our investment

Answers given will probably all have some merit. But an answer that can apply to all long-range planning -- a statement of guiding principle -- is that the time span of planning should look out for that period of time on which we need information and assumptions in order to make sound current and near-term decisions, e.g.:

- o for the anticipated life of our present commitment (e.g., oil production leases; loan repayment periods for housing), or
- o until amortization is complete (water system), or
- o until obsolescence occurs (e.g., computer equipment, communications system, school buildings), or
- o until broad programs, initiated now, can be finally completed (e.g., multi-year programs for training, improving personnel systems, improving security and fire services, eliminating malaria or other communicable diseases, improving revenue collection).

It is the same for planning for a public market, a housing project, or a slaughterhouse. Indeed, undertaking anything that will last a long time requires, as the first step, planning for that long-range period.

These above answers are for major projects.

Ask whether we should also look out beyond one year as we develop the regular annual operating program and budget for our local authority?

The answer is that local authorities should look out for longer periods of time in planning for their regular operating programs.

Ask why they should?

The answer is that they must know where they want to be 3 and 5 and sometimes 10 years down the road in order to develop sound current programs as the first steps in getting them toward their long-range goals.

Ask for examples?

Answers might be things such as the following:

- o If we plan to provide training to our staff in our next year's program, we should know how it will relate to training needs in future years.
- o If we hope to strengthen our staff in stages over the next few years, we should have some idea of the size, type, and quality of staff we will need three and four years from now.
- o If we are going to undertake to strengthen the communications support to our security and fire forces, we need to know what we expect our total communication systems to be like two or three years down the road.
- o Etc.

For temporary employment of young people during school recesses, or planning for a vacation period recreation program in our parks, planning for 10-12 weeks may be enough.

But in planning for a new highway, or a new school, or improvement in our current operations, our time span needs to look out over the period of time those resources will be in use or our plans will be underway. Otherwise, we may over-size or under-size the facility, fail to provide flexibility for further growth or change, or otherwise fail to provide adequately for the future.

Ask, having stated this principle, what is the most common time span adopted by organizations for what they call their long-range planning?

The answer is that across-the-board long-range planning for an organization usually settles for a period of perhaps three to five years for real long-term program building even though planning for a few long-range projects and programs still may need to look out for periods such as 10-50 years.

Discussion

10m c. Detail Required in Long-range Plans

10:00

Ask how much detail is required in the long-range plan? .

10:10

Lots of answers can be given, most probably containing some truth. However, the answer, in principle, that will apply to all long-range planning, is that degree of detail required to make sound current and near-term decisions.

If the plan is for a five-year road-building program, a very great amount of detail is required regarding route, width of highway, depth and composition of road surface, traffic patterns, construction schedule, labor availability, raw material supply, and the like.

However, for a training program for workers in a given department, one that you broadly lay out over, say, a two-or-three-year period, very little detail may be required past the first 6-12 months.

Discussion

- 5m d. Financial Representation of Long-Range Plans 10:10-10:15

In any case, we must not forget that our long-range plan must include a long-range financial plan for the income and expenditures that will be required to accomplish it. This long-range financial plan is the long-range plan's equivalent of the annual budget that we must develop as part of our short-range plan. Without these financial plans, we cannot assess the practicability and feasibility of our overall long-range plan.

Discussion

- 5m e. Long-Range Plan a Detailed Guide to Action or Merely a Signpost? 10:15-10:20

Ask whether, once it is developed, the long-range plan is (1) a detailed guide to action or (2) more of a signpost pointing the general direction we should go? Perhaps the question is better stated as whether, once the long-range plan has been developed, is it to be faithfully adhered to and followed, step by step, without change over the years ahead?

The answer -- which may not be obvious -- is that all any plan can be is our best assessment of what we should do in the future -- to be modified as future conditions change from our initial expectations.

Remember that the only thing we know for sure about the future is that it will be different than what we now expect. In consequence, we must be prepared to modify our future long-range plans whenever our basic assumptions need to be modified.

For example, if we begin digging a cut through a range of hills for our highway and encounter unexpected conditions such as rock where we expected soil, or quicksand where we expected a firm base, we need to be prepared to modify our long-range plan.

We dare not look on a long-range plan as something we must slavishly follow over the years ahead.

The planning process is like a seek-and-destroy missile launched against an enemy's warhead. The missile starts out on a pre-programmed path but constantly modifies its course as its sensors and computer systems detect changes in the direction and speed of the warhead that it is seeking to destroy.

In like manner, our long-range plans need to be continually updated and adjusted in light of evolving circumstances and changes in our basic assumptions about future conditions.

Discussion

10m

f. Updating of long-Range Plans

10:20-  
10:30

This brings us to our final point regarding long-range planning. To be effective, we should periodically update and extend our long-range plans.

Ask how often should we update our long-range plan?

The answer is that, ideally, every year we should drop off the year completed, add a new year to our time horizon, and modify the plan in light of evolving circumstances.

Discussion

15m MORNING BREAK

10:30-  
10:45

4. Short-Range Planning as the Immediate Step Ahead in Implementing the Long-Range Plan

Short-range planning must also be undertaken.

5m

a. Short-range Planning Following on Long-Range Planning

10:45  
10:50

With the long-range plan defined, the local authority manager must lay out in considerably greater detail and for a closer-in period of time:

- o a set of more immediate objectives defining what he wants to achieve,
- o the program of work to be carried out to achieve those objectives, and
- o a statement of the income and expenditures that will be required

This work is that of developing the short-range plan, including the budget.

Discussion

15m

b. Time Span(s) of Short-range Plans

10:50-  
11:05

Ask how long a period of time should the short-range plan be for?

The answer depends, as for the long-range plan, on what is being planned for. But modern organizations have generally settled on developing a major short-range plan for the coming twelve months, i.e., the year ahead.

Discussion

10m

c. Relation of the Short-range Plan to the Long-range Plan

11:05-  
11:15

Ask how the short-range annual plan relates to the long-range plan?

The answer, which must be apparent, is that the short-range annual plan is the first year of the long-range plan, but necessarily put under a magnifying glass and with a great deal more detail set forth.

Refer to Item # 9 "Relationship between Long-range and Short-range Plans" (diagram).

The top half of Item #9 illustrates the relationship between the long-range and the short-range plan, the short-range plan being a much expanded version of the first year of the long-range plan.

The bottom half of the diagram illustrates a typical schedule, for a July-June fiscal year, for the updating each year of long-range plans and development of the short-range annual plan. No effort is made here to relate this model to specific Kenyan government timing requirements.

Discussion

10m d. Detail Required in Short-range Plans

11:15-  
11:25

Ask how much and what type of detail is required in the short-range plan?

The answer is that now we need to specify exactly:

- o what we want to achieve;
- o what work is required to achieve it;
- o what our month-by-month, and perhaps week-by-week, schedule is to be;
- o who is to be responsible for -- and who is to perform -- the work; and
- o what expenditures will be incurred and what our amounts and sources of income will be.

Obviously, the short-range plan for the year ahead is itself composed of many even shorter-range plans. Thus, as time passes, lower-level managers will be developing still more detailed shorter-range plans for the half-year, quarter, month, week, and even day and hours ahead.

Discussion

10m e. Short-range Plan a Detailed Guide to Action or Merely a Signpost? 11:25-11:35

Let us again ask -- but this time for the short-range plan -- whether this plan is a detailed guide to action or merely a signpost as to general direction?

The answer is, on the one hand, in principle, the same as for the long-range plan, but, on the other hand, in real practice, somewhat different.

- o We must, of course, be prepared to modify the short-range plan as changing circumstances require
- o But, as a matter of real fact, the closer we get to actually performing work -- that is, the closer in and the shorter the time period of our plan -- the less opportunity we will have to modify our short-range plan and the more we will find that it is becoming a more-or-less rigid guide to what we will do.

For example, if we acquire a piece of land and start to build a building on it, we will soon have no opportunity to modify our short-range plan regarding placement of the building on the site; its length, width and height; the materials to be used; and the like.

Nevertheless, even the short-range plan must be continually scrutinized and modified -- as this may still be possible -- when actual conditions prove to be different than we anticipated.

15m 5. Long-range Financial Planning and Short-range Budgeting as Integral Parts of Planning 11:35-11:50

A plan that comprises only goals and objectives, and work to be performed, is not enough. As noted in discussing the long-range plan, it is always necessary to develop, in the case of the long range plan, a long-range financial plan, and in the case of the short-range plan, the short-range budget.

In fact, the budget may be looked on as the mirror image, in financial terms, of the program of work to be carried out.

Refer to Item # 10 Programs and Budgets - A Mirror Image.

a. Long-range Financial Plans

The long-range plan is not complete until, in addition to defining what you want to achieve and what work is to be done to achieve it, you have determined what it will cost to carry it out and where you will secure the money to pay for these costs.

Discussion

b. Short-range Annual Budgets

We are, of course, more familiar with the fact that our plan for the year ahead must include not only (1) the program of work to be carried out but also (2) the costs of performing this work and the sources and amounts of funds to pay for it.

In fact, all too often in our short-range planning, we focus almost entirely on the expenditure and income figures, i.e., our annual budget, and pay relatively little attention to the objectives and work program themselves.

Refer to Item # 11 "Planning as It Is Done and as It Should Be Done" (diagram)

Item #11 illustrates the following:

- o in long-range planning, usually we do not devote enough attention to the work to be carried out and even less to the long-range financial plan, and,
- o in short-range planning, while we often devote adequate attention to the budget figures themselves, we usually underemphasize defining our objectives and developing and describing our work program.

Discussion

2. KENYAN GOVERNMENT PROCESSES AND EXPECTATIONS REGARDING PLANNING AND BUDGETING

Now we'd like to turn to an examination of Kenya government processes and expectations regarding planning and budgeting.

1. Local Authority Planning

Let's start out with planning at the level of local authorities.

5m

a. Contribution to the National Government's five-year Development Plans

11:50-  
12:15

Local authorities have been required in the past, and can be expected to be required in the future, to make planning contributions to the Kenyan government's five-year Development Plans.

Ask what were the contributions expected of local authorities in connection with the development in 1983 of the Kenyan government's current five year plan?

The leader should note participants' answers.

- o Explore with participants whether their contributions did not consist mainly of detailed lists of possible capital projects.
- o Try to get participants to see -- without seeming to criticize them -- that these contributions do not equate to the preparation of meaningful and realistic five year plans by and for local authorities. Note that these planning contributions are not updated each year -- as would be required to maintain them as meaningful guidance to local councils.

Discussion

30m b. One-Year Estimates of Local Authorities

12:1  
12:4

Next, we would like to discuss the planning you do in connection with the preparation of your Annual Estimates.\*

Refer to Appendix A "Estimates and Related Matters - 1984", Circular No. 20/83, Ministry of Local Government, August 31, 1983

Appendix A provides the MLG's instructions for preparing the draft estimates for 1984.

Refer to Appendix B "Local Authority Estimates 1985", Circular No. 28/34, Ministry of Local Government, October 10, 1984

Appendix B provides the MLG's instructions for the preparation of estimates or budgets:

- o first for January-June 1985, to be submitted by November 30, 1984, and
- o second, for July 1985-June 1986, to be submitted by February 28, 1985.

Refer to Item #12 "Excerpts from 'Estimates and Related Matters - 1984'", Circular 20/83, Ministry of Local Government, August 31, 1983.

\* Lead a discussion about what regular iterative planning is carried out by local authorities. The discussion should lead to the conclusions that systematic planning by local authorities is almost entirely limited to preparation of the statistical schedules required for the annual estimates. This represents, in the main, "incremental budgeting", i.e., the adjustment -- usually upward -- of the current year's shilling figures for each budget item in light of (1) revenue prospects for the year ahead and (2) expected cost increases.

This item is programmed for one hour from 12:15 - 12:45 and, after lunch, from 2:05 - 2:35. Probably the major presentation should be made before lunch and the major discussion should occur after lunch.

Item #12 excerpts the following key points from the MLG's instructions for preparing the 1984 draft estimates, i.e., from Appendix A. These key points are listed in the next page or two herein. But it will be easiest for the workshop leader to turn to Item #12, which participants have in front of them, and review the key points with them.

The following summarizes the key excerpts contained in Item #12.

- o The treasurers are responsible for advising the councils, through the finance committees, on these budget matters.
- o The clerks are to ensure proper coordination with and cooperation by every department
- o The treasurers are to keep in constant touch with provincial local government officers.
- o Minutes of the Finance and General Purposes Committee approving the 1984 budget, together with a copy of the committee chairman's speech highlighting the 1984 budget, are to be provided.
- o A variety of schedules and statements are to be prepared, mainly:
  - For income and expenditures:
    - Actual figures for the most recent completed year (1982)
    - Approved and revised estimated financial figures for the current year (1983)
    - Budget estimates for the budget year ahead (1984)

- Positions of individual funds
- Approved overdraft facility during the current year (1983) and amount thereof utilized
- Projected cash flow statement for the forthcoming budget year (1984)
- Staff numbers, staff list, and list of employees who will be 55 years of age during the budget year (1984)
- List of capital programs (for 1984) to be limited to those "whose sources of finance have been identified and commitment obtained from the financing institutions to the effect that funds would be made available in 1984"
- o The treasurers are to provide notes explaining figures that vary significantly from the previous year and new items of expenditures.
- o Proposed revised fees and charges are to be submitted early and separately -- i.e., by September 30, 1983 -- to make it possible for approval to be given in time to make collection possible starting the first day of the budget year (January 1, 1984).
- o Estimates are to be submitted by October 15, 1983, to provincial local government officers and to Ministry headquarters by November 15, 1983.

To summarize, Kenyan local authorities are asked only to provide:

- o first, figure data on:
  - income and expenditures for past, current, and the forthcoming budget years, and
  - position of funds and overdrafts;

- o second, data on staff:
- o third, a simple listing of capital projects; and
- o fourth, the treasurer's notes and the finance committee chairman's budget speech, which are the only information required to be provided on the current and future situation, needs, problems, objectives, priorities, work programmes, and the like.

Without appearing to criticize the local authorities, attempt to get recognition that generally budget figures are essentially submitted without any meaningful description of the programs that they are intended to finance.

- o The speech of the finance committee chairman ordinarily provides a one or two-page introduction to the estimates document and does not purport to be a statement of the local authority's anticipated situation, needs and problems, objectives, priorities, strategy, objectives, and work programs to be carried out.
- o The treasurer's notes are ordinarily quite abbreviated, limited to explaining in a few words (1) major variations from the prior year's expenditure levels and (2) major new items of expenditures.
- o It has been observed that in some cases neither the finance committee chairman's speech nor the treasurer's notes have been submitted at all.
- o An occasional local authority does attempt to provide, in the context of the finance committee chairman's remarks, a fairly lucid description of at least some vital overall aspects of the local situation anticipated for the year ahead.

- o At least one local authority has placed the treasurer's notes immediately following the finance committee chairman's remarks and ahead of the budget tables realizing that some substantive explanation of the budget figures should be presented to the finance committee, council and Ministry of Local Government as a preface to -- and before plunging the reader into an examination of -- the columns of figures.\*
  
- o Moreover, there is no information requested and typically none provided to explain and justify the capital project list, this list generally being limited to a one-page listing of capital items and amounts to be expended therefore.

Discussion

75m LUNCHEON BREAK

12:45-  
2:00

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\*It is also not uncommon (1) for columns of figures in these submissions not to add up to totals shown and (2) for a given figure in a summary table ---say a department's total expenditures --- to differ from the figure for the supposedly identical total found in following detailed tabulations, etc.

MONDAY AFTERNOON (180 minutes, including a 15 minute break, programmed out of 180 minutes)

Call group to order

2:00-  
2:05

C. KENYAN GOVERNMENT PROCESSES AND EXPECTATIONS REGARDING PLANNING AND BUDGETING

1. Local Authority Planning, cont

b. One-year Estimates of Local Authorities

2:05-  
2:35

Continue morning's presentation and discussion

c. Local Authority Development Program

2:35-  
3:00

One additional systematic planning exercise being initiated at the local authority level is the requirement for preparation by some local authorities of a Local Authority Development Program.

Refer to Item # 13 "Excerpts from 'Local Authority Development Programme Guidelines To Assist in Development Project Planning and Implementation -- Manual One: Preparing Development Programmes'", Ministry of Local Government, January 1985.

As Item # 13 indicates, the LADP is intended as a strategy for the local area's development, via capital projects, over a coming five-year period. It is to be updated annually. It is intended to predicate the development of capital projects on a very extensive survey of the community and an intensive process of capital project development.

Until late 1986, only the 15 local authorities participating in the USAID-sponsored Small Towns Project had been asked to submit LADPs. At that time the MLG intended to request LADPs from some nine or so added local authorities in the near future. Sessional Paper # 1 of 1986 indicated that all local authorities would eventually be asked to develop LADPs.

The LADP, after review and approval by the local council, is to be reviewed by the District Development Committee, reviewed by an inter-ministerial board, and finally reviewed and approved by the MLG.

Where an LADP has been prepared, it is to be the basis for the council's page-or-two listing of projects and amounts that is included in the Annual Estimates submitted to the MLG.

Ask those local authorities that are currently participating in the LADP program to comment on their experience with it.

The leader should note and lead a discussion of answers given by participants.

The LADP is a relatively new process. LADPs submitted to the MLG thus far have frequently fallen short -- at least initially -- of expectations in terms both of (1) process requirements and (2) written program results.

Discussion

30m d. District Focus

3:00--  
3:30

Local authorities are also expected to participate in planning activities under the District Focus for Rural Development program.

Refer to Item # 14 "Excerpts from Documents Relating to District Focus".

Item # 14 excerpts pertinent language from several sources to indicate the relationship, in terms of planning and budgeting, between local authorities and the District Focus program. Points made in Item 14 include the following. (Turn to Item # 14 and review key language with participants as listed also below.)

- o From the LADP manual:
  - The LADP report is to be sent to the District Development Committee (DDC) for its review and comments, and the council is to consider and make appropriate changes in light of any such comments by the DDC.
- o From the basic District Focus document:
  - The district responsibility for planning covers projects supported by local authorities.
  - Local authorities have a special relationship with the DDCs as follows:
    - (i) Local authorities are to vet their development projects through the DDC before forwarding them to the MLG to enable the DDC to coordinate these projects with other district development activities.
    - (ii) DDC endorsement of such local authority projects is necessary to assure the MLG that the proposals have been reviewed and are consistent with district development priorities.

- The COK feels so strongly about the importance of this coordination that the District focus document states that local authorities should, to facilitate coordination, adjust their fiscal year to coincide with that of the central government.

Divisional Development Committee membership is to include councillors of local authorities.

- o From "District Focus Circular No. 1/85", August 27, 1985, i.e., the current update of the basic District focus document:
  - Local authority projects must be discussed by the Divisional Development Committees before submission to the District Development Committees in order to ensure that grass roots inputs are incorporated in the local authority's project proposals.

Ask participants what their experience is with the District focus programs and the DDCs. Lead a discussion that allows the expression of both positive and negative points of view. But conclude the discussion by "admitting" problems but pointing out the necessity of cooperating with this important Kenyan program and making it work.

Discussion

15m AFTERNOON BREAK

3:30-  
3:45

15m 2. National Government Five-Year Development Plans

3:45-  
4:00

This is not a workshop intended primarily to familiarize you with the Kenyan Government's planning and budgeting requirements. However, in carrying out our workshop, it is certain that matters relating to the GOK's requirements will frequently arise. So we would like to review with you the formal planning activities of the national government and its ministries and parastatals.

Since the Kenyan Government's preparation of the first six-year Development Plan covering 1964-1970, the government has regularly compiled such plans for succeeding five year periods. The last such exercise, the fifth, was completed in 1983 for the period 1984-1988. The product of this planning effort was published as the "Development Plan 1984-1988", dated 1983.

Ask if this national long range planning exercise is useful and why?

The answers given will, surely, assert that these five-year plans are useful and will indicate why.

Let us look at this last five year planning document more carefully. It was prepared on the basis of five year planning submissions made by the several ministries, parastatals, and local authorities. As we have earlier discussed, each local authority was asked to submit its own recommended five-year development plan, defined at the time as mainly comprising capital projects.

The resultant Kenyan government document covered the following major sections:

- o Progress since independence
- o Strategy for future development
- o National development targets
- o Fiscal policy and the District Focus
- o Financial aspects of development
- o Sectoral patterns of development

This latter section on "Sectoral Patterns of Development" incorporated goals and objectives, programs, anticipated income, and planned recurrent or operating, and capital, expenditures for the five-year period for all basic sectors of the Kenyan economy, under the following broad headings:

- o Basic infrastructure
- o Social infrastructure
- o Primary production
- o Manufacturing, commerce and tourism
- o Other government services

This most recent national Development Plan is continuing to provide direction to the government and its ministries and parastatals as they move ahead with the development of their shorter-range - three to five years and one-year - plans and budgets for recurrent and capital expenditures.

But please note that the great bulk of the summary national Development Plan consists of written language describing needs, objectives, priorities, and programs. Tabulations of anticipated income and expenditure - which comprise the great bulk of local authority submissions of plans and budgets - occupy only a few brief pages in the Kenyan government's five year Development Plan.

3. Ministries, District Focus, and Parastatal Planning

Each year, the national government's ministries and parastatals are asked by the Ministry of Finance to prepare both long range and short range plans.

30m

a. Three-year Plans of Ministries, District Focus, and Parastatals

4:00-  
4:30

The Ministry of Finance issues each year instructions to ministries requesting them to prepare what is called the "Programme Review and Forward Budget" for three years ahead.

Refer to Appendix C "Treasury Circular No. 5 - Programme Review and Forward Budget 1985/86-1988/89", Ministry of Finance and Planning, July 12, 1985, pp 1 - 11 of 31 pages.

Your attention is specifically called to language from Appendix C, Treasury Circular # 5, which is excerpted separately as Item # 15.

Refer to Item # 15 "Excerpts from Treasury Circular # 5 - Programme Review and Forward Budget 1985/86-1988/89", Ministry of Finance and Planning, July 12, 1985.

Item # 15 makes the following clear. (The leader should turn to Item # 15 and review the key - underlined - language with the participants as also summarized below.)

- o This exercise of preparing the three-year forward budget is an important tool for planning. It has not been done as well as it should. It must be taken more seriously.
- o The Treasury will regard the three-year budget so seriously that it will not consider for inclusion in the next year's budget any program unless it is also included in these three-year planning statements.
- o A careful review of all current operating activities is essential as a basis for development of plans for recurrent expenditures.
- o Both parastatals and districts are to be fully involved and included in the development of these three year plans.

As Item # 15 further makes clear, for the recurrent forward budget, i.e., for operating programs, services and activities, Treasury Circular No. 5 requires that the three-year planning statements include:

- o A policy statement indicating priorities for the departments and operating programs -- i.e., the services, activities, and physical infrastructure -- to be financed by the recurrent or operating budget.
- o Yet more detailed statements for each major expenditure area within each head\* (i.e., project, program, or activity) -- though for years 2 and 3 the statement could be on a head basis only but "highlighting the major factors influencing gross expenditure and AIA's".
- o Remarks and program statements for each head, covering:
  - Objectives of the activities planned, and needs to which the activities are addressed.
  - Evaluation of anticipated outputs or performance related to the stated objectives and targets during each one of the three forward years
  - Funding implications of any development activities requiring recurrent funds.

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\*"Vote" means a ministry's total recurrent or development budget.

"Sub-vote" means a ministry's component organizational units, i.e., its distinct divisions or departments.

"Head" means projects, programs, or activities.

"Sub-head" means projects, programs, or activities that are components of heads or larger projects.

"Items" are the lowest level of disaggregation in the budget and typically represent a type of expenditure, e.g., Personal Emoluments or Transport Operating Expenses.

For the development forward budget, Item # 15 makes clear that Treasury Circular No. 5 also requires the following:

- o A policy statement with priorities for investments and development programs within the sector and for major projects/programs in each sub sector.
- o A budget summary for each sub-vote (component organizational unit) and head (project, program, or activity).
- o Details of the three year development budget showing source, type and repayment terms for financing.
- o Considerable added detail on the ministry's total project list including those deferred, phased out, redesigned, or cancelled to provide funding for projects to be implemented.
- o Very detailed information on each individual project to be included in the three year program.

For 1986/87, these three-year plans were to be submitted by ministries and parastatals as early as possible and not later than October 15, 1985.

In addition to the information in Treasury Circular No. 5, added information on the GOK's expectations regarding long range planning is provided in a related document issued by the Ministry of Finance. This document predicated the Budget Rationalization Programme on a candid and explicit written assessment of key needs and problems facing Kenya.

Refer to Item No. 16 "Excerpts from 'Workshop Brief 1/85 -- Budget Rationalization Programme and Guidelines for Programme Review and Forward Budget, 1985/86 - 1988/89", Ministry of Finance and Planning.

Excerpts from this document are provided in Item # 16 which makes the following added key points. (The leader should turn to Item # 16 and review the key -- underlined -- language with participants.)

- o The quality of the programs on which budgets are based needs to be "improved considerably"
- o The forward budget should be considered essentially as a planning exercise.
- o The distinction between the two processes, the forward budget and the draft estimates, is very clear.
  - The forward budget is a planning exercise
  - The draft estimates translate the forward budget into budgetary allocations and provide one more opportunity to fine-tune the proposals in the forward budget in light of more recent information on the resource position, implementation record and common financial guidelines.

- o The forward budget process involves the modern approaches of (1) zero-based budgeting, i.e., evaluating existing programs from the ground up, (2) establishing priorities, and (3) full costing of programs and projects including calculating the costs that must be met through the recurrent budget. Thus:

- "Zero-based budgeting":  
Budget discussions at the planning stage should be made without any presumption that a given service/activity should continue more or less along its present lines. Therefore all ongoing activities and projects should be very carefully reviewed to assess benefits being generated and the process of implementation.

- Establishing priorities:  
Operating ministries should clearly identify and prioritize Government services, activities and infrastructure, expenditures on which will lead to maximum returns or benefits in the present circumstances, and establish priorities for investments and development projects within the sector.

- Full costing:  
Full costing of all projects for both construction and implementation is essential.

In addition, mindless across-the-board cuts as a means of budget adjustment should be avoided.

Discussion

30m b. One-year Plans and Estimates of Ministries,  
District focus, and Parastatals

4:30-  
5:00

A recent Ministry of Finance and Planning instruction titled "Draft Estimates of Revenue and Expenditure 1985/86", was issued as Treasury Circular No. 2 to "all accounting officers" as of April 18, 1985, and was to cover the fiscal year 1985/86.

Refer to Appendix D "Treasury Circular No. 2 -- Draft Estimates of Revenue and Expenditure 1985/86", Ministry of Finance and Planning, April 18, 1985.

Generally throughout Appendix D, policy guidelines are provided by the central government to guide ministries in selection of:

- o activities and services in the operating programs, and
- o projects in the development programs.

Standard accounting codes are set out for use by all ministries.

Again, selected language from this circular has been excerpted in Item # 17.

Refer to Item # 17 "Excerpts from 'Treasury Circular No. 2 -- Draft Estimates of Revenue and Expenditure 1985/86'", Ministry of Finance and Planning April 18, 1985.

Item # 17 makes the following clear. (The leader should turn to Item # 17 and review key -- underlined -- language from it with the participants.)

- o District focus programs are to be included in this exercise.
- o The annual estimates are to be supported by the three year plan.

- o The estimates are also to be supported by planning statements for which the shilling figures are simply the financial representation.

Thus, these excerpts include references to:

- o Finalization of ceilings for individual votes (ministries) established after detailed discussions on each vote during preparation of the three-year forward budget
- o Identification of clear priorities
- o Identification of where and how revenues can be raised to pay for extending services to new areas
- o Inclusion of both capital projects and operating funds required for development programs to be implemented at the district level under the District Focus for Rural Development
- o Explanatory notes or briefs giving:
  - a statement of objectives for each sub-vote (major organizational unit), and
  - a description of the work program to be financed for each budget head (project, program or activity) to include "quantitative figures indicating the size or coverage of the program, e.g., the number of veterinary clinical centers, health centers or water schemes in operation, or the number of students enrolled at schools".

These draft one-year program and budget statements were to be submitted by April 29, 1985, for the year beginning July 1, 1985.

MAKE EVENING READING ASSIGNMENT: items #s 19 Through 23 and Appendix E

TUESDAY MORNING (285 minutes, including a 15 minute break,  
programmed out of 285 minutes)

5m Call group to order

8:00  
8:05

C. KENYAN GOVERNMENT PROCESSES AND EXPENDITURES REGARDING  
PLANNING AND BUDGETING, cont.

3. Ministries, District Focus, and Parastatal Planning,  
cont.

5m

c. Summary of Kenyan Government Planning and  
Budgeting Processes

8:05  
8:10

Refer to Appendix E "Excerpt from District  
Focus for Rural Development, Office of the  
President, Revised June 1984 -- Annex II: A  
Short Summary of the G.O.K. Budgetary Process",  
pp. 31-32.

Appendix E of your workshop materials is  
included for your convenience to provide you  
with a short summary (with special attention to  
District Focus) of the GOK's planning and  
budgetary processes.

Discussion

20m 4. Trends in Kenyan Government Planning and Budgeting 8:10-8:30

We have been discussing the present GOK systems for planning and budgeting. Let us consider what seem to be some likely trends.

- o First, the GOK is certainly going to place increased emphasis on good long-range and short-range planning. One indication of this is the recent establishment of the Ministry for Planning and National Development.
- o Second, the Kenyan government fully realizes that riding out present problems and dangers, achieving economic growth, and maintaining political stability require that all of its organizations and sub units participate in highly rational planning processes.
- o Third, District Focus is here to stay for reasons such as the following:
  - Ministries carry out major projects at the the district - i.e., local -- level, and the planning for meeting these local needs should be done closer to where the projects are to be carried out.
  - But such planning and coordination of local ministry projects require taking into account the capital programs carried out by local authorities.
  - Therefore, while the nature and content of the interrelationships between DDCs and local authorities may vary, the District focus is here to stay and all concerned - including the local authorities - must join in helping it to achieve its objectives.
- o Fourth, the GOK is increasingly concerned that the local authorities become more effective in meeting local needs effectively and with highly efficient use of resources. With the example of the long range and short-range planning and budgeting required of ministries, parastatals, and District focus, the Ministry of Local Government is already planning to ask local authorities to adopt similar carefully-designed long-range and short-range planning and budgeting processes.

- o This is expected to lead to requirements that local authorities do the following in future years:
- First, develop/update a 3-5 year plan each year for both recurrent operations and capital projects and review it with MLG staff at the provincial and Nairobi levels, the plan to include:
    - Current economic and social situation and outlook over the years immediately ahead
    - Prioritized needs of the local authority
    - Goals and objectives of the local authority
    - Program of activities to meet these objectives
    - Financial plan for the revenues and expenditures required to carry out the 3-5 year program.
  - Second, develop a little later in the year, for review with provincial and Nairobi levels, the plan for the immediate next year in greater detail, to include:
    - Short-term outlook
    - Prioritized needs
    - Specific objectives for the year ahead
    - Work programs to be undertaken
    - Annual budget estimates of revenues and expenditures to carry out the work programs so as to achieve the objectives.

Discussion

D. ELEMENTS OF PLANNING AND HOW TO CARRY THEM OUT

Planning can be broken down into a number of steps.

10m

1. Good Planning Involves Several Steps

10:15-  
10:25

Every time we set out to do something, each of us goes through the several steps involved in good planning even if we are not conscious of doing so.

- o We choose our mission or purpose
- o We assess the future situation in which we will operate.
- o We decide what we want to accomplish.
- o We decide on the work to be done, when it will be done, and who will do it.
- o We find out what it will cost and where we will get the money to pay for it.
- o We decide that we want to go on a safari.
- o We see that it will be a sunny day -- or look in the newspaper or call the weather service to find out what the weather will be like.
- o We decide to drive to Lake Naivasha for a picnic.
- o I will drive there, you will pack the lunch, and we will both mind the children. We will complete our preparations by about 9:30 am, arrive by 11:00 am, and return by 6:00 pm, before dark.
- o We determine that the costs will include a half tank of gasoline, toll charges, and soft drinks, and we will stop by the bank to get the money.

Ask if there is anything wrong with this type of intuitive planning for all of the work we must do -- and, if so, why?

5. Workshop Exercise: Evaluate Opportunities for Improvement in Planning and Budgeting by Local Authorities

Refer to Item # 18 "Workshop Exercise: Evaluate Opportunities for Improvement in Planning and Budgeting by Local Authorities"

60m	Form into small groups and complete exercise.	8:30-
45m	Ask small groups to report on results of the workshop exercise.	<u>9:30</u> 9:30- 10:15

x

x

x

This concludes our examination of Kenyan government planning and budgeting processes. At this point we will turn to our workshop objective of learning how to do a better job of planning and budgeting in our daily work back home.

The answer is that too often we do much too casual a job of thinking through our plan. Then, when we have carried it out, the results don't measure up to what we wanted --- or the costs are greater than we expected --- or the time required to complete it is greater than we planned.

All of this is to say that we will be better financial managers if we learn consciously how to do the work of developing an excellent plan, including its budget. And that is what we will be spending much of this workshop doing.

Discussion

15m MORNING BREAK

10:25-  
10:40

15m 2. First Step: Defining Mission or Purpose

10:40-  
10:55

The first step is to define our mission or purpose.

a. What is "Mission" or "Purpose"?

Ask what is "mission" or "purpose".

The answer is that it is our broadest notion of (1) the end to be attained, i.e., why we are called into existence, or (2) what we are suppose to achieve.

Discussion

b. Examples of Mission or Purpose

We must start any effort with some notion of what we want to achieve - let's call this our "broad purpose".

Ask what might be the mission or purpose of the new Ministry of Planning and National Development.

The leader should guide the group to a reasonable statement.

Refer to Item # 19 "Examples of Mission or Purpose"

Examples from Item # 19 are the following:

For a Housing Project

To develop 5,000 housing units by 1990 to meet the needs - on the basis of amortization of all capital and operating costs - of the presently unhoused low-income wananchi who have gainful employment in the council's area.

For a Local Authority

To provide to the wananchi -- in implementation of the local Authority Act -- needed programs and services within the geographical area of the council by developing cost-effective organization and staff, facilities, and other resources.

For a Markets Department

To assist in achieving both the delivery of service obligations, and the revenue needs, of the local authority by providing market facilities and support services both (1) to the persons selling fruits and vegetables, meals, and other food-related items and supplies, and items to meet general household needs, and (2) to the wananchi of the council's area and surrounding smaller urban centers.

For Preparation by a Local Authority of a Local Authority Development Program

To develop and secure government approval of a Local Authority Development Program for the council that provides a strategy for the area's development over the next five years, describing the basic needs of the local authority, outlining the priority projects to meet these needs, and demonstrating that the council is able to manage and finance the projects, all in accordance with the MGG's published guidelines.

For the District Focus Program

To broaden the base of rural development and encourage local initiative in order to improve problem identification, resource mobilization, and project implementation by developing and implementing throughout Kenya a District Focus for Rural Development Program that (1) develops a complementary relationship between (i) the ministries with their sectoral approach to development and (ii) the districts with their integrated approach to addressing local needs and (2) delegates to the districts the planning and operational aspects of district-specific rural development projects.

For a New Program for Development of Long-range and Short-range Plans by Local Authorities

To develop, issue, and render effective a set of approaches and techniques for the development/updating each year by all local authorities of long-range (three to five-year) forward plans and budgets and short-range (one-year) forward plans and annual budgets (estimates) that include statements of mission/purpose; forecasts; goals/objectives; programs with work steps, schedules and accountabilities; and financial plans/budgets for the guidance of the local authority.

Discussion

However, we will not dwell further on this initial step in this workshop, assuming that our broad purpose is clear to us - - or will be made clear.

Instead, we will move on to what is required in order to develop a good plan to achieve the given broad mission or purpose.

3. Second Step: Forecasting the Relevant Environment in Which Plans Will Be Implemented

The next step is developing forecasts.

10m

a. What Is a Forecast\*?

10:55-  
11:05

Ask what is a "forecast"?

The answer is that it is a statement of what we expect future conditions to be like as they can be expected to impinge on what we will want to do, i.e., an estimate of a future happening or condition.

A forecast is made with respect to a factor that is essentially uncontrollable from the point of view of the organization. If the factor is controllable, then what is involved is not a "forecast" but a "planning decision".

Discussion

\*Previous workshops have indicated that participants sometimes have difficulty in understanding what a "forecast" is. So be sure to devote enough time, with examples included in these materials, to make this term perfectly clear.

10m b. Two Types of Forecasts: External and Internal

11:  
11:

In relationship to an organization, there are two types of forecasts. Ask what are these two types of forecasts?

The answer is (1) forecasts external to the organization and (2) forecasts internal to the organization.

- o Thus, forecasts must be made for factors external to our enterprise, such as the rate of growth and the expected location of our urban population, and
- o forecasts must also be made of factors internal to our organization, such as objective facts regarding funds likely to be available, changing quality of our work force, possibility of acquiring new and more advanced equipment, and the like.

We will discuss these two types of forecasts in turn.

Discussion

30m (1) Forecasts of the External Environment

11:15-  
11:45

We have already agreed that if we are to build a highway, we must assess --- that is, forecast --- what conditions we will encounter and what the future situation will be regarding population size and location, traffic density, climatic factors, and the like. Indeed, for every significant project we undertake, we must make similar assessments -- or forecasts -- of future conditions.

Ask what are some major categories of items on which forecasts must often be made?

Write down responses on flip chart.

Ask what we must forecast in connection with building a new water system?

Write down responses on flip chart.

Ask what we must forecast in connection with a slaughterhouse project?

Write down responses on flip chart.

Discussion

Refer to Item # 20 "External Forecasts - Factors and Examples".

Let us look now at the top half of Item # 20\*. Here is a list of external factors that we will often want to evaluate for one or another of our plans. The list includes such things as:

- o future changes in laws and regulations (for our schools: age level for compulsory education);
- o future population size and composition (for our housing project: location, age, and income of the local population);

\*Don't skip these items. As you cover them from this text or from Item # 20, the participants will be able to review the same items (in different words) on Item # 20.

- o future prices that can be charged consumers of our services or products (for our slaughterhouse: what we can charge those raising livestock);
- o future market demand (for our food processing plant: consumer preferences and volumes that will be purchased);
- o future availability of construction materials and equipment (for our slaughterhouse: availability of machinery);
- o future labor supply and composition (for our new school: availability of educational administrators and qualified teachers);
- o future costs that must be paid (for our highway: what we must pay for road building equipment);
- o weather factors (for our port facilities: expected monsoon conditions); and
- o other such factors.

At the bottom of page two of Item # 20 is a list of factors that we must forecast for a water supply project:

- o population patterns;
- o future demands on our water source (rainfall that will accumulate into rivers, reservoirs, or wells) and therefore future water availabilities;
- o costs of pipe and other materials;
- o availability of new members of our labour force with needed skills; and
- o other such factors.

Discussion

Also shown at the bottom of page two of Item # 20 are factors that we must forecast in connection with planning for a slaughterhouse:

- o volumes of cattle, sheep and goats, and smaller animals, to be slaughtered over the years ahead;
- o population increases in our market area;
- o changes in distribution facilities, such as in public markets;
- o changes in local transportation facilities, e.g., highways, that will facilitate delivering fresh meat to nearby market centers;
- o need for and willingness of suppliers to pay for the costs of a refrigeration facility;
- o growth in export market demand to nearby communities; and
- o other such factors.

#### Discussion

Ask how we go about making external environmental forecasts?

The answer is that we must:

- o first make up a list of things about which we need to have some assumptions as to the future in order to develop sound plans, and
- o then we must accumulate the best possible information about how these things will turn out in the years ahead.

#### Discussion

Ask how we might go about securing this information?

The answer is that we should look to the best information sources available to us (consistent, as always, with the time and money available to us for this part of our planning work), e.g.:

- o weather offices;
- o public libraries;
- o research publications;
- o knowledgeable firms, departments, and people;
- o our own projections from historical data;
- o indeed, wherever we can get the best information.

Discussion

30m (2) Forecasts of the Internal Environment

11:45-  
12:15

You must also assess what is likely to occur in the environment internal to your own organization. Please note that this does not refer to what actions you are going to take as part of your plan. These latter actions would be planning decisions, not forecasts.

Ask what "internal forecasts" refer to?

The answer is that they refer to objective factors inside your organization that over the time span of your plan are not really under your control but will happen anyway.

Discussion

Ask into what three broad categories the forecasts internal to your organization might be grouped?

The answer is that most but not all such factors can be grouped under the three broad categories of (1) human resources, (2) physical resources, and (3) financial resources. Another category of such internal forecast factors relates to the impact of changes in the organization's systems. Examples follow.

- o Human resources
  - Management staff
  - Professional staff
  - Technical staff
  - Office, clerical, and manual staff

- o Physical resources
  - Buildings
  - Equipment
  - Supplies
- o Financial resources, e.g.:
  - earnings
  - interest income,
  - debt repayments,
  - etc.,

and also

- o Systems, e.g.:
  - impact of new accounting systems,
  - impact of computer upgrade,
  - impact of communications changes underway,
  - etc.

#### Discussion

Refer to Item # 21 "Internal Forecasts - Factors and Examples".

Pages 2 and 3 of Item #21 give eleven examples of internal forecasts from among these above four major categories. (Review these individually with the participants from Item #21.)

Here again, to develop your internal forecasts, you should:

- o list those internal factors that will affect your plan,
- o develop the best possible information on what is likely to happen with regard to these factors, and
- o write down your conclusions about what the future will bring.

Discussion

30m c. Implications of Forecasts

12:1  
12:4

One more step that is important regarding both your external and your internal forecasts is writing down the implications of your forecasts.

Ask what is an "implication" of a forecast?

The answer is that it is a statement of the necessary consequence --- or significance -- of a forecast for your plan.

Discussion

Examples will be helpful in understanding this concept.

- o Let us suppose that in connection with our plan for improving our security force we have forecast that unemployment will rise by 100% over the next five years accompanied by a substantial increase in street crime in the urban center.
- o The implication for our plan might be that we must substantially increase the number of askaris assigned to patrolling the streets.

Give other examples of forecasts - possibly from the second pages of Items #s 20 and 21 - and ask what might be implications of them relevant to our plan. Point out that the implications must be relevant to the plan or there was no need to make the forecast in the first place.

Refer to Item # 22 "Examples of Relevant Implications of Forecasts".

Then review with participants examples of forecasts and their implications in Item # 22.

75m LUNCHEON BREAK

12:4  
2:0

TUESDAY AFTERNOON (180 minutes, including a 15 minute break, programmed out of 180 minutes)

5m Call group to order.

2:00-  
2:05

D. ELEMENTS OF PLANNING AND HOW TO CARRY THEM OUT

3. Second Step: Forecasting The Relevant Environment in which Plans Will Be Implemented

10m

d. Writing Down Forecasts and Their Implications

2:05-  
2:15

Please note that at this point we should put down our conclusions about the future in writing.

Let us stop for a moment on this point of writing it down.

- o Our plan is like a complex piece of machinery. We need to understand how its parts are put together and how they relate to one another. If we don't, we are likely to build a very inefficient piece of machinery -- or plan.
- o Moreover, if we do have, in writing, a blueprint of our plan, we can readily see how a change in one part will affect every other part.

Write down each of your future environmental forecasts and their implications:

- o so that you and everyone else concerned with the plan will understand on what you have based it, and
- o so that you can the more easily modify it as will be necessary as a result of the future working out differently than you had originally expected.

This same point about the value of writing it down will apply to all of the later planning steps that we will be discussing.

15m e. Formats for Forecasts

2:1  
2:3

At the conclusion of our discussion of each of the planning steps, we will spend a few minutes on typical formats for stating our planning results. We don't want to make too much of these discussions of formats. Our purpose is to suggest, for your future use, the key elements that should be included in stating the planning results in each of these areas.

Refer to Item # 23 "Examples of Forecasts Formats"

The format for Forecasts should provide sections for both External Forecasts and Internal Forecasts as well as provide for stating the implications of the forecasts.

(1) Forecasts with Separate Implications

First, illustrated in the box on page 1 of Item # 23, one possible format is to state each forecast and follow it with a statement of its implications.

This approach is the most rigorous and will yield a better result than including the implications as part of the forecast statement but is more difficult for practical officials to accomplish.\*

(2) Forecasts including Implications

Second, as shown in the box at the top of page 2 of Item # 23, the forecast and its implications can be incorporated in a single statement.

This approach is the simplest to carry out.

(3) Forecasts Followed by Set of Implications

Third, as shown in the box at the bottom of page 2 of Item # 23, another alternative is first to list all forecasts and then to follow this set of all of the forecasts with a set of all of the relevant implications.

\*Note: Review with participants this and subsequent alternate formats from Item # 23

This approach is best used when it is discovered that some forecasts lead to two or more implications and some implications are derived in whole or in part from two or more forecasts.

Your choice may also depend on where you wish to place emphasis. Thus, the first approach may place a somewhat great emphasis on the implications than does the second approach. And the third approach may make possible a more logically organized and literate set of statements.

#### Discussion

To conclude, we must not overlook the importance of being clear in our minds about what the meaning of our forecasts is for us -- that is, for our plan. Thus, a well-developed plan will state both (1) our environmental forecasts and (2) what their relevant implications are for our plan.

#### Discussion

f. Workshop Exercise: Develop Purpose/Mission and Forecasts for an Organization or a Project

Refer to Item # 24 "Workshop Exercise - Develop Purpose/Mission and Forecasts for an Organization or a Project".

- |     |   |                |
|-----|---|----------------|
| 60m | Form into small groups and complete exercise. Hopefully, at least one group will choose a major department of a local authority or a major program of such a major department. Others should choose a capital project or other one-time project.  | 2:<br>3:       |
| 15m | AFTERNOON BREAK   | 3:<br>3:<br>3: |
| 30m | Complete group work.  | 4<br>4         |
| 45m | Ask small groups to report on their results.<br><br>Discussion (leader should ask participants <u>not</u> to criticize the substance and wisdom of the project details but instead to comment on whether the mission/purpose statements and the forecasts and implications are or are not good examples of the concepts that we have been studying - and to suggest how they might be stated better.) | 5              |

EVENING READING ASSIGNMENT: Items #s 25 through 33 except for

WEDNESDAY MORNING: (285 minutes, including a 15 minute break, programmed out of 285 minutes)

m Call group to order

8:00-  
8:05

D. ELEMENTS OF PLANNING AND HOW TO CARRY THEM OUT, cont.

4. Third Step: Setting Objectives for an Organization or Project

n a. What Is An Objective?

8:05-  
8:10

Ask, once we have stated our forecasts and their implications, what is the next step in good planning?

The answer is that next we must decide on our objectives.

Ask what is an "objective"?

Answers given may define "objective" using synonyms such as "goal" or "aim". Do not accept these answers. Solicit the answer that an objective is a statement of what, specifically, we intend to accomplish.

Discussion

10m b. Specificity

Refer to Item # 25 "Objectives - Planning Considerations and Examples."

As indicated in Item # 25, objectives must be specific. They must define such things as:

- o What - describe?
- o How much - quantity?
- o When - dates?

Examples follow (the leader should turn to Item #25 and review its content with the participants):

- |  |  |
|--|--|
| <ul style="list-style-type: none"><li>o To build added roads and improve existing roads so that the national highway system will be able to handle 50% more traffic by 1995.</li><li>o To construct a road 20 km long from town X to town Y by 1988</li><li>o To build the planned road 10 meters wide</li><li>o To construct street curbs 15 cm. high along the new road where it passes through market centers</li></ul> | <ul style="list-style-type: none"><li>o To build 1,000 new housing units by 1992</li><li>o To build two low-income housing estates of 100 units each by 1988</li><li>o To build housing units costing not to exceed an average of Kshs. 100,000.</li><li>o To construct the housing units with locally-produced building materials</li></ul> |
|--|--|

Discussion

30m c. Hierarchy of Objectives

8:20-  
8:50

Objectives come in many shapes and sizes.

(1) Introduction

As indicated in Item # 25, there is a natural hierarchy of objectives.

Ask what we mean by a "hierarchy of objectives".

The answer is that a hierarchy of objectives ranges from the most long-range to the most immediate - from the very broad to the most specific.

The long-range and broader objectives will usually contain language often called "qualitative", i.e., statements describing results in terms of broad objectives or conditions being sought, e.g., education of the people, through classroom programs, consistent with national laws, etc.

The shorter-range and more specific objectives will usually contain language often called "quantitative", i.e., statements containing specific measurements such as 60%, KShs. 15,000, by 31st December, at the intersection of X and Y streets, etc.

Different words are used by various organizations for these several types of objectives. Two sets of such terms are the following:\*

- |                      |                      |
|----------------------|----------------------|
| o Purpose or Mission | o Key Objective      |
| o Goal               | o Critical Objective |
| o Objective          | o Specific Objective |

Discussion

\*Do not make too much of the distinctions between these terms. While these connotations are very generally accepted, it is the ideas that are important, not the particular terminology.

Some persons make the major distinction between "strategic objectives" ("goals" in this workshop) and "specific" or "operational" objectives.

Examples of the hierarchy of objectives are presented in Item # 25.

(2) Purpose or Mission

We have already discussed the development of statements of purpose or mission as the first step in planning. Item # 19 gave several examples of such statements. Now we have provided an example for an education ministry on page 2 of Item # 25 of how such statements might be implemented through increasingly specific sets of goals, objectives, and even yet more specific objectives.

The first statement on page 2 of Item # 25 provides an example of a broad purpose or mission for an education ministry as follows:

Mission/Purpose: To provide through an education ministry for education of the urban and rural population through classroom programs meeting nationally adopted educational laws and standards.

This statement is really not time-limited. It looks to the indefinite future. It will change only slowly over time. It seems -- and is -- quite general. But it is not quite so general as it may seem at first. Indeed, it tells us quite a lot:

- o the organization, to do the work, i.e., the education ministry;
- o what it is to do, i.e., provide educational programs;
- o to whom the programs are to be provided, i.e., the urban and rural populations;
- o the vehicle for delivering the services, i.e., classroom programs; and
- o to where the organization will look to determine the numbers of class grades, the age levels of the population to whom the programs will be offered, and the types of programs to be offered, i.e., nationally adopted educational laws and standards.

But note again that it is not usually appropriate to include quantitative measures in a purpose/mission statement for an organization.

Discussion

(3) Long-range Goals

An example of a long-range goal, related to the preceding purpose/mission statement, as also found in Item # 25, might be as follows:

Goal: To build and staff with teachers by 1995 enough classrooms to deliver eight years of primary education to 80% of the population of the country's urban centers (defined as centers of over 2,000 population) and to 40% of the remaining rural population.

This goal is more specific and quantitative than our earlier statement of purpose.

- o It tells us what we want to accomplish in five years.
- o It can begin to guide us in developing a meaningful long-range plan.
- o Once it is stated, work required to achieve the goal can be generally determined, broad time schedules developed, and overall accountabilities assigned.
- o Resources required can also be planned for and costed out, a financial plan-- or broad budget -- developed, and so on.

Discussion

(4) Short-range Specific Objectives

An example of a shorter-range, more specific objective, derived from the longer-range goal, as suggested in Item # 25, might be as follows:

Specific Objective: To construct 300 classrooms over the next 18 months in local authority X at an average cost not to exceed Kshs. 15,000 per pupil space, with each facility so located that intended pupils will be within 3 kilometers of each school facility.

Now we have stated an objective that, indeed, tells us a very great deal about what we want to achieve over the year ahead. Now we can set about determining the locations of our new schools, how large each will be, what each will cost, and the like. And, of course, now we can actually lay out (1) a program for site acquisition, construction, and employment of teaching staff and (2) an expenditure and income budget for both construction and initial operations.

Discussion

And, finally, to implement the above short-range objectives, we can -- indeed, we must -- carry our specific objectives down the objectives' hierarchy into greater and greater specificity and detail until we finally end up with such detailed objectives as the examples found at the end of Item # 25:

Still More Specific Objectives:

- To acquire by February 1st, for construction of a primary school, the 90,000 square meter piece of property on the southwest corner of the intersection of X and Y streets at a cost not to exceed Kshs. 5,000 per square meter.
- To construct within 10 months a primary school building on site # 2, containing 300 pupil spaces, at a cost not to exceed Kshs. 15,000 per pupil space, adhering to national and local educational and construction guidelines and standards for such a facility.

30m d. Standards for Objectives

8:50-  
9:20

We can, of course, state the central thought contained in an objective more briefly than in the examples in the preceding discussion. Thus, we can say:

Brief Objective:

To construct a primary school .

Ask, if we do this, how will we know if we have done a good job?

The answer is that if we state not only our objectives but also standards for them, then we will have something against which to measure our performance.

Discussion

Ask what is a "standard" for an objective.

The answer is that it is a statement that further defines the objective and provides us with a measure to tell us when we have actually achieved it properly.

Discussion

Refer to Item # 26 "Examples of Standards for Objectives".

Page 1 of Item #26 lists a brief objective and four standards for the Ministry of Education goal discussed earlier. Sometimes we will wish to state our objectives in the simple form stated at the top of page 1 of Item # 26 but accompanied by standards as also shown on page 1 of Item # 26.

As another example, page 2 of Item #26 shows -- for the second of the "Still More Specific Objectives" shown at the bottom of Page 2 of Item #25 -- both (1) the objective stated in simple form and (2) stated separately, the six standards that will tell us if we have done a good job.

Ask again what is the value to us of stating the standards?

The answer is, as suggested before, that these are statements that tell us --- if we meet them -- that we have done a good job.

It is not enough simply to build a primary school. We can do that and still end up with an inadequate facility, spread over too much land, built at too high a cost, and failing to satisfy our nationally- and locally-established criteria for construction of a modern, efficient and effective educational facility.

But when we have built the building to the standards that are part of, or that accompany, our objective, we will begin to know that we have done a really good piece of work, one that we can be proud of.

Another example of standards might be for this workshop itself. We might have something like the following:

#### Objective

To put on a five-day workshop on planning and budgeting for senior local authority officials.

#### Standards

1. All basic elements of the workshop subject matter are covered within the five-day time frame.
2. The members of the resource team are judged by other team members to have fully understood and adequately presented the substantive workshop concepts.
3. The attention of the workshop participants is visibly maintained at an excellent level throughout the workshop.

4. The back-home programs developed and set forth by the participant teams on the last day are judged by the resource team and participants both (1) to indicate that the basic ideas presented in the workshop have been well understood by the participants and (2) to represent programs of back-home actions that can be implemented with constructive results for the participants' local authorities.
5. The participants give a consolidated rating in the workshop evaluation questionnaire of at least 8 on a scale of 10.
6. Workshop costs are contained within the initially established budget.

#### Discussion

Finally, please note that in order for standards to be useful, it must be possible:

- o to measure performance against the standard and
- o to determine variances from the standard so as to be able to evaluate performance and take any needed corrective action.

10m e. Formats for Objectives

9:20-  
9:30

Let us turn now to approaches and formats that might be used to state objectives and standards for them.

Refer to Item # 27 "Examples of Goals/Objectives Formats"

In writing down various of the hierarchy of objectives, the term "Goal" is best used in a long-range planning context and "Objective" in a short-range planning context.

Goals and objectives should, as feasible:

- o be action oriented,
- o be specific as to result, and
- o include standards or measures that will tell us when we have done a good job.

Goals will, of course, tend to incorporate more qualitative measures. Objectives will include more quantitative or specific measures.

First, as indicated in Item # 27, we should begin with an action verb using the infinitive case. We should also use descriptive verbs like "build" or "collect" and not qualitative verbs like "improve" or "strengthen". For example:

- o to construct
- o to collect

Second, we should be specific as to the result desired, i.e., the "what". For example:

- o to construct a primary school
- o to collect 50% more in site value rates

Third, we should also either give standards or measures in the goal or objective itself or include standards in a separate standards statement.

Item # 27 illustrates these two approaches to, or formats for, stating objectives with standards.

As discussed, it is when the standards are met that we will know we have done a good job.

Discussion

f. Workshop Exercise. Develop Goals and Objectives for an Organization or a Project

Refer to Item # 28 "Workshop Exercise - Develop Goals and Objectives for an Organization or a Project"

45m	Form into small groups and complete exercise.	9:30- <u>10:15</u>
15m	Small groups to report on results of exercise	<u>10:15-</u> <u>10:30</u>
15m	MORNING BREAK	<u>10:30-</u> <u>10:45</u>
30m	Continue with group reports.	<u>10:45-</u> <u>11:15</u>

5. Fourth Step: Developing the Program of Work to Be Accomplished

Once we have stated our objectives, it is necessary to decide on, and write down, our program for achieving those objectives.

10m

a. What Is a Program?

Ask what is a "program"?

11:1  
11:2

The answer is that it is a statement of what work we are actually to do.

Discussion

The GOK follows this approach in its instructions to ministries, parastatals, and the District Focus. Thus Appendix D and Item # 17 indicate that these organizations are to provide:

- o first, a summary statement of objectives for each sub-vote, i.e., each major organization unit under a ministry, and
- o second, a short description of the work program to be financed by the estimates provision for each project, program, or activity.

Discussion

Ask what three things our program description consists of:

The answer is that it consists of:

- o first, what is actually to be done,
- o second, when it is to be done, and
- o third, who is to do it.

Discussion

20m b. Developing the Work Program

11:25-  
11:45

In developing our program we must start by deciding:

- o what is to be done, and
- o what specific work steps are required.

This must eventually be done in great detail.

Discussion

For example, if we are to build a new cooperative housing project, we will have many work steps.

Ask what are some of the steps that might be involved?

List responses on flip chart. Answers given will range from location of the site to actual construction --- and from forming the housing cooperative to making the legal arrangements with members for rental or for long-term loans or mortgages and repayments.

Refer to Item # 29 "Programs - Planning Considerations and Example of List of Worksteps".

One list of such steps in a work program for a new cooperative housing project is given on the first page of Item # 29, as follows:\*

- o Form housing cooperative as a legal corporation
- o Determine size of site
- o Determine location of site
- o Arrange overall financing

\*Be sure to turn to Item # 29 and review this list of steps with participants since these steps will form the basis for the next three exhibits and the discussion related thereto.

20m c. Time Schedules

11:45-  
12:05

Next, as referred to on the second page of Item # 29, we must determine the time schedules for the project --- when we are to do the work. This includes determining:

- o When is each step to be performed?
- o How long will it take to complete each step?
- o Are overlaps possible?
- o What is the critical path?

Discussion

Ask how we develop a time schedule?

The answer is that we must decide how we are going to undertake the work:

- o What will we do first? second? third?
- o What work steps can be carried on at the same time?
- o Which steps must be completed before which other ones can be begun?

Discussion

In building our new cooperative housing project, some of the individual steps must be undertaken in a particular order.

Ask what are examples of steps that must be taken in a particular order?

The answer will be such things as that we must acquire the site before we can survey it, we must survey it before we can lay out the streets and the housing plots themselves, etc.

However, some steps can be taken simultaneously.

Ask what are examples of steps that can be undertaken simultaneously?

The answers are such things as that we can lay water lines and sewerage lines at the same time. And we can be arranging project financing and signing up members for the cooperative while we undertake the more physical aspects of site preparation and construction.

Refer to Item # 30 "Example for New Housing Project of Sequence-of-Event Analysis of Project Activities" (diagram).

This initial analysis is illustrated for our new housing project in Item #30. For this exhibit we have also determined and evaluated the time it will take to complete each of these 16 steps, the times for which happen to add up to 236 weeks. (Review this exhibit carefully and in some detail).

#### Discussion

Now we have decided on the logical order of the work to be performed and the time required for each step. Next we must decide on when to undertake the work involved and what will be the overall duration of the project.

40m d. Critical Path

12:05-  
12:45

A very useful tool for developing the detailed time schedule for a program of work is called "critical path analysis"\*.

Ask what is a "critical path".

The answer is that the critical path is that particular sequence of activities that will necessarily take longer to perform, one at a time, than any other sequence of activities. Paradoxically, the shortest possible time for completing the program is that sequence of activities that takes the longest to perform.

No matter when we want to complete the project, the shortest possible time from start to finish will be determined by the time it takes to perform sequentially the work steps that lie on the critical path. It is the sum of the completion times of all of the work steps that lie on the critical path that is the limiting factor in getting the work done quickly.

Refer to Item # 31 "Example for New Housing Project of Critical Path Analysis of Project Activities" (diagram).

Item # 31 illustrates the concept of the critical path for our housing project. (Review this exhibit carefully and in some detail.) The critical path involves 9 of the total of 16 work steps and occupies an overall elapsed time of 113 weeks.

Discussion

Now we can develop a detailed time schedule for our program, with beginning and ending dates for each step.

Refer to Item # 32 "Example of Work Program with Critical Path, Schedule, and Accountabilities for a Housing Project" (table)

Item # 32 illustrates a completed schedule for our housing project. The time in weeks required for each step is indicated on the diagram. The total of times for all steps is, as noted, 236 weeks. But, as also noted, the overall elapsed time is 113 weeks. This is determined by the time it takes to carry out, one at a time, all of the activities that lie on the critical path.

\*Known also as Program Review and Evaluation Technique (PERT) and, in the construction industry, as Critical Path Method (CPM).

WEDNESDAY AFTERNOCN (180 minutes, including a 15 minute break, programmed out of 180 minutes)

5m Call group to order

2:00-  
2:05

D. ELEMENTS OF PLANNING AND HOW TO CARRY THEM OUT, cont.

5. Fourth Step: Developing the Program of Work To Be Accomplished, cont

15m

e. Accountabilities

2:05-  
2:20

Finally, as indicated on page two of Item #29 we need to decide on assignments of accountabilities, i.e.:

- o who is mainly responsible for each step, and
- o does someone have a major collateral responsibility for any step?

Often, when more than one key line or staff person will be involved in a major way, we will want to indicate both a principal assignment and a collateral responsibility. For example, as illustrated in Step 1 of Item # 32 "Form Housing Cooperative":

- o our clerk has primary responsibility for the formation of the cooperative itself,
- o but our attorney has major collateral responsibilities to assist in and monitor the arrangements from a legal point of view.

Discussion

In any case, if we want the work performed within the time schedule and budget, we need to make extremely clear whose feet are to be held to the fire for accomplishing each part of the job.

Discussion

10m F. Formats For Programs and Projects

2:20-  
2:30

Now let us turn to formats for writing down work programs.

Refer to Item # 33 "Example of Program Format"

The format for the program statement must provide for:

- o keying into the objective, and
- o stating:
  - the work to be performed,
  - when it is to be done, and
  - who is to be held accountable.

Item # 33 presents an example for a project (review example with participants).

The content of the program statement will, of course, vary depending on the project or program. But including the essential elements of what, when, and who is absolutely essential.

Discussion

g. Workshop Exercise: Develop a Work Program for an Organization or a Project

Refer to Item # 34 "Workshop Exercise -- Develop a Work Program for the Organization or Project".

60m	Form into small groups and complete exercise.	2:30-
		<u>3:30</u>
15m	AFTERNOON BREAK	3:30-
		<u>3:45</u>
30m	Small groups to continue with exercise	3:45-
		<u>4:15</u>
45m	Small groups to report on results	4:15-
		<u>5:00</u>

EVENING READING ASSIGNMENT: Items #s 35 Through 45 except Items #s 39 and 42

THURSDAY MORNING (285 minutes, including a 15 minute break, programmed out of 285 minutes)

5m Call group to order. 8:00-8:05

D. ELEMENTS OF PLANNING AND HOW TO CARRY THEM OUT, cont.

6. Fifth Step: Budgeting as the Financial Representation of the Program for the Organization or Project

Next we must develop a budget.

5m a. What Is a Budget? 8:05-8:10

Ask what is a "budget"?

The answer is that a budget is an itemized estimate of expected income and expense for a given period in the future, i.e., the financial representation of our work program for the organizational unit or project.

We illustrated this relationship earlier in our program in Item # 10 "Program and Budgets - A Mirror Image" (diagram).

Discussion

15m b. Initial Formulation of the Budget

8:10-  
8:25

Our initial budget must incorporate both:

- o the costs of our program or project, i.e., our expenditure budget, and also
- o The income we expect to receive to finance it, i.e., our income budget.

Discussion

Refer to Item # 35 "Examples of Budgets"

Item # 35 illustrates expenditure and income budgets. The first page illustrates a budget for a project. The second page illustrates an annual budget for an organization unit.

- o Note that in the examples of both types of budgets, planned expenditures and income are in balance -- as they must be.
- o Note also that the expenditure budget for the organization unit includes:
  - budget totals for organization units and sub-units, and
  - line item detail for individual types of expenditures within organizational units.

(1) Expenditure Budget

We will need to develop an expenditure budget. Already having laid out our program of work in some detail makes it easier to determine costs for carrying out each work step and activity with some accuracy. The total of these costs will be the expenditure budget for our project.

Having developed the schedule for our program of work steps will also make it possible to decide when it will be necessary to incur expenditures. Thus, if, for example, our cooperative housing project will extend over more than one year, we can more easily decide which costs must go into each successive year's annual budget.

Moreover, just as we should allow a contingency in our time schedule for unexpected delays, we should also provide for a contingency in our project's expenditure budget.

Ask whether providing an allowance for contingencies is a usual practice for project budgets and, if so, how large such an allowance usually is.

The answer will surely be that this is usual practice and, probably, that the amount set aside is in the order of 10% - 15% of the total expenditure budget.

#### Discussion

#### (2) Income Budget

We also will need to develop our income budget showing how we will plan to pay for our expenditures.

- o In the case of our housing project, we may have contributions from the central government and the local authority, at least for costs of locating the site and the making of it available; for such general infrastructure as roads and utility connections to the site; and for organization of the housing cooperative.
- o The initial financing for surveying the land plot location and other such costs may also be advanced by the local authority -- to be repaid later.
- o Initial financing of the construction costs themselves may also be met by loans to the project from government or private sources. Eventually, these loans would be expected to be paid off either by rental payments or by mortgage payments from persons buying the individual homes.

- o Income may also be available from the members of the housing cooperative who may be asked to put up deposits when they enroll in the housing scheme.

The complexity of the financing pattern just described illustrates the necessity of having a good budget plan for the income required to pay for the project costs.

This overall income budget must be divided into segments by both (1) source and (2) time period so that all concerned -- government and non-government bodies -- can include in their own overall annual budgets the outlays of the cash required from them.

Discussion

10m c. Initial Budget Appraisal\*

8:25-  
8:35

The next step is to conduct a budget appraisal.

Ask what is a "budget appraisal"?

The answer is that it is an assessment of whether we can actually secure the income needed to meet our planned expenditures.

As soon as we know the actual total of expenditures calculated as required to carry out the work program, we must appraise the feasibility of securing all of the funds required to carry it out.

\*In this part, Section c, of the workshop program, focus the discussion on the initial informal budget appraisals (1) by the section or department staff developing the organization unit plan and budget or (2) by the group developing the capital project plan and budget, as the case may be. Focus it also on the initial budget appraisal by the next higher organization level. But postpone until later considering the material in the Section d which follows, i.e., the process of budget appraisal that occurs when the organization unit or project budget is submitted for formal budget approval to deciding authorities such as the finance committee and council, the MLG, the LGIA, another ministry, or other such higher-level more-or-less final or near-final approving authority.

Also, do not let the discussion get diverted to a detailed examination of what are the bases and processes involved in the review and approval by the MLG of budgets submitted to it. The point of the discussion here is to make clear (1) what a good budget consists of and (2) the fact that the initially calculated budget of income and expenditures must go through several preliminary steps of budget appraisal and consequent revision.

Often, when the initially projected expenditure and income totals are known, it becomes clear that the amounts initially stated to be required are simply out of reason. For example, nearly all treasurers -- of local authorities and of nearly every other public and private organization -- find that the funds initially requested by the several operating departments total to figures larger than are later made available. For nearly all construction projects, also, it is the common experience that when the detailed design and work program have been developed, the calculated costs are greater than the funds that are ultimately made available to pay for them.

Ask why this may be the case?

The answer is that it may be:

- o because it is realized that the immediate higher level in the organization will not -- or cannot -- approve such large expenditures for the given purpose, or
- o because -- for a project intended to stand on its own feet financially -- the project will not generate, in the time allowed, the revenue that is initially calculated to be required. This may be, for example:
  - because the number of livestock available to be slaughtered, taken together with the fees that can be charged for each, will not be sufficient to meet the operating and capital costs of the new slaughterhouse,
  - or perhaps the mortgage payments or rent that can be paid by the persons who will occupy the cooperative housing will not be sufficient both to meet future project operating costs and to pay back the project financing.

- o sometimes, of course, it will be found that the work can eventually be financed but not over as short a period of time as first planned.

#### Discussion

Ask what is to be done when it is found that the costs of the work to be performed exceed the resources expected to be available?

The answer is that those persons designing the project and laying out the planned expenditures must go back over the program of worksteps and revise them, making cuts here and there in resources to be utilized so as to bring the scope of work to be done within the funds that can be raised and spent.

This kind of appraisal is actually ongoing -- done over and over during the planning process -- until the expenditure budget is in balance with what appears to be a practicable income budget.

#### Discussion

10m d. Formal Budget Review and Approval

8:35-

8:45

Once the budget for the project or program has been balanced to the satisfaction of the staff that has initially developed the plan, the budget must then be submitted to higher authority for formal review and approval.

- o If approved, the costs and income will be incorporated in the organization's overall project and annual budgets and the work will be begun in accordance with the plan.
- o If not approved because costs are still considered excessive, such higher authorities may either
  - modify the plan themselves, or
  - simply order the project manager or department head to cut back the planned expenditures.

Discussion

10m e. Revision in Light of Funding Decisions

8:4

8:5

Often, the higher authority will simply decide that less can be spent than initially requested.

Ask what is then to be done by the staff most immediately concerned?

The answer is that an attempt must be made, again, to revise the project.

Ask what is to be done if the project cannot be revised so as to make it possible to accomplish what was originally intended?

The answer is that it will be necessary to attempt to go back into the plan and modify the specific objectives and their standards and sometimes even the broader goals themselves.

Ask what is to be done if the project cannot be modified to fit within the reduced funding available?

The answer is that if the changes are so extensive as to "gut" the plan itself, the project managers will need to return to the top-level decisions makers and say that the funding decisions will necessitate a complete revision in the originally approved project goals and objectives --- or the cancellation of the project.

These top-level reviews and consequent program decisions are still really part of the process of feasibility appraisal.

Discussion

An important concept here is that the decision that will ultimately be made will be wiser and the ultimate program of expenditures will be sounder if a good job of planning has been done up to this point.

- o Such planning will make it crystal clear what is being gotten for the money to be expended, what the impact on the program will be if cost reductions are made, and what the impact on costs will be of given program changes.
- o Without this rather detailed planning information, decisions on budget revisions will be made in the dark without full knowledge of their consequences for the program or project.

Discussion

20m F. Formats for Budgets

Let us now turn to formats for budgets.

(1) Introduction

As with other planning formats, two types of budget statements must be considered:

- o the budget for a particular project or program and
- o the local authority's or department's annual budget.

These two budget statements are related but different.

(2) Project or Program Budget Formats

Refer to Item #36 "Examples of Formats for Project/Program Budgets"

The project or program budget can be prepared in several ways, as illustrated in Item # 36.\*

- o At its simplest, the work steps can be listed with the cost of each shown in a column immediately after the work step as in the first box on Item # 36.
- o Or the budgeted costs can be put in a final column in the Work Program statement itself as in the second box on Item # 36.

\*Turn to Item # 36 and carefully review with the participants each type of format given there according to the progress of discussion in Sections (2) and (3).

- o Of course, because of the nature of the program or project, it may be necessary, in some instances, to state the budget differently and in terms of types of expenditures rather than worksteps, as is shown in the third box on Item # 36.

(3) Organization Budget Formats

While the Ministry of Local Government requests certain schedules as part of the submission by local authorities of their annual estimates or budgets, no specific formats have been prescribed for these submissions.

Generally, the formats utilized by the local authority for its overall budget will determine the budget formats that each department or section must use.

(a) Overall Organization Budget

Most organizations develop the annual budget for the entire organization in a descending (or ascending) hierarchy of budgets -- one budget for each organizational unit -- with each higher-level budget constructed as an aggregation of the budgets of the units reporting to it.

Refer to Item # 37 "Examples of Formats for Annual Budgets".

The first box on Item # 37 illustrates this in prototype form.

(b) Line Item Budget

Within each unit's budget, the breakdown is usually by what is often called "line item", i.e., a particular class or type of

expenditure. (It is recalled that the GOK defines an "item" as the lowest level of disaggregation in the budget, typically representing a type of expenditure, e.g., Personal Emoluments or Transport Operating Expense.) This is illustrated in the second box on Item # 37.

Such annual line item budgets for the organization will usually include the costs of the annual slice of the several specific work programs or projects that are to be carried out by the local authority and/or department.

The usual effort of the central organization's financial staff is to have all budgets based on the same set of line items so that the line-item budgets of the lowest organizational levels can readily be aggregated into the line item budgets of higher levels, e.g., personnel costs, pensions and other benefits, equipment, supplies, utilities, travel, and the like.

The GOK's instructions to ministries and parastatals accomplish this by prescribing standard codes for such line items and requiring them to be used not only within each organization's three-year and one-year plans and budgets but also as among all GOK units. This permits aggregation of data in a standard way, and, especially, ready comparison of, e.g., personnel costs and travel costs as among reporting organizations. It is not possible, at present, for the MLG to undertake such aggregated comparative analysis of local authority budgets.

(c) Mixed Department and Project Budget

Sometimes, however, the annual budgets for the organization will be a mixture of both (1) department line item budgets such as the above and (2) specific program or project budgets, as illustrated in the box on Page 2 of Item # 37.

(d) Capital Project Budget

In Kenyan local authorities, it is customary to submit what is usually a 1-2 page statement of capital project expenditures along with the far more lengthy statement of the recurrent, or operating, budget.

(e) Budget Broken Down by Quarters

Another type of information often presented in budget documents is a breakdown for control purposes of expenditures - and, sometimes, of income also - by quarters or months.

Refer to Item # 38 "Examples of Other Budget Format Considerations".

This is illustrated in the first box on Item # 38.

Ask what might cause the quarter-by-quarter variations shown?

The answer is that such variations between periods might reflect variations (1) in weather (resulting in variations in fees collected on market produce or in expenditures for road maintenance) or (2) in projected availability of seasonal labor or other resources or (3) in wananchi demand or (4) in any one of many other factors.

Ask what is the value to the council's financial management staff of breaking down projected income and expenditures by quarters -- or even months?

The answer is that this will provide a finer tool for monitoring and control. It will also permit developing cash flow statements providing better management of cash and short-term investments.

(f) Typical Annual Budget with Comparison Years

Almost all organizations in statements of their proposed budgets show comparative budget data from earlier years - and sometimes projected figures for a year or two after the budget year immediately ahead. This is illustrated in the second box on Item # 38.

Ask if, in this string of actual, budgeted, and projected figures, one were to see figures for the coming budget year such as those shown in the parentheses, what thoughts might this raise in the minds of higher-level reviewing authorities?

The answer is that one would question the realism of the budget work unless an excellent reason could be found for such a sharp reduction to KShs. 300,000 - or increase to 700,000 - from the previous year's figure of 460,000.

Discussion

(g) Examples of Assumptions Frequently Included in Budget Submissions

Annual budgets will often include exhibits or attachments that explain the bases for figures in the budgets, as suggested in the third box on Item # 38, e.g.:

- o Wages are projected 7% higher than for the current year.
- o Heating oil is calculated at KShs. 475/barrel delivered at port.
- o Electricity costs are assumed at 6% above the current year's prices.

Ask whether -- and if so, where -- such assumptions are now provided in submissions of annual estimates?

The answer is that some such information is provided in the treasurer's notes.\*

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\*Be sure to point out that no comprehensive list of such major assumptions is currently provided, those provided in the treasurer's notes being limited to those required to explain major changes in shilling figures from the previous year's estimates and any significant new items.

(h) Revised Budgets\*

Finally it is quite common in well-managed organizations to prepare revised budgets each half year or each quarter. As is illustrated in the last box on Item # 38, the usual way of presenting figures in such a statement is to show the original budget for the year, the expenditures to date, and the revised annual figure. It is good practice to include space for an explanation of the reason for the budget revision.

This whole topic of budget revision will be discussed more fully later in the workshop program.

\*Distinguish between (1) revisions prepared for submission to the MLG as Supplementary Estimates for formal approval and (2) revisions in what might be called "working budgets" used as a management and control device throughout the year. Surely, the second is required even if the local authority chooses not to do the first.

g. Workshop Exercise: Develop a Budget for an Organization or a Project

Refer to Item # 39 "Workshop Exercise - Develop a Budget for an Organization or a Project".

60m	Form into small groups and complete exercise.	9:15- 10:15
15m	Small groups to begin reporting on results.	10:15- 10:30
15m	MORNING BREAK	10:30- 10:45
25m	Small groups to finish reporting on results of above workshop exercise	10:45- 11:10

20m 7. Sixth Step: Developing Policies for Plans Implementation

In undertaking a project or program, part of the planning work involves determining what policies will apply.

a. What Is a Policy?

Ask what is a "policy"?

The answer is that a policy is a standing decision of ongoing effect.

One develops a policy for classes of events expected to recur again and again and where it is more efficient:

- o to decide just once, in advance, what is to be done in given circumstances

rather than

- o to need to reach a decision each time the same question comes up.

The word "policy" is usually reserved for major questions that require top-level consideration and decision.

b. Examples of Policies

Ask what major recurrent questions might arise with respect to a new cooperative housing project.

The answer is that such recurrent questions might include such things as:

- o the length of the mortgage period to be allowed,
- o the interest rate to be charged the housing occupants,
- o whether they may rent out space in their own dwelling once it is constructed, and

- o how many months the cooperative or its financing institution must wait before seizing the property in the event of delinquency in monthly payments.

Ask what major recurrent questions might arise with respect to a slaughterhouse?

The answer is that such recurrent major questions might include such things as:\*

- o whether competitive butcher slabs or slaughterhouses will be allowed to operate in the vicinity of this slaughterhouse;
- o whether the facility may be used for the slaughtering -- not only of cattle, sheep, and goats, but also -- of chickens and ducks or wild game;
- o whether credit may be extended to livestock raisers who have difficulty paying the slaughtering fees;
- o what types of animals must be inspected by a licensed inspector; and
- o the like.

Refer to Item # 40 "Examples of Policies".

Draw attention to and read aloud each of these suggested policies so that the participants will have heard at least these eight examples of carefully drafted policies.

\*In addition to those suggested by the participants, review each of the questions listed here for a cooperative housing project and a slaughterhouse facility.

c. Policies as Part of the Plan

Decisions on all of these questions are intrinsically part of the plan for carrying out the project. And all of these questions can be answered by policies, developed in advance, and applying to all such cases as they arise.

Developing such policies in advance is economical and efficient. Ask why this is the case?

The answer is that this is:

- o because the project manager or higher-level authority needs to consider each matter covered by a policy only once rather than over and over again, and
- o because this approach has the important advantage of assuring consistent treatment of all similar cases, which is itself a most desirable objective.

Discussion

Ask whether participants have adopted policies in their local authorities?

The answer given will be "Yes"

Ask in what form these policies exist?

The answer will be in the form of bylaws, financial regulations, council minutes, council or clerk or treasurer or department head memoranda and circulars, etc.

Ask whether it would be possible to readily provide a set of all of these policies to, say, a newly-elected council member or newly-appointed clerk?

The answer is most likely to be "No"

The leader should then make the point that it would be desirable to:

- o bring together in one place (e.g., a 3-ring notebook) all policies;
- o review them at least once a year; and
- o revise and keep them up-to-date on an ongoing basis.

Discussion

20m 8. Seventh Step: Developing Procedures for Plans Implementation

The last step in the planning process is developing procedures.

a. What Is a Procedure?

Ask what is a "procedure"?

The answer is that a procedure is a statement of how a routine work operation or activity is to be performed.

As with policies, for repetitive, routine activity it is not efficient to need to decide each time something is to be done just how it is to be done.

The word "procedure" relates usually to how operational activities are to be carried out --matters that can be decided at lower levels.

Discussion

b. Examples of Procedures

Ask what might be routine activities requiring development of procedures with respect to a cooperative housing project?

The answer is that for our housing project, procedures should be developed regarding:

- o where to apply for housing units
- o where and when application fees are to be paid,

- o how monthly payments are to be paid,
- o how to go about making complaints about the upkeep of the common properties and about the utilities infrastructure, and
- o the like

Ask what might be routine questions regarding our slaughterhouse that should be covered by procedures?

The answer is that every person bringing livestock to the slaughterhouse should be able to find out in advance:

- o To whom he must apply,
- o how long in advance and during what hours arrangements must be made,
- o what forms must be completed,
- o whether he may just bring in his animals for immediate slaughter or whether they must be left in a holding stockade for a period of time,
- o how many and when inspections are to be made, and
- o the like.

Discussion

Refer to Item # 41 "Examples of Procedures".

Again, be sure to read aloud these nine procedures so that participants will have seen and heard at least these examples of well-composed procedures.

c. Procedures as Part of the Plan

As with policies, if the manager of the housing project or the slaughterhouse facility must decide how routine work is to be performed each time it must be done, he will never get anything accomplished. So, as part of his planning, he will need to develop procedures that will specify in advance exactly how such more routine activities are to be carried out.

Discussion

The point should also be made here that it is important to keep procedures for each major activity (e.g., health program, bus park, etc.) together in one place, review them regularly, and revise and keep them up-to-date on an ongoing basis.

Discussion

d. Formats for Policies and Procedures

We have not included any specific format for writing down policies and procedures. What is essential is that these statements:

- o be very carefully drafted so as to avoid the need for constant interpretation,
- o be as brief as possible, and
- o apply equally to all members of a given class of persons to whom they apply.

e. Workshop Exercise: Develop Policies and Procedures for an Organization or a Project

Refer to Item # 42 "Workshop Exercise - Develop Policies and Procedures for an Organization or a Project"

55m	Form into small groups and complete exercise.	11:50- 12:45
75m	LUNCHEON BREAK	12:45- 2:00

THURSDAY AFTERNOON (180 minutes, including a 15 minute break, programmed out of 180 minutes)

5m Call group to order

D. ELEMENTS OF PLANNING AND HOW TO CARRY THEM OUT, cont.

8. Seventh Step: Developing Procedures for Plans Implementation, cont.

e. Workshop Exercise: Develop Policies and Procedures for an Organization or a Project, cont.

40m

Small groups to report on results of the workshop exercise.

2:0  
2:4

10m 9. Summary of the Planning Process

2:45-  
2:55

We have now reached a very important point in our workshop discussion. With our statement of mission or purpose, our environmental forecasts, our goals and objectives, our work program with time schedules and accountabilities, our expenditure and income budget, and our policies and procedures, we will have completed our planning work, i.e., the development of our plan.

Refer to Item # 43 "The Planning Process" (diagram).

Item # 43 illustrates the interrelationships among all of the planning steps that we have been discussing.

We can now proceed to carry out (1) our specific project or (2) the local authority or departmental program of work included in our annual plan and budget.

The implementation of our plan will, of course, be followed by evaluation of the results against our goals and objectives. And this evaluation will be a major input as we begin a new cycle of long-range and short-range planning.

Discussion

E. REQUIREMENTS FOR SOUND AND REALISTIC PLANS AND BUDGETS

Several things are, however, essential to the development of sound and realistic plans and budgets. They include:

- o excellent data bases and
- o sound calculations.

1. Excellent Data Bases

Good data bases demand both:

- o data on historical trends and
- o up-to-date information on the past year and, for many planning purposes, recent months and weeks.

25m

a. Historical Trends

After everything is said and done, very many planning and budgeting figures for future periods can -- at least initially -- best be calculated as a logical extension from current and recent years' experiences.

Refer to Item # 44 "Examples of Historical Trends" (table and diagram).

Examples given in Item #44 include, for, say, the next year:

- o the size and composition of the population of the country,
- o the size and composition of the population of a city or town,
- o the consumption of electricity per household,
- o local authority income,
- o the number of cattle slaughtered per day,

2:5  
3:2

- o the amount of vehicular traffic on a given highway, and
- o prices of agricultural produce.

Ask which of these above items are least likely to vary from a straight line projection from the past? which are most likely to vary?

The answer is that:

- o the population of the country and a city or large town, and the consumption of electricity, are least likely to vary, while
- o prices of agricultural produce and the amount of vehicular traffic are most likely to vary.

Special factors could, of course, cause sharp changes from past experience in most of these. However, the initial base projection by the planner is very often best made as an extension of what has been happening in current and recent years.

To do this requires a good base of historical data relevant to planning and budget projections. So it is important both:

- o to maintain good historical records and
- o to undertake ongoing analysis of the trends that these data will reveal.

Discussion

Please also note that reflecting important statistics for recent years in charts and graphs, as is illustrated for a country's population at the bottom of Item # 44, is often an excellent way to communicate important information about planning factors to your bosses and those around you.

Discussion

10m b. Up-to-date Information

Having available historical data for years gone by is, of course, not enough by itself. For many purposes, especially the local authority's revenue budget, it is absolutely vital to have very current information on some items, e.g., prices, market supplies, recent government circulars, etc.

In connection with development of the annual budgets, all too often the final figures on actual results for the year just past do not become available for six months to a year or more after the end of the year in question. At this point, the figures are of little value to anyone concerned with annual planning and budgeting.

- o Moreover, in managing the budget, actual reports on income and expenditures are in many cases needed not just for the past year but also for the immediate periods just completed - i.e., the past weeks and months.
- o It is impossible to reflect in the expenditure budget sudden, recent changes in planning factors - in, for example, exchange rates and therefore costs of imported materials, or in local prices for cement, or in recent wage agreements - in the absence of good, current data on recent developments.
- o It is also impossible during the course of the budget year to determine where variances from plan and budget exist and to take corrective action to deal with these variances unless we are provided with up-to-date reports on current results.

Discussion

So, if we must project costs and revenue for the year ahead without knowing what expenditures and income have been for the period just completed, we are in real trouble and will find it very difficult:

- o to apply controls,
- o to take corrective actions to stay on course, and
- o to bring expenditures into a current balance with income.

Discussion

15m AFTERNOON BREAK

3:30-  
3:45

15m 2. Sound Revenue and Expenditure Calculations

3  
4

Good planning and budgeting also requires good arithmetical calculations of individual income and expenditure items. Good historical data, and current reports on actual results, are not enough.

It is the common observation of those who study local authority budget submissions - as we noted in discussing the annual estimates earlier in our workshop - that in many cases they contain serious arithmetical errors. There is considerable room for improvement here.

Discussion

In many cases, also, information is not provided to explain how particular revenue and expenditure figures were calculated. A great deal is said in the GOK's instructions to the ministries and parastatals about making careful cost calculations, analyses of benefits, and the like.

One way to make good calculations is to be sure to understand properly the relationship between:

- o a revenue item or an expenditure item and
- o the several interrelated factors that cause it to be the size it is.

Refer to Item # 45 "Examples of Planning Relationships as Bases for Calculations".

It is, thus, essential - in projecting the number of schools we will need in our housing development - to know the average number of children per family in the local population, the number of families in the housing development, the average number of children per classroom, and the average number of classrooms per school.

Thus, as shown in the first example on Item # 45:

- o If we know that families average 3 school age children each and that there will be 10,000 married couples in the housing development, we can calculate that we will have about 30,000 children;
- o and if we know that children will average 40 per classroom, we can calculate that we will need 750 classrooms;
- o and if we know that our schools will average 20 class rooms each, we can calculate that we will need something like 37 or 38 schools.

Again, in projecting nationwide consumption of electricity, we can, of course, project the figure based merely on recent years' trends. But we are likely to get a better result if we project individually the factors that are responsible for electricity usage. As suggested in the second example in Item # 45, these might involve consumption per household, population, family size, and numbers of households. (Review examples in Item # 45 with participants.)

#### Discussion

Getting these types of information will require some digging. But it will be worth it. With an understanding of what the basic factors are that cause the various expenditure and revenue items to be what they are and with needed detail on these underlying factors, we can make more accurate and dependable calculations as a basis for all of the numbers in our plans -- for our forecasts, for our objectives, for our work programs, and for our expenditure and income figures.

#### Discussion

F. MANAGEMENT OF BUDGET IMPLEMENTATION

Several issues regarding budget implementation should also be addressed.

5m 1. The Budget as Detailed Guide or Merely a Signpost? 4:0  
4:0

As noted earlier, the program or project budget and the organization's overall annual budget serve as rather specific guides to all concerned.

Once an expenditure/revenue year has begun, it is generally too late to continue to debate alternatives and to change plans and planned revenue and expenditures.

At this point, we must move vigorously ahead with implementing our existing plans and budgets - and, in particular, with achieving or exceeding our revenue goals while holding our expenditures in line.

Discussion

5m 2. The Budget as a Control Tool 4:0  
4:0

The specific program or project budget, and the organizational unit's annual budget, constitute the best tools available to manage the financial outcome:

- o in the one case, of the program or project, and
- o in the other case, of the organization unit's overall program of activities.

5m 3. The Budget Manager 4:0  
4:0

Most organizations appoint - by some title - a financial manager or controller. It is his responsibility to oversee the implementation - in money terms - of the organization's plans. Remember that we suggested the first morning that sound financial management depends on the work of specialized personnel, i.e., the financial manager - in Kenyan local authorities, the treasurer.

Ask what some of his responsibilities are?

The answers are such things as that the budget manager:

- o advises departments of the allocation of monies,
- o approves major expenditures as being within the budget before they may be made,
- o monitors expenditures monthly and quarterly and analyzes variances from the annual spending plan approved at the beginning of the year,
- o advises higher authority of danger signals and of the need to take corrective actions to stay within the budget plan, and
- o is the first level to review and develop recommendations on requests for modifications to the existing budget to accommodate new needs.

Discussion

#### 4. Modifying the Budget

Several considerations should be discussed regarding modifications to the budget.

10m a. Ongoing Revisions

Many of the changes required in the budget during the year are relatively minor both in scope and in impact on the overall budget. Many of the initial budget figures were, indeed, only best guesses as to the costs or income involved.

- o Expenditure examples might be training costs for staff, or part-time vacation period labor costs
- o Revenue examples might be added license fee income, and the like.

Ask what the budget manager will do in instances of such variances when they are not really significant?

The answer is that in those cases where changes do not threaten to unbalance the entire budget, the budget manager will usually simply note the deviations from the budget, accepting the actual figures that are resulting as, in effect, ongoing minor revisions in the budget. Unless their cumulative impact becomes significant, no particular corrective action will be called for.

Discussion

10m b. Major Budget Changes regarding Which No Option Exists

4:25-  
4:35

From time to time, major new needs will arise during the course of the budget year. Some of these must be accommodated no matter what.

Ask what are some examples of major new needs that must be accommodated?

Many answers can be given, but some are such things as the following:

- o If the parliament legislates a 5% increase in wages or the Kenya Power and Lighting Company gains approval for a 15% increase in electricity rates to take effect during the year, this must be accommodated by the local authority in its budget.
- o If a fire destroys the administrative headquarters of a department, new space must be rented and basic equipment and supplies replaced.

Ask what the budget manager is to do in such cases?

The answer is that in these cases, corresponding adjustments must be made in other planned expenditure lines in the budget -- or in planned income -- or a deficit must be accepted.

Discussion

10m c. Evaluation of Proposed New Priorities

4:35-  
4:45

However, sometimes major "needs" will be raised during the year which can be postponed. It may be asserted, for example, that changed requirements necessitate extending the planned new road section from 20 kilometers in length to 25 kilometers. Or that the new elementary school should have a supplies and equipment annex built adjacent to it. The arguments brought forward for doing these things may be very strong.

Ask what is to be done regarding these supposed new needs?

The answer is that the priority of the new requirement must be weighed against the priorities of other items already in the budget and either the proposed new expenditure disallowed or significant adjustments made in other budget items.

It is necessary to recognize that the municipality or department cannot, in the long run, spend more than it takes in. Unless it is certain that revenues will exceed original projections or that other expenditures will be less than earlier anticipated, the hard facts of budget balance will require an evaluation of the priority of the new requirement against the priorities of other items already in the budget and either the disallowance of the proposed new expenditure or significant adjustments in other budget items.

Usually the budget manager, along with the concerned department head, will make the first evaluation of the asserted new need. His analysis and recommendations will be reviewed by higher authority, i.e., the clerk, the appropriate substantive council committee, and the finance committee of the council.

To repeat, it is important, if the new requirement is to be added to the budget, that new revenue be found to pay for it or other planned expenditures be cut back on a priority basis. Otherwise, the building of the added five kilometers of highway or of the elementary school annex should be postponed to a future year.

Discussion

10m d. Periodic Issuance of Revised Budgets\*

4:45-  
4:55

Many organizations actually develop and publish a revised budget or budgets during the year to reflect major changes. In issuing such revised budgets, the original budget figures are usually stated also. This is illustrated in the last box on Item # 38 where KShs 3.5 million or 70% of a KShs 5 million budget has been spent in the first six months and it has become clear that the remaining KShs. 1.5 million in the original budget will not get us through the last half of the year. See also below:

<u>Initial Budget</u> (for year)	<u>Expenditures to Date</u> (6 months)	<u>Revised Budget</u> (for year)
5,000,000	3,500,000	6,500,000

We have been talking mainly about the budgeting of expenditures. However, the budget manager will -- at least at some organization levels -- be as concerned with revenues as with expenditures. Thus, for example, collections of taxes that fall below budget require either:

- o immediate corrective action to meet the tax collection goal or to raise one or more other income lines, or
- o an adjustment downward in the expenditure budget to reflect the reduced resources that are being realized.

Ask what development might require significant revisions in your "working budget"?

List answers on flip chart.

Such budget revisions would also be required in the event of major reductions from plan in market income or in any other planned revenue item.

\*Distinguish between (1) revisions prepared for submission to the MLC as Supplementary Estimates for final approval and (2) revisions in what might be called "working budgets" used as a management and control device throughout the year. Surely, the second is required even if you choose not to do the first.

5m 5. Conclusions on Budget Implementation

4:5E  
5:0C

The central points in this above discussion are that:

- o the budget should be used not just as the initial expenditure and income plan,
- o but also as a guide and control tool all year long; and
- o strong central financial management by a trained, experienced, and motivated budget manager --- i.e., treasurer --- is required.

This means the following:

- o Actual figures for current periods should be reported to the budget manager - treasurer --- with explanations of significant variances.
- o He should analyze actual results against the budget plan each month for all organization units and advise top management of significant variances.
- o Major new needs should be evaluated in terms of their priority versus the priority of the expenditure items included in the base budget.
- o Major budget changes should be made consciously and deliberately by top management.
- o The budget manager should keep a revised budget up to date for top management throughout the year to reflect major shortfalls in revenue or overages in expenditures as well as major additions to and deletions from it made by top management. Moreover, at least if major revisions have occurred, a revised budget should be published at least semi-annually.

The budget is an important management tool. Our advice to you is to take it seriously and get as much value out of it as a planning and control tool as you possibly can.

Discussion

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NOTE: If it has not proved possible to complete the above program by the end of the day, the workshop leaders should feel comfortable about continuing with the above program for another hour or two the next morning -- since more time is allowed on Friday than is really necessary for the "back-home" programs.

FRIDAY MORNING (285 minutes, including a 15 minute break, are programmed out of 285 minutes)

Call group to order

8:00-  
8:05

G. "BACK-HOME" PLANS AND BUDGETS

1. Development of "Back-Home" Plans and Budgets

8:05-  
10:30

This exercise is the culminating event of this workshop and stress should be placed on its importance and the essentially of undertaking it with due deliberation and care.

a. "Back-Home" Plans and Budgets of Local Authority Teams

Each three-member team (typically the chairman of the Finance committee of the council, the clerk and the treasurer) from each local authority is to develop a planning statement and budget for its local authority for the coming year in the format and using the approaches outlined in this workshop.

Refer to Item # 46 "Workshop Exercise - Plan for the Local Authority Represented by Each Local Authority Team" (program format to be completed by each local authority team).

b. "Back-Home" Program of the team of Central and Provincial Government Officials

Central and provincial government representatives should also develop a program of steps that they can take to help in improving planning and budgeting by local authorities.

Refer to Item # 47 "Workshop Exercise - Program for the Central and Provincial Governments for Improving Planning and Budgeting by Local Authorities" (program format to be completed by the team of central government participants).

m MORNING BREAK

10:30-  
10:45



FRIDAY AFTERNOON (180 minutes, including a 15 minute break, are programmed out of 180 minutes)

Call group to order

2:00-  
2:05

G. DEVELOPMENT OF BACK-HOME PLANS AND BUDGETS, cont.

2. Reports by Local Authority and Central Government Teams on "Back Home" Plans and Budgets, cont.

a. Reports by the Local Authority Teams, cont.

2:05-  
3:30

Local authority teams are to continue with their reports on the programs that they have developed.

AFTERNOON BREAK

3:30-  
3:45

b. Report by the Central and Provincial Government Team

3:45-  
4:30

o Presentation of the results of the central government's team on its program development (about 20 minutes)

o Discussion/critique by participants (about 15 minutes)

It is hoped that any senior representatives of the MLG and USAID present for the closing ceremonies will participate in these critiques.

30m H. COMPLETION OF WORKSHOP EVALUATION QUESTIONNAIRE

4:30  
5:00

An evaluation instrument is to be completed by participants.

- o Refer to Item # 48 "Evaluation of Workshop"  
(questionnaire to be completed by each participant)
- o Forms are to be collected for later tabulation and  
analysis

FRIDAY EVENING

CLOSING CEREMONIES

A. CLOSING DINNER

7:00-  
9:00

A cocktail period and closing dinner is to be held for participants and guests.

B. DISTRIBUTION OF CERTIFICATES OF PARTICIPATION

Item # 49 "Certificate of Participation" is to be presented to each participant.