FINANCIAL MANAGEMENT WORKSHOP

PLANNING AND BUDGETING

PARTICIPANT MATERIALS

OVERALL PROGRAM, EXPLANATORY HANDOUTS,
AND WORKSHOP EXERCISES

prepared by
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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
PLANNING AND BUDGETING
KENYA

No. 1

OVERALL PROGRAM*

SUNDAY AFTERNOON AND EVENING

A. OPENING CEREMONIES

1. WELCOMING REMARKS

2. INTRODUCTIONS 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

*Workshop sponsored by the Ministry of Local Government; Government Training Institute Mombasa; and the Regional Office of Housing and Urban Development, USAID/Kenya

5. Workshop Schedule

Sunday Afternoon and Evening

5:00 p.m. - 6:30 p.m. Opening Session
7:00 p.m. - 9:00 p.m. Opening Dinner

Monday-Friday

8:00 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. - 2:00 p.m.: Luncheon Break
2:00 p.m. - 3:30 p.m.: Workshop Session
3:30 p.m. - 3:45 p.m.: Afternoon Break
3:45 p.m. - 5:00 p.m.: Workshop Session*

Friday Evening

7:00 p.m. - 9:00 p.m.: Closing Dinner

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

6. Workshop Logistics

As appropriate.

B. OPENING DINNER

Evening Reading Assignment: Items #s 7 through 17 and Appendices A, B, C, and D

Workshop
Materials

MONDAY - FRIDAY PROGRAM - SUBSTANTIVE PROGRAM ON PLANNING AND BUDGETING

MONDAY MORNING

A. RELATIONSHIP OF PLANNING TO FINANCIAL MANAGEMENT TO PUBLIC FINANCE

1. Importance of sound public finance at the level of local authorities. #s 3 & 4

2. Excellent financial management as the key to sound public finance.

3. Good planning as an essential element of excellent financial management. #5

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

Introduction #s 6 & 7

1. Planning required for all aspects of a local authority's activities.

   a. Planning for capital projects

   b. Planning for operating activities

   c. Planning for administrative and financial supports. # 8

2. Two major categories of plans and budgets

   a. Work of an organization

   b. Carrying out of a project

3. Long-range planning undertaken first

   a. Importance of long-range planning

   b. Time span(s) of long-range plans

   c. Detail required in long-range plans

   d. Financial representation of long-range plans

Workshop Materials

e. Long-range plan a detailed guide to action or merely a signpost?

f. Updating of long-range plans

4. Short-range planning as the immediate step ahead in implementing the long-range plan

a. Short-range planning following on long-range planning

b. Time span(s) of short-range plans

c. Relation of the short-range plan to the long-range plan # 9

d. Detail required in short-range plans

e. Short-range plan a detailed guide to action or merely a signpost?

5. Long-range financial planning and short-range budgeting as integral parts of planning # 10

a. Long-range financial plans

b Short-range annual budgets # 11

KENYAN GOVERNMENT PROCESSES AND EXPECTATIONS REGARDING PLANNING AND BUDGETING

1. Local authority planning

a. Contribution to the national government's five-year Development Plans

b. One year estimates of local authorities # 12 & Appendices A & B

	Workshop Materials
MONDAY AFTERNOON	
b. One-year estimates of local authorities, cont.	
c. Local Authority Development Program	# 13
d. District Focus	# 14
2. National government five year Development Plans	
3. Ministries, District Focus, and parastatal planning	
a. Three-year plans of ministries, District Focus, and parastatals	#s15 &16 and Appendix C
b. One-year plans and estimates of ministries, District Focus, and parastatals	# 17 and Appendix D

Evening Reading Assignment: Items #s 19 through 23 and Appendix E

TUESDAY MORNING	
c. Summary of Kenyan Government planning and budgeting processes	Appendix E
4. Trends in Kenyan government planning and budgeting	
5. Workshop exercise: Evaluate opportunities for improvement in planning and budgeting by local authorities	# 18

Workshop Materials

). ELEMENTS OF PLANNING AND HOW TO CARRY THEM OUT

1. Good planning involves several steps

2. First step: Defining mission or purpose

   a. What is "mission" or "purpose"?

   b. Examples of mission or purpose # 19

3. Second step: Forecasting the relevant environment in which plans will be implemented

   a. What is a forecast?

   b. Two types of forecasts: external and internal

      (1) Forecasts of the external environment # 20

      (2) Forecasts of the internal environment # 21

   c. Implications of forecasts # 22

TUESDAY AFTERNOON

   d. Writing down forecasts and their implications

   e. Formats for forecasts # 23

      (1) Forecasts with separate implications

      (2) Forecasts including implications

      (3) Forecasts followed by set of implications

   f. Workshop exercise: Develop purpose/mission and forecasts for an organization or a project

Evening Reading Assignment: Items #s 25 through 33 except for Item #28. # 24

Workshop Materials

WEDNESDAY MORNING

4. Third step: Setting objectives for an organization or project

   a. What is an objective?

   b. Specificity — # 25

   c. Hierarchy of objectives

      (1) Introduction

      (2) Purpose or mission

      (3) Long-range goals

      (4) Short-range specific objectives

   d. Standards for objectives — # 26

   e. Formats for objectives — # 27

   f. Workshop exercise: Develop goals and objectives for an organization or a project — # 28

5. Fourth step: Developing the program of work to be accomplished

   a. What is a program?

   b. Developing the work program — # 29

   c. Time schedules — # 30

   d. Critical path — #s 31 & 32

Workshop
Materials

WEDNESDAY AFTERNOON

e. Accountabilities

f. Formats for programs and projects # 33

g. Workshop exercise: Develop a work program for an organization or a project # 34

Evening Reading Assignment: Items # 35 through 45 except for Items #s 39 and 42.

THURSDAY MORNING

6. Fifth step: Budgeting as the financial representation of the program for the organization or project

a. What is a budget? (# 10)

b. Initial formulation of the budget # 35

(1) Expenditure budget

(2) Income budget

c. Initial budget appraisal

d. Formal budget review and approval

e. Revision in light of funding decisions

f. Formats for budgets

(1) Introduction

(2) Project or program budget formats # 36

	Workshop Materials
(3) Organization budget formats	
(a) Overall organization budget	# 37
(b) Line item budget	
(c) Mixed department and project budget	
(d) Capital project budget	
(e) Budget broken down by quarters	# 38
(f) Typical annual budget with comparison years	
(g) Examples of assumptions frequently included in budget submissions	
(h) Revised budgets	
g. Workshop exercise: Develop a budget for an organization or a project	# 39
7. Sixth step: Developing policies for plans implementation	
a. What is a policy?	
b. Examples of policies	# 40
c. Policies as part of the plan	
8. Seventh step: Developing procedures for plans implementation	
a. What is a procedure?	
b. Examples of procedures	# 41
c. Procedures as part of the plan	
d. Formats for policies and procedures	
e. Workshop exercise: Develop policies and procedures for an organization or a project	# 42

Workshop Materials

THURSDAY AFTERNOON

9. Summary of the planning process # 43

REQUIREMENTS FOR SOUND AND REALISTIC PLANS AND BUDGETS

1. Excellent data bases

   a. Historical trends # 44

   b. Up-to-date information

2. Sound revenue and expenditure calculations # 45

F. MANAGEMENT OF BUDGET IMPLEMENTATION

1. The budget as detailed guide or merely a signpost?

2. The budget as a control tool

3. The budget manager

4. Modifying the budget

   a. Ongoing revisions

   b. Major budget changes regarding which no option exists

   c. Evaluation of proposed new priorities

   d. Periodic issuance of revised budgets

5. Conclusions on budget implementation

Workshop
Materials

FRIDAY MORNING

G. "BACK-HOME" PLANS AND BUDGETS

1. Development of "back-home" plans and budgets

a. "Back-home" plans and budgets of local authority teams # 46

b. "Back-home" program of the team of central and provincial government officials # 47

2. Reports by local authority and central government teams on "back home" plans and budgets

a. Reports by the local authority teams

FRIDAY AFTERNOON

a. Reports by the local authority teams, cont.

b. Report by the central and provincial government team

H. COMPLETION OF WORKSHOP EVALUATION QUESTIONNAIRE # 48

FRIDAY EVENING

CLOSING CEREMONIES

A. CLOSING DINNER

B. DISTRIBUTION OF CERTIFICATES OF PARTICIPATION # 49

FINANCIAL MANAGEMENT WORKSHOP
PLANNING AND BUDGETING
KENYA

No. 2

LIST OF MATERIALS

Sunday Afternoon

1. Overall Program

2. List of Materials

Monday Morning

*3. Public Finance at the Local Level (diagram)

*4. How the Local Financial Manager Looks on Public Finance (diagram)

*5. Management Functions Performed by the Good Financial Manager (diagram)

*6. What Good Financial Management Involves (diagram)

*7. Planning Elements and Considerations (outline)

*8. Planning Responsibilities of Local Authorities (diagram)

*9. Relationship between Long-range and Short-range Plans (diagram)

*10. Programs and Budgets - A Mirror Image (diagram)

*11. Planning as It Is Done and as It Should Be Done (diagram)

*12. Excerpts from "Estimates and Related Matters - 1984", Circular No. 20/83, Ministry of Local Government, August 31, 1983

* Evening Assignment

Monday Afternoon

*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

*14. Excerpts from Documents Relating to District Focus

*15. Excerpts from "Treasury Circular No. 5 - Programme Review and Forward Budget 1985/86 - 1988/89", Ministry of Finance and Planning, July 12, 1985

*16. Excerpts from "Workshop Brief 1/85 -- Budget Rationalization Programme and Guidelines for Programme Review and Forward Budget" Ministry of Finance and Planning, April 18, 1985, pages 1-8 only

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

Tuesday Morning

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

*19. Examples of Mission or Purpose

*20. External Forecasts -- Factors and Examples (outline)

*21. Internal Forecasts -- Factors and Examples (outline)

*22. Examples of Relevant Implications of Forecasts

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* Evening Assignment

Tuesday Afternoon

*23. Examples of Forecasts Formats

24. Workshop Exercise - Develop Purpose/Mission and Forecasts for an Organization or a Project

Wednesday Morning

*25. Objectives - Planning Considerations and Examples (outline)

*26. Examples of Standards For Objectives

*27. Examples of Goals/Objectives Formats

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

*29. Programs - Planning Considerations and Example of List of Work Steps (outline)

*30. Example for New Housing Project of Sequence-of-Event Analysis of Project Activities (diagram)

*31. Example for New Housing Project of Critical Path Analysis of Project Activities (diagram)

*32. Example of Work Program with Critical Path, Schedule and Accountabilities for a Housing Project (table)

Wednesday Afternoon

*33 Example of Program Format

34. Workshop Exercise - Develop a Work Program for an Organization or a Project

* Evening Assignment

Thursday Morning

*35. Examples of Budgets

*36. Examples of Formats for Project/Program Budgets

*37. Examples of Formats for Annual Budgets

*38. Examples of Other Budget Format Considerations

39. Workshop Exercise - Develop a Budget for an Organization or a Project

*40. Examples of Policies

*41. Examples of Procedures

42. Workshop Exercise - Develop Policies and Procedures for an Organization or a Project

Thursday Afternoon

*43. The Planning Process (diagram)

*44. Examples of Historical Trends (table and diagram)

*45. Examples of Planning Relationships as Bases for Calculations (tables)

Friday Morning

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

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)

Friday Afternoon

48. Evaluation of Workshop

Friday Evening

49. Certificate of Participation

*Evening Assignment

APPENDICES

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

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

*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

*D. "Treasury Circular No. 2 -- Draft Estimates of Revenue and Expenditure 1985/86," Ministry of Finance and Planning, April 18, 1985, pages 1-8 (only)

*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

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*Evening Assignment

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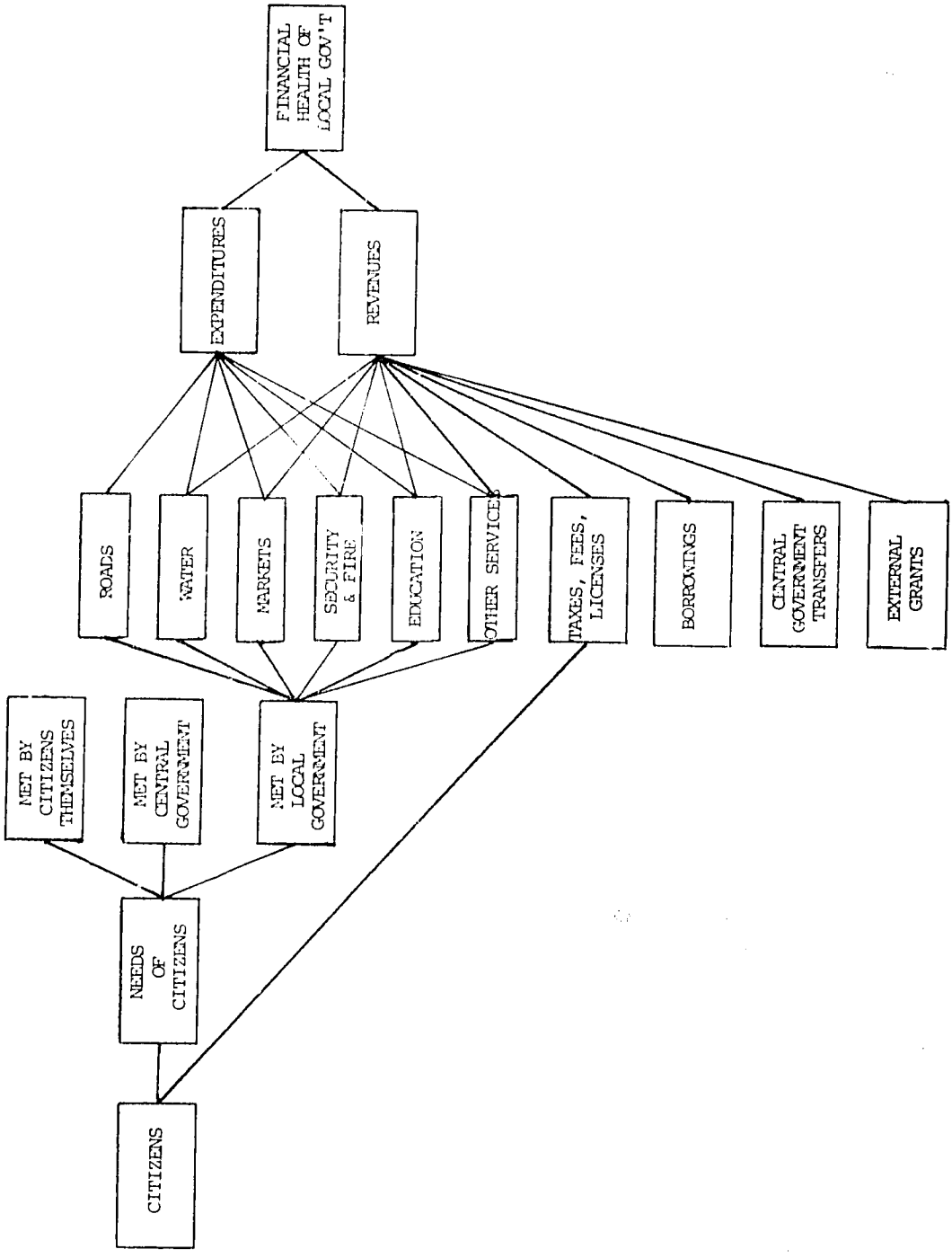
PLANNING AND BUDGETING
KENYA

NO. 3

PUBLIC FINANCE AT THE LOCAL LEVEL



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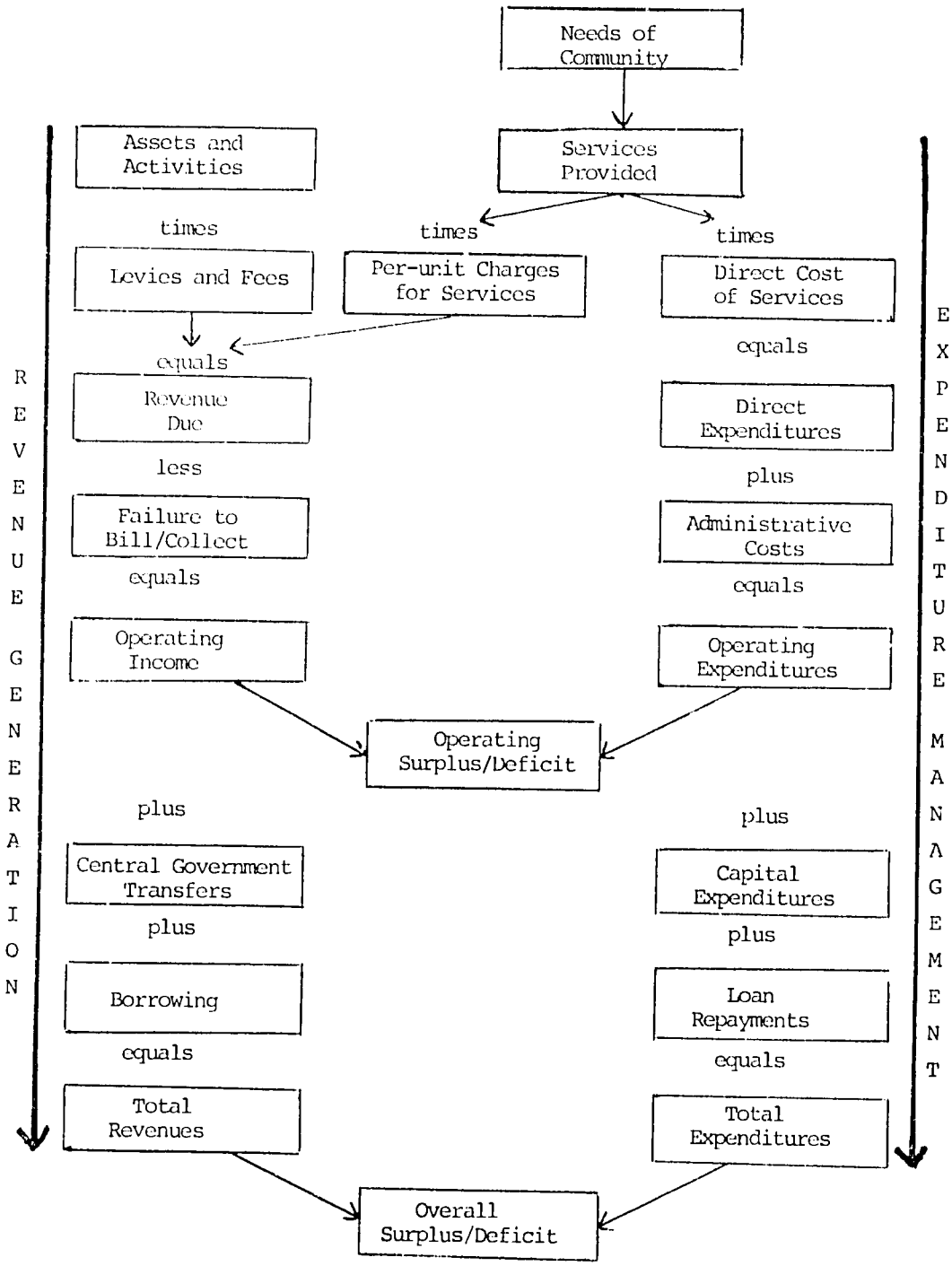
KENYA

NO. 4

HOW THE LOCAL FINANCIAL MANAGER LOOKS ON PUBLIC FINANCE



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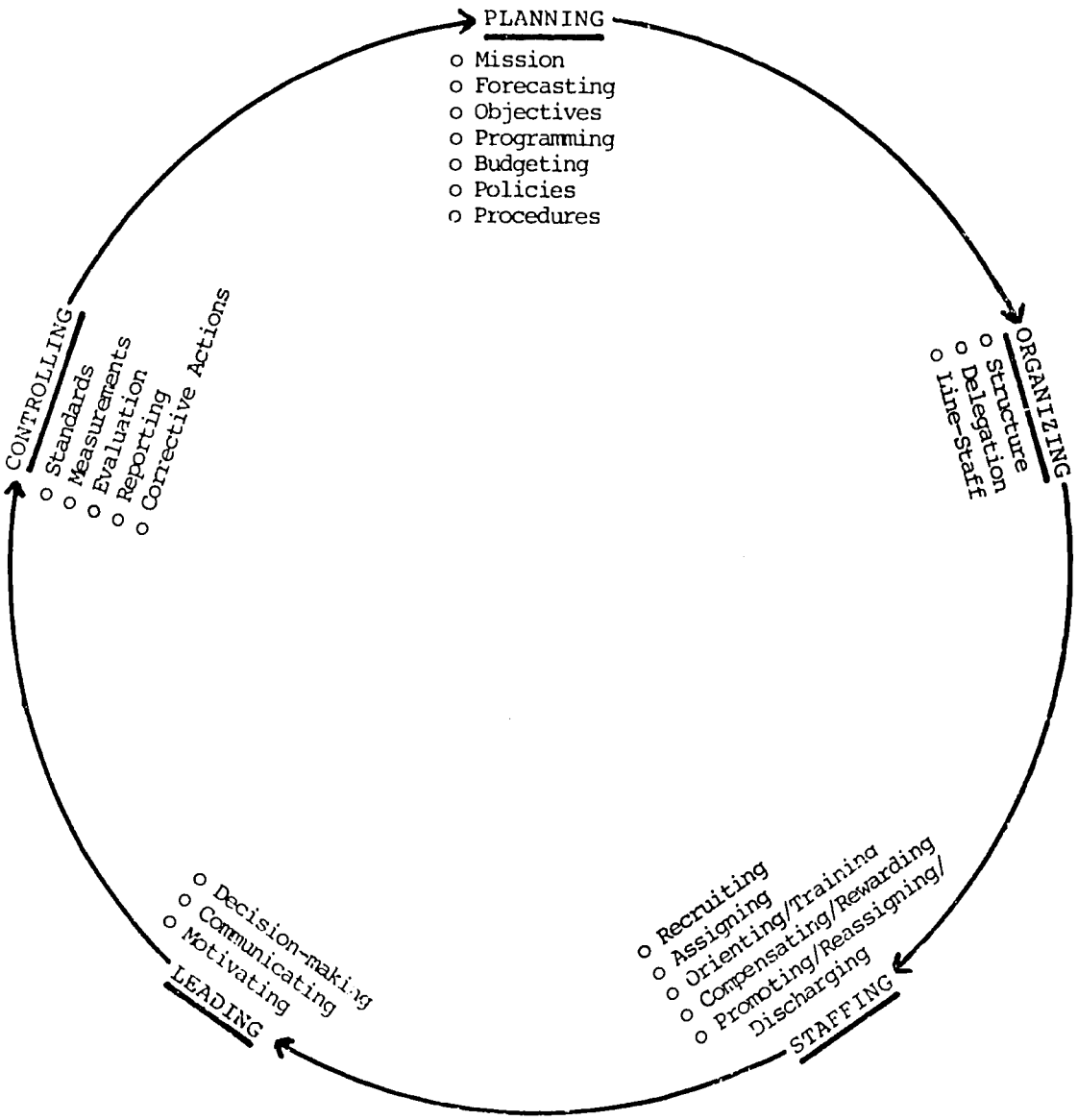
KENYA

NO. 5

MANAGEMENT FUNCTIONS PERFORMED BY THE GOOD FINANCIAL MANAGER



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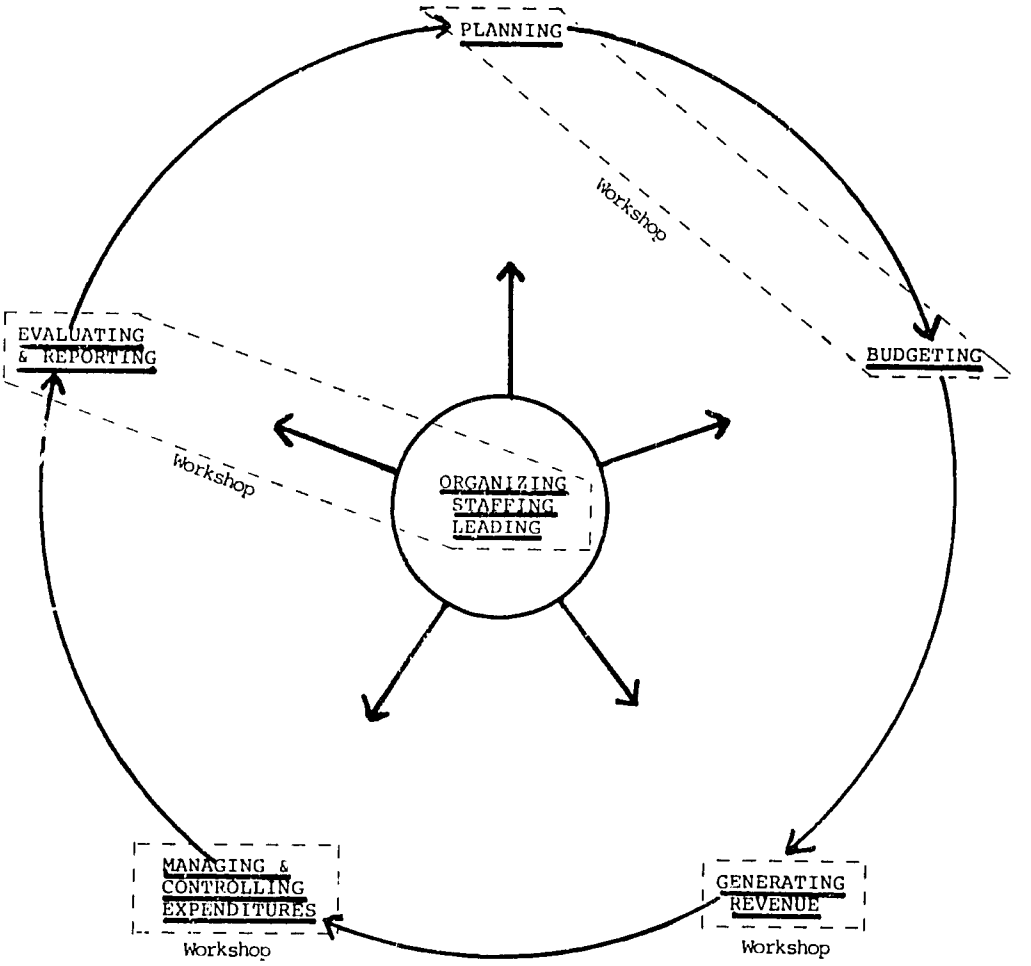
PLANNING AND BUDGETING
KENYA

NO. 6

ANOTHER VIEW OF WHAT GOOD FINANCIAL MANAGEMENT INVOLVES



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PLANNING AND BUDGETING
KENYA

No. 7

PLANNING ELEMENTS AND CONSIDERATIONS

I. PLANNING FOR ALL ASPECTS OF A LOCAL AUTHORITY'S ACTIVITIES

A. Planning for capital projects

B. Planning for operating activities

C. Planning for administrative and financial supports

II TWO MAJOR CATEGORIES OF PLANS AND BUDGETS

A. Work of an organization

B. Carrying out of a project

III. LONG-RANGE AND SHORT-RANGE PLANS

A. Long-range plans (broader - signposts - updating)

B. Short-range plans (based on long-range plans - more detailed - specific guide)

IV. PLANNING STEPS

A. 1st Step: Defining mission or purpose

B. 2nd Step: Developing forecasts and implications

1. External forecasts and implications relevant for the plan

2. Internal forecasts and implications relevant for the plan

C. 3rd Step: Setting objectives

1. Hierarchy of objectives

   - o Purpose/Mission,
   - o Goal
   - o Objective (specific)

2. Standards telling when achieved

D. 4th Step Developing programs

1. Work steps (specific, quantified)

2. Schedule (when? - critical path)

3. Accountability (who?)

E. 5th Step Budgeting

1. Mirror image in monies of program

2. Expenditures and income

3. Repeated feasibility appraisals

F. 6th Step Developing policies

1. A standing decision providing guidance on major problems that re-occur

G. 7th Step Developing procedures

1. A standing decision on how to perform repetitive work

V. PLANNING AND BUDGETING REQUIREMENTS

A Excellent data bases

1. Historical trends

2. Up-to-date information

B. Sound revenue and expenditure calculations

VI. MANAGEMENT OF BUDGET IMPLEMENTATION

A. The budget as detailed guide or signpost

B. The budget as control tool

C. The budget manager

D. Budget revision

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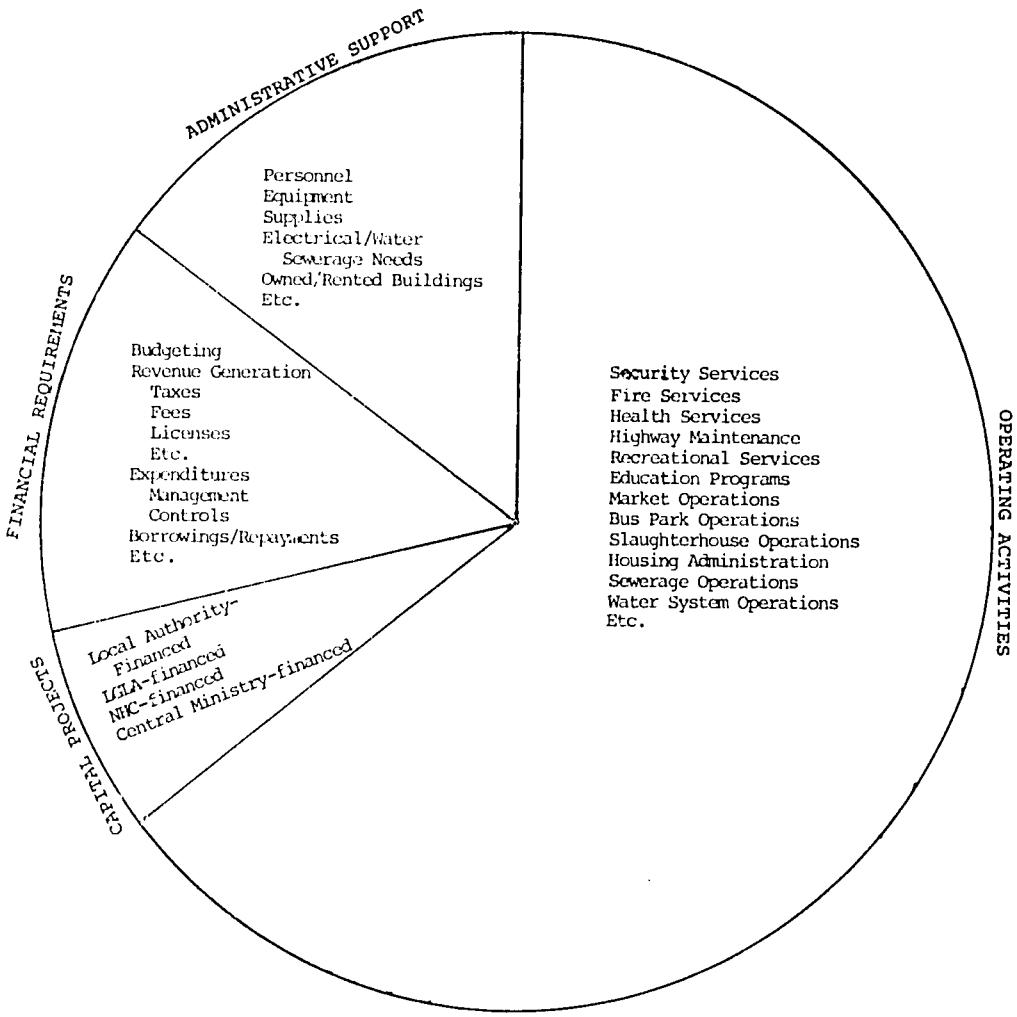
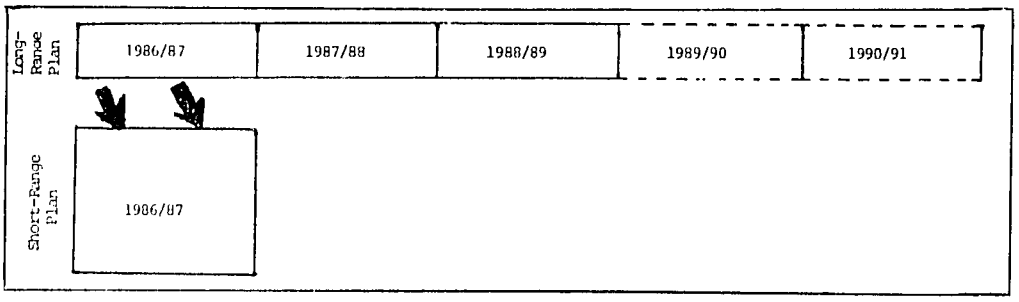
PLANNING AND BUDGETING
KENYA

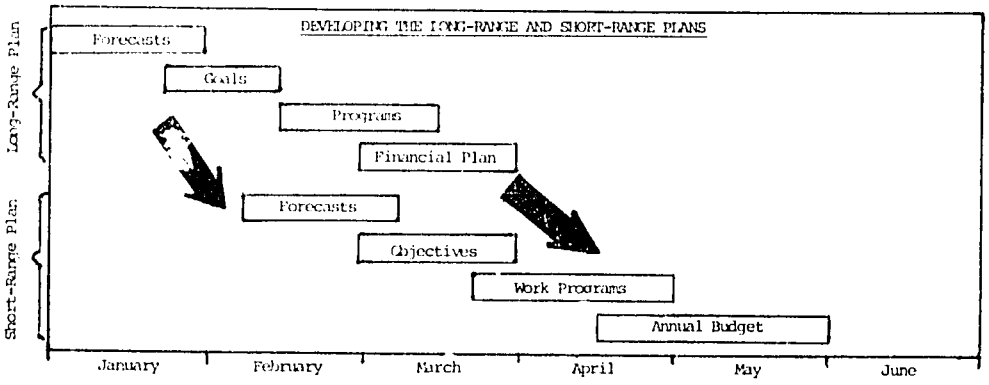
NO. 8

PLANNING RESPONSIBILITIES OF LOCAL AUTHORITIES



RELATIONSHIP BETWEEN LONG-RANGE AND SHORT-RANGE PLANS





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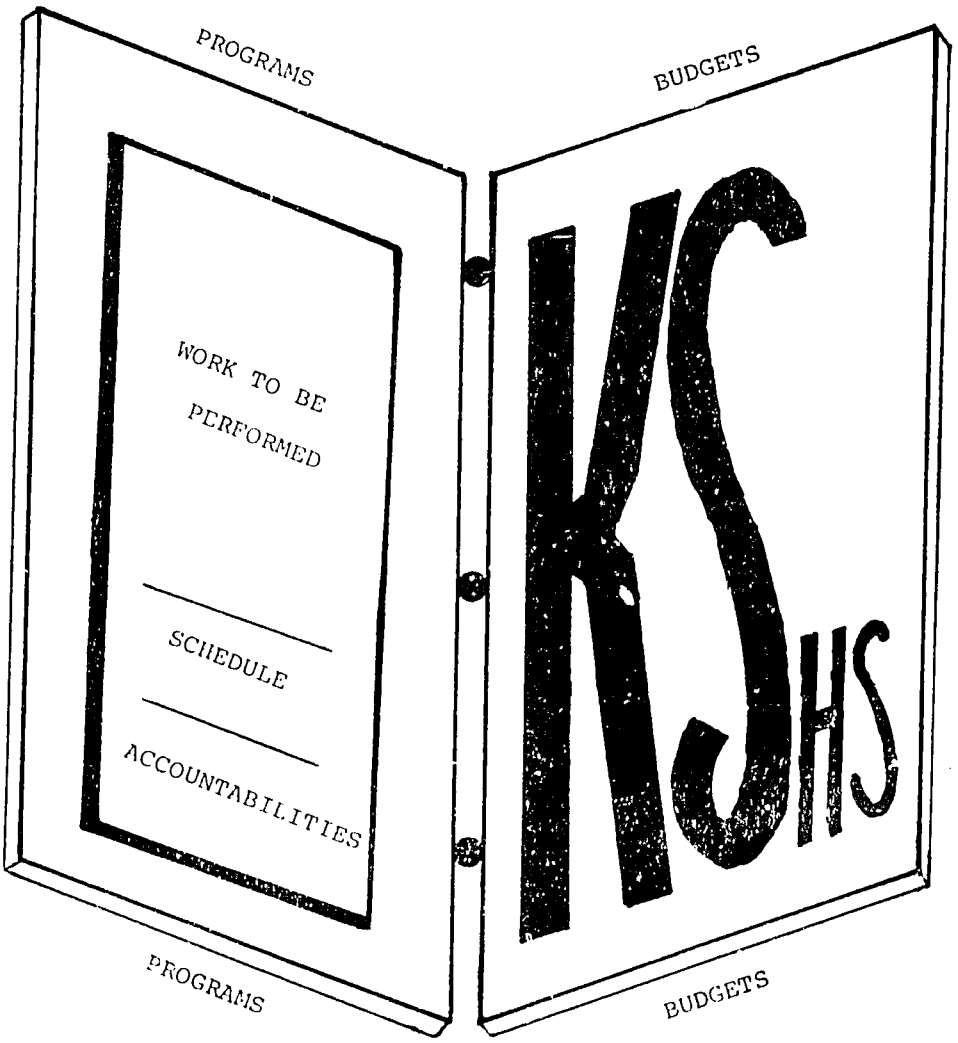
NO. 10

PROGRAMS AND BUDGETS - A MIRROR IMAGE



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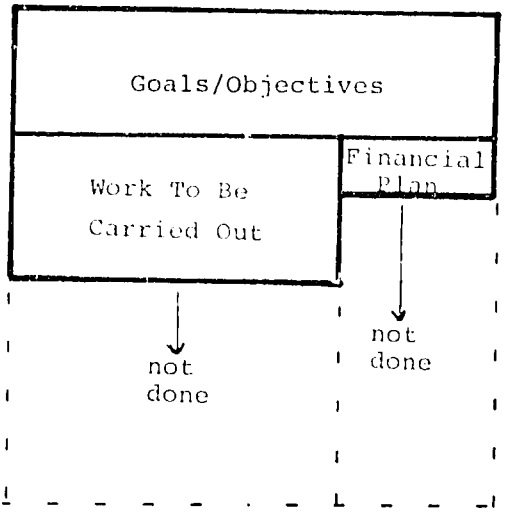
No. 11

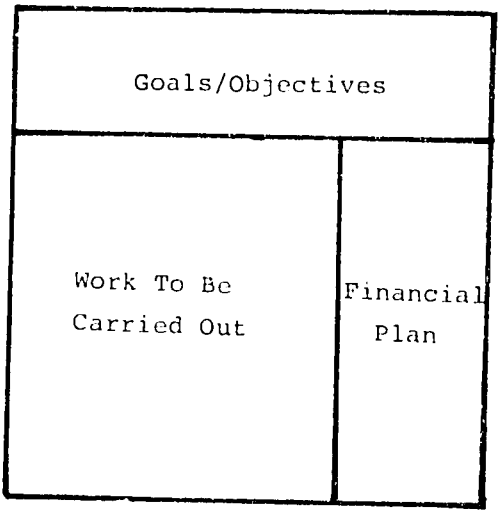
FINANCIAL PLANNING AS IT IS AND AS IT SHOULD BE

A. LONG-RANGE PLAN

AS IT IS DONE

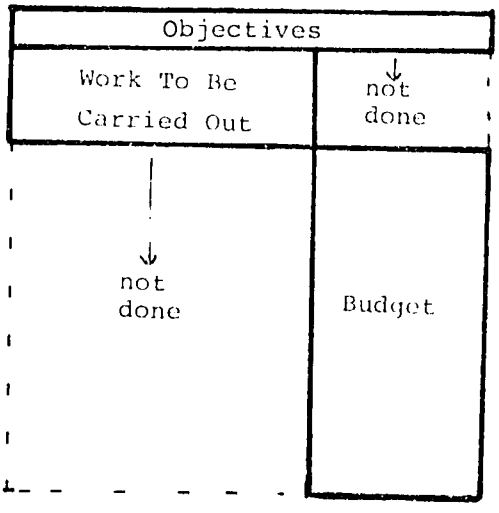


AS IT SHOULD BE DONE

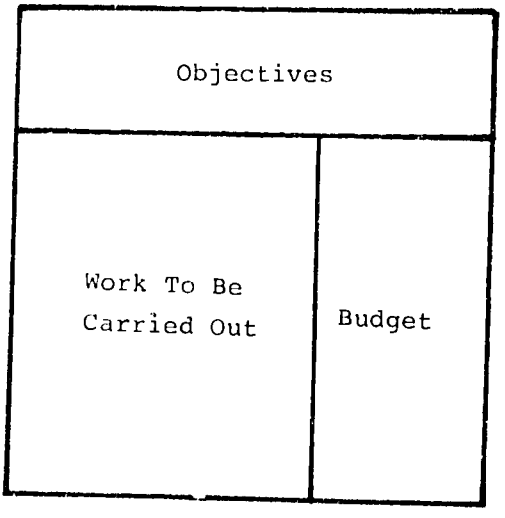


B. SHORT-RANGE PLAN

AS IT IS DONE



AS IT SHOULD BE DONE



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PLANNING AND BUDGETING
KENYA

NO. 12

EXCERPTS FROM "ESTIMATES AND RELATED MATTERS - 1984", CIRUCULAR NO 20/83, MINISTRY OF LOCAL GOVERNMENT AUGUST 31, 1983*

...

2. RESPONSIBILITY FOR DRAFT ESTIMATES

... the Town or County Treasurer, as the Chief Financial Officer and Adviser, is charged with the responsibility of advising the Council through its Finance Committee on all matters of finance and these include the financial arrangements.

The Town Clerks and Clerks to Councils should, however, ensure that there is proper co-ordination and that every Department submits its proposals in time for discussion.

It is important that Treasurers should keep in constant touch with their respective Provincial Local Government Officers at all stages, particularly on matters of New and Revised levels of Fees and Charges, Rate struck, additional establishment, new items of expenditure etc....

4. FORMAT OF THE DRAFT ESTIMATES

Like in all the previous years, the Recurrent Budget Format should show the following:-

(1) Minutes of the Financial and General Purposes Committee approving the 1984 Budget, together with a copy of the Committee Chairman's Speech highlighting the 1984 Budget.

(a) Actual figures for Income and Expenditure for 1982.

(b) Approved figures for Income and Expenditure for 1983.

(c) Probable figures for Income and Expenditure for 1983

* Some of the excerpts in this item have been rearranged from the order found in Appendix A.

(d) Estimated figures for Income and Expenditure for 1984.

(e) General Revenue Fund position as at 31st December, 1984 made up as follows:

(i) Accumulated General Revenue Fund position as at 31st December, 1983.

(ii) Add Estimated position Surplus/Deficit in 1984.

(iii) General Revenue Fund position as at 31st December, 1984 (being total of (i) and (ii) above).

(f) A statement of All Other Fund Balances as at 31st December, 1984 listed individually, e.g., Renewal Fund, Capital Reserve Fund, Housing Fund etc., made up as follows:-

(i) Accumulated position of each Fund as at 31st December, 1983.

(ii) Add estimated position Surplus/Deficit in 1984.

(iii) Total Fund position as at 31st December, 1984 (being a total of (i) and (ii) above).

(iv) A statement showing the extent to which the Total Fund position reflected in (iii) above is represented by Cash Deposits in the form of investments.

(h) The amount of Approved overdraft facility during the year 1983 and the extent to which the facility has been utilised as at 30th December, 1983.

(j) Projected Cash Flow statement for 1984.

(g) A statement showing the Total Number of Staff in your Council, categorized between salaried and non-salaried.

30

(k) Staff List as shown in previous years and must indicate the age of each employee.

(m) A separate list of employees who will be 55 years in the course of the year 1984.

(i) The Treasurer's explanatory notes to the Estimates giving reasons for major variations from 1983 provisions and new items of expenditure. These notes should accompany all the copies of Estimates submitted to the Ministry.

5. RATES, LICENCES, FEES AND CHARGES

Any proposed levels of Fees and Charges, including Rate struck, to be effected from 1st January, 1984 should be discussed early enough and submitted here separately for the Minister's urgent action. Please note that the Fees and Charges for 1984 are to be submitted separately and earlier than the Estimates so that approval can be given in time to make collection possible as from 1st January, 1984....

6. CAPITAL PROJECTS TO BE FINANCED IN 1983*

As in previous years, Local Authorities should only include, in their Schedule of Capital Programmes for 1984, the schemes 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....

* 1984 was actually meant.

31

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

INTRODUCTION

Many cities and towns throughout our country face a future of rapid growth and more demands for urban services of all types. Meeting the needs of wananchi in our urban areas must increasingly be the responsibility of local governments. To succeed, local councillors and officers will need to demonstrate management skill and financial discipline.

The Ministry of Local Government has recently initiated a process whereby local authorities assume greater responsibility for development project planning and implementation. Each council is to prepare a Local Authority Development Programme (LADP), which is a strategy for the area's development over the next five years. The LADP describes the basic needs of wananchi in the local authority, outlines the priority projects to meet those needs, and demonstrates that the council is able to manage and finance the projects.

The LADP serves several important purposes. It is a basis for the central government's decisions concerning financial assistance to the council and for including council projects in the National Development Plan. It also guides all departments of government on the location, timing and specifications of development projects. And it is the basis for the council's Annual Development Estimates for capital projects, given that it is to be updated and amended each year to reflect changing circumstances....

THE LADP PROCESS

. . .

Council reviews the LADP and, upon its approval, submits it to district and central government representatives for their reviews and approvals ....

THE LADP REVIEW PROCESS

After council staff has prepared the LADP report, it is submitted to the council for review, final modifications and approval. The report should then be forwarded to the DDC for review and comments. If modifications are suggested by the DDC, the council will consider these and make any appropriate changes.

The LADP report (one copy) will then be submitted to MLG for central government review and approval. An interministerial board comprised of representatives of ministries concerned with local authority development projects will review the LADP. If an LADP is rejected, it will be returned to the council with an explanation of its deficiencies. The council will address these deficiencies and submit a revised LADP for approval.

Ministry of Local Government will give final approval based upon the advice of the inter-ministerial board. The council will be notified of this approval and of those projects for which financing is acceptable. The approved projects will be included in the National Development Plan and District Development Plan. MLG will also use the LADP to secure funds for additional projects.

For each LADP project for which financing has been identified, the council will be expected to carry out preliminary design and a feasibility study. This will be done prior to and as a part of the loan sanction application. Guidelines to assist the council to complete this work will be provided in Manual Two of this series, Preparing Feasibility Studies. MLG and other project-related ministries will make available technical assistance as needed to assist in this step.

The approved LADP is to be closely related to the council's Annual Development Estimates. New projects will be eligible for central government financing only if they are part of an approved LADP. The council will be able to change its LADP at a later date and is encouraged to review its LADP regularly and update it as changing needs require....

EXCERPTS FROM DOCUMENTS RELATING TO DISTRICT FOCUS

A. FROM "LOCAL AUTHORITY DEVELOPMENT PROGRAMME - MANUAL ONE"

The LADP Review Process

After council staff has prepared the LADP report, it is submitted to the council for review, final modifications and approval. The report should then be forwarded to the DDC for review and comments. If modifications are suggested by the DDC, the council will consider these and make appropriate changes.

B. FROM "DISTRICT FOCUS FOR RURAL DEVELOPMENT", OFFICE OF THE PRESIDENT, REVISED JUNE, 1984.

Planning and Co-ordination

The district responsibility for planning and co-ordination covers projects sponsored by the Government (ministries will provide policy guidelines for project choice), and projects supported by Harambee efforts, local authorities and foreign donors. It also includes review and endorsement of projects sponsored by non-governmental organizations (N.G.O.s) - including local self-help organizations. (The D.D.C. should encourage N.G.O. development activity by incorporating N.G.O. proposals into the District Plan and by providing moral and technical support whenever possible).

There are several potential sources of project support, both governmental and non-governmental, available to districts. Funds from any given source may be available only for certain types of projects. It will be important to co-ordinate not only the projects themselves, but also their means of finance. The challenge facing the D.D.C. is to manage the total set of resources in a manner that maximizes the benefit to district residents.

D.D.C. planning responsibilities include the identification and analysis of local development needs and the establishment of district development priorities. In the past the District Development Plans (D.D.P.s) tended to be unconstrained lists of all the projects wanted in the districts. The 1984-88 D.D.P.s, however, document priorities, and these priorities are being used to identify projects that can be funded with the resources available. The D.D.C. should screen projects to ensure that they are consistent with national policies (such as employment stimulation) and that they are cost effective (e.g., avoid building new projects if similar existing projects have underutilized capacity). Each district will prepare an integrated annual Work Programme to co-ordinate implementation of projects, particularly those which require inter-departmental co-operation.

Local authorities (e.g., County Councils and Town Councils) have a special relationship with the D.D.C.s. They are to vet their development projects through the D.D.C. before forwarding them to the Ministry of Local Government (M.L.G.) for funding. This process enables the D.D.C. to co-ordinate these projects with other development activity in the district. D.D.C. endorsement of a project assures the Ministry of Local Government that the proposal has been reviewed, and is in accordance with district development priorities....

To facilitate co-ordination, the local authorities should adjust their fiscal year to coincide with the central Government.

RESOURCES FOR RURAL DEVELOPMENT

Local Authority Resources

The development activities of local authorities will be co-ordinated through the District Development Committee. The extent of these activities varies considerably from district to district, but they can be a significant component in the portfolio of resources for local development.

Divisional Development Committees

The Divisional Development Committees (Dv.D.C.s) have the responsibility of assembling initial project ideas, sorting them out according to local priorities, and forwarding them to the D.D.C. for more formal review and assessment. The Dv.D.C. membership includes the following:

District Officer (Chairman)
District Development Officer (Secretary)
Community Development Assistant
Members of Parliament
Chiefs representing locations in the division
Councillors of local authorities
Technical Assistants (Ministry of Agriculture and Livestock Development)
Public Health Officers (Ministry of Health)
Invited representatives of other relevant ministries or organizations (including non-governmental organizations and self-help groups).

The Dv.D.C.s will meet as often as necessary, but at least four times a year.

C. FROM "DISTRICT FOCUS CIRCULAR NO. 1/85," AUGUST 27, 1985

1. STAFF STRENGTH IN THE DISTRICTS

(vi) District Planning Units

The office of the District Development Officer is to be strengthened by the establishment of a District Planning Unit (DPU). Its objectives are to serve as a secretariat to the District Executive Committee for day-to-day co-ordination of planning and implementation work....

2. FINANCE

(i) Forward Budget

Accounting Officers of all ministries have been instructed to ensure that the districts are fully involved in the preparation of the Forward Budget....

3. THE DEVELOPMENT COMMITTEES

(viii) Relationship between the Local Authorities and the Development Committees.

a) The guidelines on the submission of Local Authority project proposals to the DDCs have been subject to double interpretation in that some districts have been insisting that such proposals have to be passed through the Divisional Development Committees before submission to DDCs while other DDCs have been accepting them directly. It has, therefore, been found necessary to streamline the procedures so that all districts do it uniformly.

The Local Authority projects originate from two sources, i.e., from the Locational Development Committees or from the Local Authorities themselves. In both cases the project proposals must be discussed by the Divisional Development Committees before submission to the DDC. This is absolutely necessary for purposes of ensuring that grass roots inputs are incorporated in the Local Authority project proposals.

FINANCIAL MANAGEMENT WORKSHOP
PLANNING AND BUDGETING
KENYA

NO. 15

EXCERPTS FROM "TREASURY CIRCULAR NO. 5 - PROGRAMME REVIEW AND FORWARD BUDGET 1985/86 - 1988/89", July 12, 1985

...

Purpose of Programme Review and Forward Budget:

4. Although annual forward budget exercises have been conducted since 1973, many Ministries are not giving the exercise the importance it deserves. In the context of scarcity of budgeting resources, it is essential that Accounting Officers should regard the Programme Review as an important tool for planning the allocation of the limited budgetary resources amongst competing claims in their sector. This exercise is meant to assist the ministries to review their ongoing programmes and projects and the implementation of priorities identified in the Development Plan. It is also a tool for the formulation of future budgetary requirements, especially those relating to the next financial year....

6. In order to strengthen the linkages between forward budget and draft estimates, the approved forward budget for each Ministry will be strictly followed by the Treasury for draft estimates. Projects and programmes not included in the forward budget will not be considered for inclusion in the draft estimates....

9. In the recurrent vote* also it is apparent that not all services and activities can continue to be funded at existing levels in view of the present financial constraints. Accounting Officers should therefore identify the infrastructure and services in their sector which should receive priority in the allocation of recurrent funds. Therefore a careful review of all activities/services and infrastructure funded through the recurrent vote should be undertaken as an essential part of the forward budget exercise by each Ministry....

Inclusion of Parastatals in the Forward Budget:

10. In this year's Programme Review and Forward Budget those Parastatal Organizations whose investments will be financed from the Development Estimates must submit their Forward Budgets through the respective Ministries....

Involvement of Districts in the Forward Budget Exercises:

12. In line with the policy of implementing District Focus for Rural Development, Accounting Officers must ensure that the Districts are fully involved in the preparation of the forward budget....

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

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

"Heads" mean projects, programs, or activities

"Sub-heads" mean 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.

FORMAT OF PROGRAMME REVIEW AND FORWARD BUDGET

Recurrent Forward Budget

19. The information to be submitted to the Treasury for the draft recurrent forward budget should consist of the following:

(i) A Policy Statement... indicating the priorities established by the Ministry for the allocation of recurrent budgets, including a list of services, activities and physical infrastructure... which will be given priority during the forward budget period....

(ii) The Forward Recurrent Budget Summary... giving gross estimates, AIA's and net estimates for each sub-vote and head.

(iii) A more detailed explanation analysed into individual expenditure items for year 1 is required for each head. For years 2 and 3 the explanation could be on head basis highlighting the major factors influencing gross expenditure and "AIA's"....

(iv) Remarks and Programme brief for each budget head giving the following information...

(a) The objectives set for the activities of the head, and a statement of the need to which the activities are addressed;

(b) Evaluation of planned and realized outputs or performance in relation to the stated objectives and physical targets, where applicable, to be achieved during each of the forward budget years; and

(c) Funding implications of any development activities/completed development projects which will require recurrent funds...

Development Forward Budget

20. The information to be submitted to the Treasury for the development forward budget should consist of the following:

(i) A Policy Statement indicating the priorities identified by the Ministry for investments and development programmes within the sector, and the major projects/programmes and committments in each sub-sector;

(ii) Draft Forward Development Budget Summary ... giving for each sub-vote and head, estimates of gross expenditure, AIA's (where applicable) and net budgetary expenditures;

(iii) Details of Draft Forward Development Budget ... by sub-head and item for year 1 and sub-head only for years 2 and 3;

(iv) A Projects list, indicating (a) high priority and critical ongoing projects to be included for funding within the forward budget ceilings including the gross levels of expenditure for each project, for each of the forward budget years; (b) projects from out of the above group, which are currently being funded by the Government and which are considered appropriate for donor funding through grants and soft loans; and (c) projects that will be deferred, phased out, redesigned or cancelled from the current portfolio in order to provide adequate funds for projects included within the forward budget ceilings;

(v) Project Financial Data ... giving the total costs of the project/programme, the total external assistance available in the form of AIA or revenue, whether the external assistance is a grant or loan, the gross expenditure incurred up to 30th June, 1985, and the proposed gross expenditures for the forward budget years should be provided for all projects/programmes included for funding within the forward budget ceilings; ...

(vii) The Development Programme Brief, containing the following information for each ongoing project or programme, where applicable:... (See bottom of pages 11, 12 and 13 of Appendix C for a statement of the added detail required on individual projects).

41

FINANCIAL MANAGEMENT WORKSHOP
PLANNING AND BUDGETING
KENYA

NO.16

EXCERPTS FROM "WORKSHOP BRIEF 1/85 -- BUDGET RATIONALIZATION PROGRAMME AND GUIDELINES FOR PROGRAMME REVIEW AND FORWARD BUDGET", MINISTRY OF FINANCE AND PLANNING, JULY 1985

Forward Budget Process as the Mechanism for Rationalization

...

3.2 Although annual forward budget exercises have been conducted since 1973, the quality of the review and selection of projects/programmes for inclusion needs to be improved considerably. Forward budget should be considered essentially as a planning exercise for choosing the most appropriate portfolio of projects and for setting priorities for the allocation of recurrent and development ceilings. The planning and priority setting aspects of the forward budget exercise are not being followed in many Ministries, which tend to treat the forward budget as a mere duplication of the efforts necessary for the draft estimates.

3.3 The distinction between the two processes, forward budget and draft estimates is indeed very clear. The former is a planning exercise, carried out in the light of projections of available resources and keeping in view the record of project implementation and the emerging policies and priorities in each sector. The draft estimates on the other hand only translates the forward budget into budgetary allocations and provides one more opportunity to fine tune the proposals in the forward budget in light of more recent information on the resources position, implementation record and common financial guidelines.

Needs for Improving Quality of Analysis and Review

3.4 In order that the forward budget processes are utilized effectively for the budget rationalization programme, it is necessary to improve the quality of analysis both at the level of individual Ministries and at the EWG's. Ideally budget decisions at the planning stage (i.e., during the forward budget preparation) should be made without any presumption that a given service/activity or project/

42

programme should continue more or less along its present lines. Therefore all ongoing activities and projects should be very carefully reviewed (programme review) to assess the benefits being generated and the progress of implementation. Such a review of ongoing activities and projects should also take into account new projects, proposals or ideas and modifications of existing projects and programmes, in the light of the resources being made available to the sector.

...

3.6 Another essential element in improving the quality of the forward budget processes as a planning exercise is the establishment of clear priorities within each sector. 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. Such an identification of priorities would not only provide a basis for selection amongst ongoing projects and programmes but will also establish criteria for the identification of new projects in the sector.

3.7 In order that the operating Ministries give the forward budget the importance it deserves, the Treasury has decided that projects and programmes not included in the approved forward budget of the Ministry will not be considered for inclusion in the draft estimates. To the extent this decision is effectively implemented by the EWG's it will assist in improving the quality of the review and strengthen any linkages between forward budget and draft estimates...

Guidelines for the Preparation of the Forward Budget

5.1 The preparation of the 1985/86 - 1988/89 forward budget will be the first phase of implementation of the budget rationalization exercises. Achieving changes in the composition of Government expenditures takes time and it is going to be difficult to cut down on traditionally accepted activities. Therefore every effort has to be made by the Ministries and EWG's to carry out the exercise systematically and implement the guidelines/instructions in the circular.

5.2 Identification of Priorities: The identification of priorities for recurrent and development votes* is perhaps the most important and the most difficult part of the exercise...

5.3 Project Selection Criteria: The priorities established by the operating Ministry should form the basis for selection of projects/programmes for inclusion in the forward budget...

5.4 Full Costing of Included Projects: Projects included in the forward budget should be costed properly so that the provisions for different items is neither too much nor too little to ensure effective implementation. In this regard programmes without a beginning or end should be more carefully assessed for the benefits being generated, before routinely continuing the provisions for them in the forward budget. As a rule across the board cuts must be avoided by all concerned in the budgeting process, especially at the forward budget stage. This method of adjusting to the ceilings without establishing relative priorities leads to serious misallocation of funds and delays in implementation.

5.5 The need for full costing also implies that token provisions should be avoided at all costs, as any future provision for such projects will have to come from the already included projects and will result in underfunding...

FINANCIAL MANAGEMENT WORKSHOP
PLANNING AND BUDGETING
KENYA

NO.17

EXCERPTS FROM "TREASURY CIRCULAR NO. 2--
DRAFT ESTIMATES OF REVENUE AND EXPENDITURE 1985/86",
MINISTRY OF FINANCE AND PLANNING, APRIL 18, 1985

...

EXPENDITURE CEILINGS

2. ...Ceilings for individual votes* were established after finalization of detailed discussions on each vote during preparation of 1985/86 - 1987/88 Programme Review and Forward Budget....

3. ...It is apparent that not all services and activities can be continued to be funded at existing levels in view of the present financial constraints. Accounting Officers should therefore identify clear priorities for the allocation of the limited recurrent funds. Funding should be restricted to essential and high priority activities, services and infrastructure. The level and quality of services should however be improved through improvements in efficiency and productivity....

6. While formulating the forward budget for the period 1985/86 - 1987/88, Accounting Officers were required to review their recurrent programmes to identify where and how revenues (Appropriations-in-Aid) can be increased, so that services could be extended to new areas....

DISTRICT FOCUS

In compliance with Government policy of implementing district focus for rural development and in order to integrate the districts in the budgetary processes, each Ministry is required to identify and provide budget information for its projects or programmes which are district specific in nature....

15. Explanatory Notes: Explanatory notes (briefs) should be attached to the Draft Estimates submitted to the Treasury, containing the following information:

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* Refer to footnote on page 2 of Item #15 for a definition of "vote", etc.

(a) Objectives and Programme - A summary statement of the objectives should be given for each sub vote. This should be followed by short description of the work programme to be financed by the estimates provisions of each budget head. The programme should as far as possible be illustrated with the use of quantitative figures indicating the size or coverage of the programme, e.g. the number of veterinary clinical centres, health centres or water schemes in operation, or the number of students enrolled at schools. Changes in production capacity should be explained either by how they relate to new units or to extension to established units. Care should be taken to ensure that programme targets are fixed taking into account the funds available.

(b) Any changes in expenditure should be explained item by item. The explanation should clarify whether the change or quantity desired is caused by changes in output in terms of quality of service or changes in prices.

FINANCIAL MANAGEMENT WORKSHOP
PLANNING AND BUDGETING
KENYA

NO. 18

WORKSHOP EXERCISE - EVALUATE OPPORTUNITIES FOR IMPROVEMENT IN PLANNING AND BUDGETING BY LOCAL AUTHORITIES

Form into small groups and complete the two formats on page two.

In doing so, please consider what improvements ought to be considered in Ministry of Local Government planning and budgeting requirements placed on local authorities. Your group may not agree in all cases on the answers to these questions. In that case, please state the alternatives and the arguments on both sides.

Bear in mind that if local authorities were to be asked to approach planning and budgeting in the same manner as the Ministry of Finance demands of the ministries, District focus, and parastatals, local authorities would be undertaking the following:

o First, developing/updating a 3-5 year plan each year for both recurrent operations and capital projects and reviewing 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.

o Second, developing 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
- The conventional annual budget estimates of revenues and expenditures to carry out the work programs -- plus other required financial and staffing schedules and data on the establishment.

A. LONG-RANGE PLANNING AND BUDGETING

Should the MLG ask local authorities to develop 3-5 year Forward Budgets (i.e., long-range plans) for both recurrent operations and capital improvements? If "yes", what should these Ministry requirements consist of? If "no", why not?

a. Recurrent Budget:

b. Capital Budget:

B. SHORT-RANGE PLANNING AND BUDGETING

Should the MLG ask local authorities to submit a meaningful Planning Statement as an explanation and justification of the financial and staffing schedules included in the Annual Estimates (i.e., annual plans) for both recurrent operations and capital improvements? If "yes", what should these Ministry requirements consist of? If "no", why not?

a. Recurrent Budget:

b. Capital Budget:

EXAMPLES OF MISSION OR PURPOSE

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, meats, 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 MLG'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, resour 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) delegat to the districts the planning and operation aspects of district-specific rural development projects.

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

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

EXTERNAL FORECASTS - FACTORS AND EXAMPLES

I. DEFINITION OF A "FORECAST"

A. A statement of what we believe future conditions will 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.

B. 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 by the organization then what is involved is not a "forecast" but a "planning decision".

C. An external forecast is a forecast of factors external to the organization.

II. EXTERNAL ENVIRONMENTAL CHANGE FACTORS TO BE CONSIDERED

A. Laws and regulations

B. Population size and composition

C. Prices that can be charged to consumers of services

D. Market demand

E. Availability of construction materials and equipment

F. Labor supply and composition

G. Costs that must be paid

H. Weather factors

I. Etc.

III. EXAMPLES OF EXTERNAL FORECASTS

A. For a Water Supply Project

1. Population will grow from 18,000 to 25,000 by 1990.
2. Demand on the water system will grow from 1 to 2 million liters by 1990.
3. Materials' costs will rise at an average rate of 8% per year.
4. Skilled labor will remain extremely limited
5. Etc.

B. Slaughterhouse Project

1. Livestock numbers will vary from year to year due to weather conditions but will increase long-term by an average of 10% per year.
2. Population will increase by 25% by 1990.
3. The town will build a new, larger, more conveniently located public market by 1988.
4. New and improved highways will be built to nearby urban centers over the next 10 years.
5. Suppliers of animals will become increasingly interested in installation of a meat refrigeration facility.
6. Opportunities for export of meat to nearby towns will increase by 40% by 1990.
7. Etc.

IV. IMPLICATIONS

External forecasts should be accompanied by statements of their implications for the plan.

FINANCIAL MANAGEMENT WORKSHOP
PLANNING AND BUDGETING
KENYA

NO. 21

INTERNAL FORECASTS -- FACTORS AND EXAMPLES

I. DEFINITION

Internal forecasts refer to objective factors inside your organization that will affect your plan that over the time span of the plan are not really subject to your control but will happen anyway.

II. INTERNAL ENVIRONMENTAL CHANGE FACTORS TO BE CONSIDERED

A. Human Resources

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

B. Physical Resources

- o Buildings
- o Equipment
- o Supplies

C. Financial Resouces

- o Earnings
- o Interest income
- o Debt repayments
- o Etc.

D. Systems

- o Impact of new accounting system
- o Impact of computer upgrade
- o Impact of communications changes underway
- o Etc.

III. EXAMPLES OF INTERNAL FORECASTS

A. Human Resouces

- The town clerk will retire next year under the government's 55 year age limit.
- Both of the most experienced accountants will retire in the next three years.
- Growth in demands made on the new Computer Section will create extreme pressures on its staff and facilities.
- Attrition over the period to 1988 will reduce by 15% the excess labor supply now on the authority's employment rolles.
- Training programs underway for clerical and manual employees can be counted on to increase productivity by an estimated 10%.

B. Physical Resources

- Eight of ten major pieces of road building equipment will have worn out or become obsolete within eighteen months.
- Replacement of the deteriorating roof on the motor transport garage cannot be postponed beyond 1987.

C. Financial Resources

- Past investments, including bank deposits of surplus cash, will generate substantial internal sources of funds in 1987 and 1988.
- Payment of Kshs. 500,000 due from a national government agency is certain to take place in early 1986 as a result of recent legislation.

D. Systems

- The new accounting system will increase receipts deposited in the local authority's bank accounts by 5% a year.

- The new computer system will speed up billings so as to improve materially the generation of revenue from water, sewerage, and site value rates.

IV. IMPLICATIONS

Internal forecasts should also be accompanied by the implications of them for the plan.

ob

EXAMPLES OF RELEVANT IMPLICATIONS OF FORECASTS

I. SECURITY FORCES (EXTERNAL)

Forecast: Unemployment is expected to rise by 100% over the next five years accompanied by a substantial increase in street crime in the center of the town.

Implication: Planning for the security force must include a substantial increase in askaris patrolling the streets.

II. WATER SUPPLY PROJECT (EXTERNAL)

Forecast: Demand on the water system will grow from 1 to 2 million liters by 1990.

Implication: Present water system capacity, which is already inadequate, must be more than doubled by 1990.

Forecast: Skilled labor will remain extremely limited.

Implication: Need for specialized engineering and construction personnel will require consideration of specially-designed recruiting efforts and training programs.

III. SLAUGHTERHOUSE PROJECT (EXTERNAL)

Forecast: Livestock numbers will vary from year to year but will increase long-term by an average of 10% a year.

Implication: Slaughter facilities should be able to accommodate twice as many animals by 1993 as currently.

Forecast: New and improved highways will be built to nearby urban centers over the next ten years.

Implication: In addition to increases in local demand resulting from growing population, improved transportation will make it possible to meet demand from nearby towns lacking adequate local supplies.

IV. HUMAN RESOURCES (INTERNAL)

Forecast: Both of the Council's most experienced accountants will retire in the next three years.

Implication: The Council will need to accelerate training of its only junior accountant and to identify and hire an added qualified more senior accountant in the very near future.

Forecast: The roof on the motor transport garage will deteriorate at such a rate that replacement cannot be postponed beyond 1987.

Implication: Funds will need to be set aside in the 1986/87 or 1987/88 Estimates for replacement of the motor transport garage roof.

EXAMPLES OF FORECASTS FORMATS

FORECASTS AND SEPARATE IMPLICATIONS

External

1. First Forecast

   a. Forecast itself: Unemployment is expected to rise by 100% over the next five years accompanied by a substantial increase in street crime in the centre of the town.

   b. Relevant Implication: Planning for the security force should include an increase in askaris patrolling the streets.

2. Second Forecast

   a. Forecast itself

   b. Relevant implications

3. Etc.

Internal

1. First Forecast

   a. Forecast itself

   b. Relevant implications

2. Etc.

FORECASTS INCLUDING IMPLICATIONS

External

1. First Forecast Incorporating its Relevant Implications

   Unemployment is expected to double and street crime to increase substantially in the next five years calling for an increase in askaris patrolling the streets.

2. Second Forecast Incorporating its Relevant Implications

Internal

(As above)

FORECASTS FOLLOWED BY SET OF IMPLICATIONS

External

1. Set of Forecasts Themselves

   a. First forecast

   b. Second forecast

   c. Etc.

2. Set of Relevant Implications of Above Forecasts

   a. First implication

   b. Second implication

   c. Etc.

Internal

(as above)

WORKSHOP EXERCISE - DEVELOP PURPOSE/MISSION AND FORECASTS FOR AN ORGANIZATION OR A PROJECT

First, select a local authority department or a project that your group would like to work on during the remainder of the workshop.

- If you choose a project, select a substantial venture that would involve (1) more than KShs. 2 million, (2) construction, (3) sales of products or delivery of services to be charged to members of the public, and (4) a two-or-more-year time span to bring the project to a full operating level. Examples might be water services, sewerage services, a new market, a new slaughterhouse, a transportation facility, etc.

- If you choose a department, make it a significant one.

- After a few minutes, the leader of your group will be asked to tell a member of the workshop resource team what project or department your group has selected. An effort will be made to be sure that each group selects a different project.

Second, define on page 3 your mission/purpose.

- If you have chosen a project, an example might be as follows: Our mission/purpose is to develop through our housing department a large housing estate by 1990 to meet the needs of added wananchi expected to be attracted to the area by new businesses being established.

- If you have chosen an existing or new department, define its mission/purpose in the same concise manner.

Third, define on page 3 your hypothetical present situation in very broad terms.

o For example, if you have chosen a project:

> We have selected the project of building a new market in a town where no organized town market now exists. Our community has a population of 30,000 which has been growing rapidly. We are located near a large city (60 km) and 2 small towns (20 km and 30km). A rich agricultural area exists close by. Etc.

But do not at this point define the project in terms of size, location, construction details, costs, sources of funds, timing, and the like; instead, you will be defining these factors in later workshop exercises.

o If you have chosen a department, define briefly the present situation of the department in terms of size of staff, scope of services, programs and activities, and the like.

Fourth, provide on pages 4 and 5 at least six external forecasts and five internal forecasts with their implications. Each forecast should be as quantitative as possible. Each implication should be strictly relevant to the development of your plan.

I. PURPOSE/MISSION

First, state in the space provided below the overall mission or purpose of the organization or project. This will usually not be in quantitative terms. It should indicate, in the broadest terms, why the organization exists or why the project is to be undertaken. The statement should usually make clear the following:

- o overall purpose of the organization or project,
- o organization that will provide the service or product or result,
- o service or product or result to be delivered or provided,
- o group to whom the service or product or result is to be provided and
- o for a project, the overall time span involved.

II. HYPOTHETICAL PRESENT SITUATION

Second, describe briefly the hypothetical present situation relating to the organization or project.

III EXTERNAL FORECASTS AND IMPLICATIONS

Third, list at least six forecasts of factors external to your organization and the implications for your plan of each such forecast.

Forecasts	Implications
1.	1.
2.	2.
3.	3.
4.	4.
5.	5.
6.	6.

IV INTERNAL FORECASTS AND IMPLICATIONS

Further list at least four forecasts of factors internal to your organization and the implications for your plan of each of them.

Forecasts	Implications
1.	1.
2.	2.
3.	3.
4.	4.

STOP! GO BACK! Please review both your forecasts and your implications to be sure that they (1) relate to factors not under your control and (2) are not simply statements of your objectives and plans.

OBJECTIVES - PLANNING CONSIDERATIONS AND EXAMPLES

I. PLANNING CONSIDERATIONS

A. Specificity

1. What - describe?
2. How much - quantity?
3. When - dates?

B. Two Sets of Examples Illustrating Increasing Specificity

To build added roads and improve existing roads so that the national highway system will be able to handle 50% more traffic by 1995.	To build 1,000 new housing units by 1992
To construct a road 20km long from Town X to Town Y by 1988	To build two low-income housing estates of 100 units each by 1988.
To build the planned road 10 meters wide	To build housing units costing not to exceed an average of Kshs. 100,000 each
To construct street curbs 15 cm. high along the length of the new road	To construct the housing units with locally-produced building materials

C. Hierarchy of Objectives Illustrating Different Terminology Used

Purpose/Mission		Key Objective
Goal	or	Critical Objective
Objective		Specific Objective

II. EXAMPLES OF OBJECTIVES

A. Purpose/Mission

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

B. Goal (Long-range)

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.

C. Objective (Short-range)

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.

D. 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 two-storey primary school building on site number 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.

61

EXAMPLES OF STANDARDS FOR OBJECTIVES

I. MINISTRY OF EDUCATION

Objective:

To build added classrooms to meet the needs of wananchi

Standards

a. School facilities constructed are sufficient to provide for 80% of the country's population in urban centers of over 2,000 population and for 40% of the remaining rural population

b. Schools are designed to handle eight grades of education

c. Schools are staffed with appropriately qualified teaching staff

d. The above program is completed by 1995

II. DISTRICT DEVELOPMENT COMMITTEE PROJECT

Objective:

To construct a primary school for 300 pupils on site # 2

Standards:

a. Able to accommodate 300 pupils

b. At the southwest corner of X and Y streets

c. Overall costs not to exceed Kshs. 5,000 per square meter

d. Costs of construction not to exceed KShs. 15,000 per pupil space

e. Construction to be completed in 15 months

f. Meeting latest Ministry of Education standards

EXAMPLES OF GOALS/OBJECTIVES FORMATS

I. Characteristics

- o Action oriented
- o Specific as to result
- o Include standards or measures

II. First, begin with action verb

- o To construct
- o To collect

III. Second, be specific as to the result

- o To build a primary school
- o To collect 50% more in site value rates

IV. Third, give standards or measures in the goal or objective itself or separately

OBJECTIVE COMBINED WITH STANDARDS/MEASURES

To construct a primary school to house 300 pupils to latest Ministry of Education design standards at the southeast corner of X and Y streets at no more than Kshs. 5,000 per square meter by December 31, 1986

OBJECTIVE WITH SEPARATE STANDARDS/MEAUSURES

Objective:

To construct a primary school

Standards:

a. Able to accommodate 300 pupils

b. Meeting latest Ministry of Education design standards

c. At the southeast corner of X and Y streets

d. Costs not to exceed Kshs. 5,000 per square meter

e. Completion on or before December 31, 1986

FINANCIAL MANAGEMENT WORKSHOP
PLANNING AND BUDGETING
KENYA

NO. 28

WORKSHOP EXERCISE - DEVELOP GOALS AND OBJECTIVES FOR AN ORGANIZATION OR PROJECT

Each workshop group should now develop objectives for the organization or project selected for the previous exercise of developing forecasts. These should be fully consistent with and flow from the statement of purpose/mission in that previous workshop exercise Item # 24.

I. GOALS

First, state at least five long-range (e.g., 3-5 year) goals for the organization or project. Some of these may be more qualitative in character, but still, as a set, they should be as quantitative as is consistent with a several year time span.

1. To _____

2. To _____

3. To _____

4. To _____

5. To _____

6. To _____

7. To _____

II. Second, state at least six specific objectives for the coming year for the organization or project. These should be quantitative and in sufficient detail that a work program can be subsequently developed to achieve each objective.

1. To _____

2. To _____

3. To _____

4. To _____

5. To _____

6. To _____

7. To _____

8. To _____

III Third, while you may have built some standards into some of the above objectives, please select two of your specific objectives and state separately the standards for them, i.e., the measures that, when met, will mean satisfactory achievement of the objective.

STANDARDS FOR 2 OF ABOVE OBJECTIVES

Objective : To _____

Standards

a. _____

b. _____

c. _____

d. _____

e. _____

Objective: To _____

Standards

a. _____

b. _____

c. _____

d. _____

e. _____

74

FINANCIAL MANAGEMENT WORKSHOP
PLANNING AND BUDGETING
KENYA

NO. 29

PROGRAMS - PLANNING CONSIDERATIONS AND EXAMPLE OF LIST OF WORKSTEPS

I. WORK PROGRAM

A. Decisions required

1. What is to be done?

2. What specific work steps are required?

B. Example for a Cooperative Housing Project

1. Objective:

To build a new cooperative housing project:

2. Work Steps:

(1) Form housing cooperative as a legal corporation

(2) Determine size of site

(3) Determine location of site

(4) Arrange overall financing

(5) Advertise for and sign up members of the cooperative

(6) Acquire site

(7) Survey site

(8) Design physical project

(9) Sign up members for individual plots

(10) Tender construction

(11) Lay electricity lines

(12) Lay water lines

(13) Lay sewer lines

(14) Construct roads

(15) Construct housing units

(16) Make housing units available to members of the cooperative

II. TIME SCHEDULES

A When is each step to be performed?

B. How long will it take to complete each step?

C Are overlaps possible?

D. What is the critical path?

III ACCOUNTABILITY

A. Who is mainly responsible for each step?

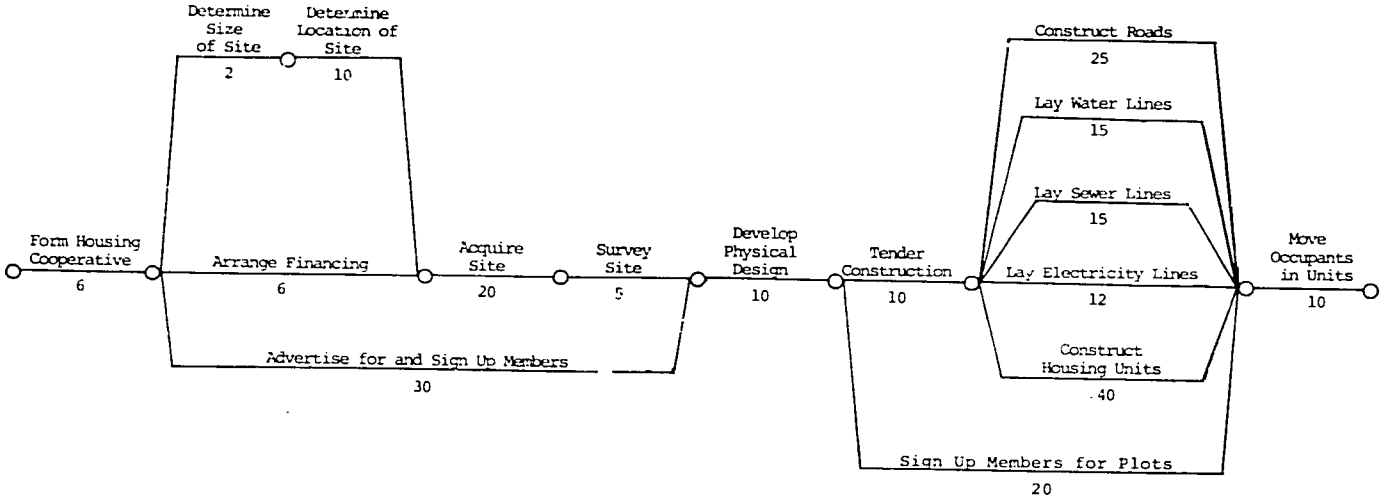
B. Does someone have a major collateral responsibility?

76

FINANCIAL MANAGEMENT WORKSHOP
PLANNING AND BUDGETING
KENYA

NO. 30

EXAMPLE FOR A NEW HOUSING PROJECT OF
SEQUENCE-OF-EVENT ANALYSIS OF PROJECT ACTIVITIES

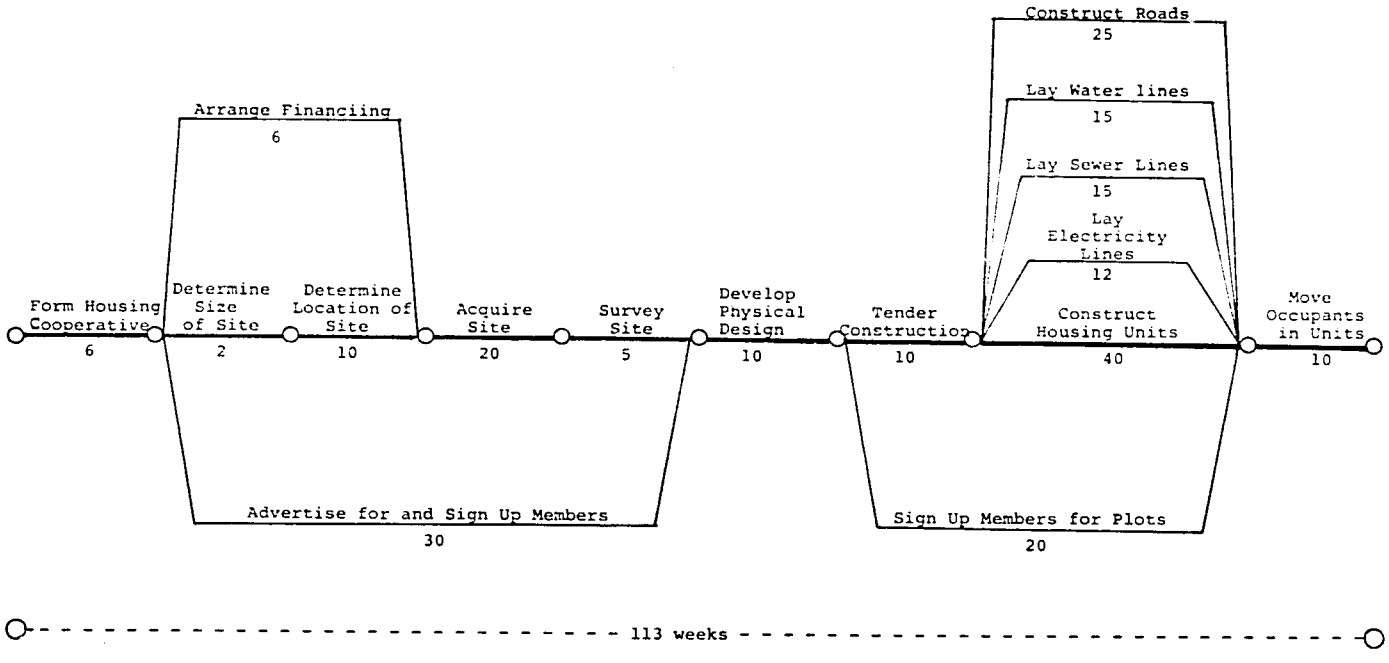


Total of Weeks for Each Activity Equals 236 Weeks

FINANCIAL MANAGEMENT WORKSHOP
PLANNING AND BUDGETING
KENYA

NO. 31

EXAMPLE FOR A NEW HOUSING PROJECT OF
CRITICAL PATH ANALYSIS OF PROJECT ACTIVITIES



EXAMPLE OF WORK PROGRAM WITH CRITICAL PATH, SCHEDULE, AND ACCOUNTABILITIES FOR A HOUSING PROJECT

	Work Steps	Elapsed Time in Weeks	Steps on Critical Path	Schedule	Accountability
*1.	Form Housing Cooperative	6	6	1/1-11/2/86	Clerk(Attorney)
*2.	Determine Size of Site	2	2	12/2-25/2/86	Clerk(Housing Director)
3.	Arrange Financing	6	-	12/2-25/3/86(+)	Treasurer
*4.	Determine Location of Site	10	10	26/2-5/5/86	Clerk(Housing Director)
*5.	Acquire Site	20	20	6/5-22/9 86	Clerk
*6.	Survey Site	5	5	23/9-27/10/86	Surveyor
*7.	Develop Physical Design	10	10	28/10/86-5/1/87	Engineer
*8.	Tender Construction	10	10	6/1/87-16/3/87	Clerk
9.	Advertise for & Sign Up Members	30	-	25/3-20/10/86(+)	Housing Director
*10.	Construct Housing Units	40	40	17/3/87-21/12/88	Engineer**
11.	Lay Electricity Lines	12	-	17/3-8/6/87(+)	Engineer
12.	Lay Water Lines	15	-	17/3-29/6/87(+)	Engineer
13.	Lay Sewer Lines	15	-	17/3-29/6/87(+)	Engineer
14.	Construct Roads	25	-	17/3-7/9/87(+)	Engineer
15.	Sign Up Members for Plots	20	-	6/1-16/3/87(+)	Housing Director
*16.	Move Occupants in Units	10	10	22/12/87-29/2/88	Housing Director
		236	113		

* Steps on critical path
** Supervising the Contractor

Note: (+) indicates step can be scheduled to begin and end at later dates.

EXAMPLE OF PROGRAM FORMAT

I. Characteristics

1. Key into the objective (which should usually be stated first)

2. State:

   - The work to be performed

   - When it is to be done

   - Who is to be held accountable

EXAMPLE FOR A PROJECT

Objective:

To build a primary school

Work Program

Work Steps	Schedule	Accountability
1. Acquire site	1/1-28/2/86	MAH (CJK)*
2. Clear and grade site	1/3-31/3/86	AHL
3. Build foundation	1/4-31/5/86	MMK
4. Etc.		

* Initials, or names, of person(s) or position titles with major collateral responsibilities

FINANCIAL MANAGEMENT WORKSHOP
PLANNING AND BUDGETING
KENYA

NO. 34

WORKSHOP EXERCISE - DEVELOP A WORK PROGRAM FOR AN ORGANIZATION OR A PROJECT

Develop, for the organization or project that your group has selected, a Work Program on the attached form, as follows:

1. List the worksteps.

2. Estimate the elapsed time for completion of each step.

3. Determine for each step what other steps must be completed before it can start.

4. Determine the critical path, i.e., the series of steps that will determine the minimum time for completion of the project.

5. Show the scheduled beginning and completion dates for each step on the critical path.

6. Show the scheduled beginning and completion dates for all other steps.

7. Show, in terms of position titles, who is primarily accountable for each step and any major collateral accountabilities.

8. Sketch the activities, highlighting the critical path, on the bottom half of the attached sheet.

FORMAT FOR A WORK PROGRAM

	Work Steps	Elasped Time in Weeks	Steps on Critical Path in Weeks	Schedule	Account-ability
1.					
2.					
3.					
4.					
5.					
6.					
7.					
8.					
9.					
10.					
11.					
12.					
13.					
14.					
15.					

CRITICAL PATH (diagram) (Lines represent activities and circles the beginnin and completion of each activity).

EXAMPLES OF BUDGETS (KSHS)

I. PROJECT BUDGET

1. Work Program Steps and Costs

Work Steps	Expenditures
1. Form Housing Cooperative	25,000
2. Determine Site Size	20,000
3. Arrange Financing	6,000
4. Determine Location of Site	20,000
5. Acquire Site	500,000
6. Survey Site	50,000
7. Develop Physical Design	125,000
8. Tender Construction	10,000
9. Advertise For and Sign Up Members	25,000
10. Construct Housing Units	3,300,000
11. Lay Electricity Lines	100,000
12. Lay Water Lines	125,000
13. Lay Sewer Lines	125,000
14. Construct Roads	250,000
15. Sign Up Members for Plots	7,000
16. Move Occupants in Units	12,000
17. Project Contingency	400,000
TOTAL	5,100,000

2. Income Sources and Amounts

Sources	Income
1. Contribution from Local Authority	500,000
2. Contribution from Central Government	300,000
3. Borrowing from National Housing Corporation	4,000,000
5. Advance Deposit of Down Payments from Future Housing Occupants	300,000
TOTAL	5,100,000

II. ORGANIZATION UNIT WITH LINE ITEM AND PROJECT ITEM BUDGETS

BUDGET YEAR 1986 (000S)

1. EXPENDITURES					
a. Recurrent Budget					
Department A					
Section 1					
Personnel					
Direct Labour	350				
Professional	100				
Supervisory	50				
Sub-Total (Pers)		500			
Pensions and Other Benefits		60			
Supplies		80			
Equipment		60			
Utilities		40			
Travel		60			
Sub-Total (Section 1)			800		
Section 2			3,000		
Section 3			1,200		
Sub-Total (Department A)				5,000	
Department B				2,500	
Department C				3,500	
Project for Computer Upgrade				750	
TOTAL (Recurrent Budget)					11,750
b. Capital Budget					
Construction of Market					4,000
TOTAL (Local Authority)					15,750
2. INCOME					
a. Recurrent Budget					
Site Value Rates				5,500	
Licenses and Fees				3,500	
Etc.				2,750	
TOTAL (Recurrent Budget)					11,750
b. Capital Budget					
IGLA Loan for Market					4,000
TOTAL (Local Authority)					15,750

EXAMPLES OF FORMATS FOR PROJECT/PROGRAM BUDGETS

I. WORK STEPS AND BUDGET THEREFOR

Work Steps	KShs
1. Acquire site	2,000,000
2. Etc.	8,000,000
TOTAL	10,000,000

II. WORK PROGRAM AND BUDGET THEREFOR

Work Step	Schedule	Accountability	KShs
1. Acquire site	1/1-28/2/86	MAH(CJK)	2,000,000
2. Etc.			8,000,000
		TOTAL	10,000,000

III. TYPE-OF-EXPENDITURE BUDGET

Activity	KShs
Acquisition of land	2,000,000
Equipment	200,000
Supplies	300,000
Construction contract	3,000,000
Administration	400,000
Etc.	4,100,000
TOTAL	10,000,000

EXAMPLES OF FORMATS FOR ANNUAL BUDGETS (KSHS)

I. OVERALL ORGANIZATION BUDGET - EXPENDITURES

Local Authority Budget			
Department A Budget			
Section 1 Budget	800,000		
Section 2 Budget	3,000,000		
Section 3 Budget	1,200,000		
Sub-total		5,000,000	
Department B Budget			
Section 1 Budget	1,000,000		
Section 2 Budget	1,500,000		
Sub-Total		2,500,000	
Department C Budget		3,500,000	
TOTAL			11,000,000

II. LINE ITEM BUDGET - EXPENDITURES

Department A - Section 1 Budget			
Personnel			
Direct Labor	350,000		
Professional	100,000		
Supervisory	50,000		
Sub-total		500,000	
Pensions and Other Benefits		60,000	
Equipment		80,000	
Utilities		60,000	
Supplies		40,000	
Travel		60,000	
TOTAL			800,000

III. MIXED DEPARTMENT AND PROJECT BUDGET - EXPENDITURES

Local Authority Budget

Department A	5,000,000	
Department B	2,500,000	
Department C	3,500,000	
Project for Computer Upgrade	750,000	
Construction of Market	4,000,000	
TOTAL		15,750,000

EXAMPLES OF OTHER BUDGET FORMAT CONSIDERATIONS

I. BUDGET BROKEN DOWN BY QUARTERS FOR CONTROL PURPOSES

Department A

1st Q	2nd Q	3rd Q	4th Q	Annual Total
1,400,000	1,000,000	1,300,000	1,300,000	5,000,000

II. TYPICAL ANNUAL BUDGET WITH COMPARISON YEARS

Actual 1984	Initial Budget 1985	Projected Final 1985	Budget Year 1986	Projected 1987	Projected 1988
Department A - Personnel					
400,000	440,000	460,000	500,000	535,000 (300,000) (700,000)	570,000

III. EXAMPLES OF ASSUMPTIONS FREQUENTLY INCLUDED IN BUDGET SUBMISSIONS

Wages are projected 7% higher than for the current year

Heating oil is calculated at KShs. 475/barrel delivered at port

Electricity costs are assumed at 6% above the current year's prices.

IV. REVISED BUDGET

Department A

Initial Budget For Year	Expenditures To Date 6 Months	Revised Budget For Year	Explanation
5,000,000	3,500,000	6,000,000	Due to increased wage and materials costs, expenditures have been running 40% above estimates and are expected to continue to do so.

WORKSHOP EXERCISE - DEVELOP A BUDGET FOR AN ORGANIZATION OR A PROJECT SELECTED

Each group should develop a budget for the organization or project selected - using the attached format.

Develop both hypothetical expenditure figures and hypothetical revenue figures.

- One way to do this for a project is to list the worksteps in the work program developed in the earlier exercise Item # 34 "Develop a Work Program for an Organization or a Project". Then show hypothetical figures for costs of each work step. But each group is free to develop its budget in a different format if it prefers.

- Be sure to indicate, also, revenue sources and amounts.

- Include figures for future years if your group has chosen a longer-range project or ongoing program.

To repeat, feel free to modify the attached worksheet if your group feels another format would be more effective for presenting a balanced budget for your organization or project.

WORK SHEET FOR DEVELOPING A BUDGET FOR THE ORGANIZATION OR PROJECT SELECTED

A. EXPENDITURES	TOTAL	Budget Year 1986	1987	1988	1989	1990
1						
2.						
3.						
4.						
5.						
6.						
7.						
8.						
9.						
10.						
TOTAL EXPENDITURES						

B. INCOME SOURCES	TOTAL	Budget Year 1986	1987	1988	1989	1990
1.						
2.						
3.						
4.						
5.						
TOTAL INCOME						

C. RECONCILIATION

Total Expenditures						
Total Income						
BALANCE						

EXAMPLES OF POLICIES

POLICY: A standing decision of ongoing application relating to issues that:

- o require top management attention,
- o will arise over and over again, and
- o are best resolved in a consistent manner each time.

I. POLICIES FOR A HOUSING PROJECT

- o The mortgage period will be 25 years.
- o The interest rate will be a variable rate at 3% more than the commercial bank prime rate, adjusted annually.
- o An occupant of a housing unit may rent no more than one room to another person and must himself occupy the remainder of the housing unit.
- o The occupant may be evicted and the housing unit repossessed after rent has been unpaid for six months.
- o Etc.

II. POLICIES FOR A SLAUGHTERHOUSE

- o No other slaughter facility will be allowed within 5 kilometers
- o Only cattle, sheep, goats, and barnyard fowl may be slaughtered in the facility; no wild game may be slaughtered.
- o Slaughtering is to be on a cash-in-advance basis; no credit will be extended.
- o All animals must be inspected by a licensed inspector.
- o Etc.

EXAMPLES OF PROCEDURES

PROCEDURES: A statement of how a work operation or activity is to be performed, relating to matters that:

- are usually decided at lower levels,
- must be carried out again and again, and
- can most efficiently be carried out the same way each time.

1. PROCEDURES FOR A HOUSING PROJECT

- Applicants must apply for housing units at the Council's Housing Department office.
- The application fee must be paid at the time of application.
- Monthly payment invoices and envelopes will be provided at the time of loan approval for the first 12 months of payment and will be mailed to occupants annually thereafter.
- Complaints about maintenance of the common properties and utility infrastructure must be submitted in writing to the housing department.
- Etc.

II PROCEDURES FOR A SLAUGHTERHOUSE

- Application for slaughter of animals is to be made to the office of the manager of the slaughterhouse.
- Application must be made at least 12 hours in advance and between 7.00 a.m. - 12.00 noon or 2.00 - 4.00 p.m.
- Form 106 is to be completed before slaughter
- Animals are to be held in the holding pen for at least 12 hours before slaughtering.
- Inspection of the animals is to take place before slaughtering and inspection of the meat after slaughtering.
- Etc.

FINANCIAL MANAGEMENT WORKSHOP
PLANNING AND BUDGETING
KENYA

NO. 42

WORKSHOP EXERCISE - DEVELOP POLICIES AND PROCEDURES FOR AN ORGANIZATION OR A PROJECT

Each group is to develop policies and procedures for the organization or project it has selected, as follows:

- First, develop at least five policies to cover questions that will arise from time to time. Remember that policies relate to major issues that must be decided by top management.

- Second, develop at least five procedures to specify how more operational matters are to be handled. Remember that procedures relate to more minor, routine matters that can usually be decided at lower levels.

I. POLICIES

1. _____
2. _____
3. _____
4. _____
5. _____
6. _____
7. _____

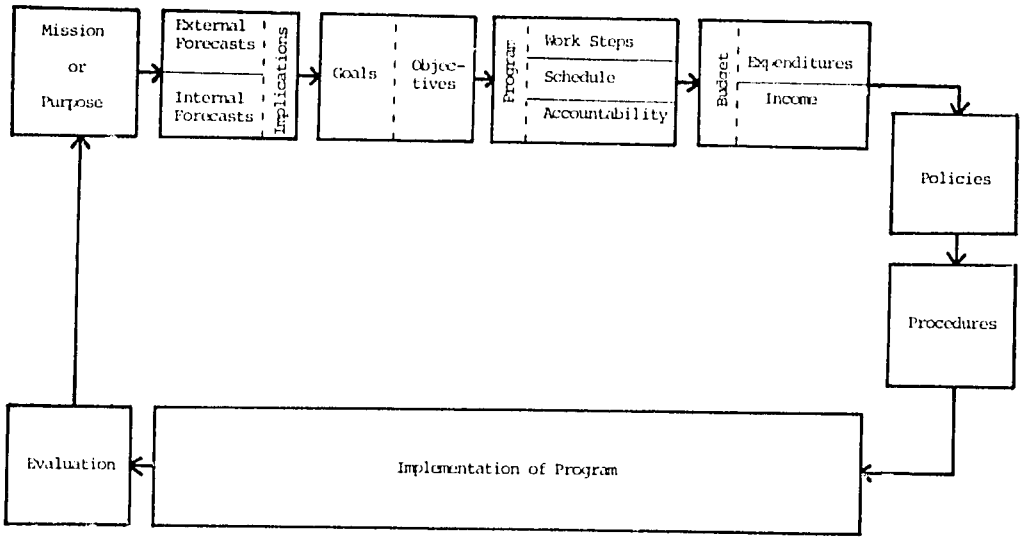
II. PROCEDURES

1. _____
2. _____
3. _____
4. _____
5. _____
6. _____
7. _____

FINANCIAL MANAGEMENT WORKSHOP
PLANNING AND BUDGETING
KENYA

NO. 43

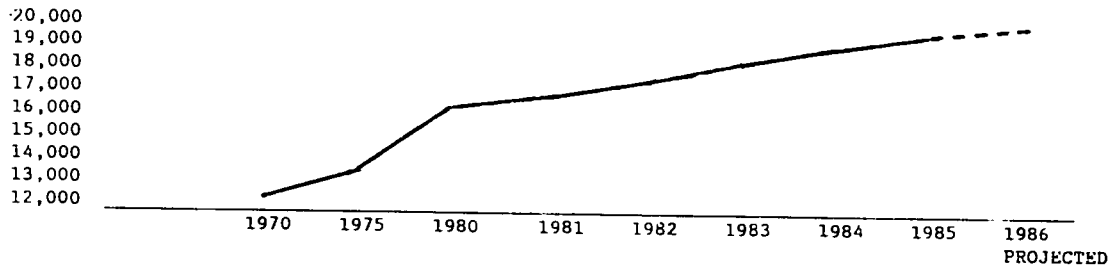
THE PLANNING PROCESS



EXAMPLES OF HISTORICAL TRENDS

ITEM	1970	1975	1980	1981	1982	1983	1984	1985	AVERAGE ANNUAL % INCREASE 1980-85	PROJECTED 1986
1. Population of Country (000)	12,050	13,470	16,170	16,875	17,515	18,080	19,100	19,500	3.8%	20,000
2. Population of City (000)	320	460	680	725	790	850	925	990	6.4%	1,050
3. Electricity Consumption/ Household (KWH 000)	23.5	32.3	44.0	46.8	49.7	53.0	56.1	60.0	6.4%	64
4. Local Authority Income (KShs. 000,000)	3.6	6.0	10.0	11.3	12.5	14.3	16.1	17.9	12.0%	20
5. Cattle Slaughtered (per day)			47	52	60	62	72	80	11.2%	89-91
6. Traffic Count on XX Highway (Vehicles/day)			1,084	1,200	1,350	1,480	1,625	1,800	10.7%	2,000
7. Prices of Agricultural Produce Indexed to 100 in 1980			100	110 +10%	140 +27%	158 +13%	200 +27%	215 +6%	16.5% 16.3%	250

Population of Country (000)



*All figures hypothetical

EXAMPLES OF PLANNING RELATIONSHIPS AS BASES FOR CALCULATIONS

I. NUMBER OF SCHOOLS NEEDED

Children per family of school age		3
times		
Number of families	x	10,000
equals		
Total children	=	30,000
divided by		
Average children per classroom	÷	40
equals		
Total classrooms	=	750
divided by		
Average classrooms per schools	÷	20
equals		
Total schools	=	37-38

II. CONSUMPTION OF ELECTRICITY

Average consumption per household (kwh)		60,000	
times			
Average rate of increase (6.4%)	x	106.4%	
equals			
Projected budget year consumption per household			= 63,840
Present population		20,200,000	
divided by			
Average family size	÷	7	
equals			
Present households	=	2,885,714	
times			
Average rate of population increase (7.8%)	x	107.8%	
equals			
Projected budget year households			= 3,100,800
Projected budget year consumption per household		63,840	
times			
Projected budget year households	x	3,100,800	
equals			
Projected budget year consumption of electricity(kwh)			= 198,593,400,000

FINANCIAL MANAGEMENT WORKSHOP
PLANNING AND BUDGETING
KENYA

NO. 46

WORKSHOP EXERCISE - PLAN FOR THE LOCAL AUTHORITY REPRESENTED BY EACH LOCAL AUTHORITY TEAM

Please organize into Local Authority teams (typically the Finance Committee Chairman, Clerk and Treasurer). Then develop an overall pla for your Local Authority following the approaches set forth in this workshop. Write your plan down in the spaces provided below -- from which you can speak in presenting your results to the workshop group. (and which can be passed to GTI - Mombasa staff for the workshop record.) You may also put your results on a flip chart for ease of presentation if time and flip chart facilities are available.

Your plan should include the five major components of an excellent plan, as follows:

1. MISSION/PURPOSE

Write down a short statement -- not over 75 words -- of the mission/purpose of your local authority, i.e., why it exists and/or what it was brought into existence to accomplish. Begin with the words "The _____ Council of _____ was established to ..."

MISSION/PURPOSE

The _____ Council of _____ was established to _____

_____

_____

_____

II. FORECASTS

Write down forecasts of major factors that will affect your authority's plan as you see these factors evolving over the next three to five years. List at least six forecasts. Incorporate the implications of your forecasts. List forecasts, not problems or planning decisions. Each of your forecasts should state your assumption or prediction as to how the factor you are forecasting will change over the years ahead. Quantify your forecasts to the extent possible. Examples are:

- Population will continue to grow by about 8%, or about 4,000 persons a year putting continued pressure on the Council to build/sponsor added housing, elementary schools, and general utility infrastructure.

- A private firm will establish a new textile plant in 1988 providing 600 new jobs
- Control will be established over malaria by 1989 permitting reallocation of KShs. 250,000 annually to other programs
- Improved control systems over revenue generation now being implemented will increase Council income by an estimated 10% by 1987.

FORECASTS

1. _____
2. _____
3. _____
4. _____
5. _____
6. _____
7. _____
8. _____
9. _____
10. _____

STOP! GO BACK! Review your forecasts and be sure they are, indeed, forecasts of factors not under your control -- rather than statements of things you intend to do.

B. OBJECTIVES

Write down at least eight specific objectives for your Local Authority applying to the next one (or two) year(s). List major objectives -- consistent with your forecasts and implementing your goals -- that are intended to improve your authority's programs, services, and/or activities on behalf of your local wananchi. Try to include at least one specific objective in each of the four areas of (i) capital projects, (ii) improvements in quality of operating program/services, (iii) improvements in administration, and (iv) improvements in financial management. Describe your objectives in quantitative terms.

OBJECTIVES

1. To _____

2. To _____

3. To _____

4. To _____

5. To _____

6. To _____

7. To _____

8. To _____

9. To _____

10. To _____

III. GOALS AND OBJECTIVES

A. GOALS

Write down at least six goals for your Local Authority for the next 3 - 5 years. Include goals relating to both recurrent operations and capital projects as appropriate. But do include at least one goal relating to each of the following: (1) improvements in the quality of a program or service (security, health, parks/recreation, etc.); (2) improvements in an administrative program (Council personnel, organization, facilities, etc); and (3) improvements in an area of financial management (revenue sources, revenue generation/control, payment of bills due, debt management, arrears due to or from the Council, etc.). Use quantitative terms as appropriate.

GOALS

1. To _____

2. To _____

3. To _____

4. To _____

5. To _____

6. To _____

7. To _____

8. To _____

9. To _____

10. To _____

101

WORK PROGRAMS AND BUDGETS

Objective A.: To _____

_____

Work Steps	Timing	Acct.	Budgeted Costs
1.			
2.			
3.			
4.			
5.			
6.			
7.			
8.			
9.			
10.			
TOTAL			

Sources of Income	Budgeted Income
1.	
2.	
3.	
4.	
5.	
6.	
7.	
8.	
9.	
10.	
TOTAL	

Budget Reconciliation

Total Costs _____

Total Income _____

Balance _____

IV. WORK PROGRAMS

Write down, on the next two pages, 5 - 10 or so major work steps that would be required over the next year (or so) to implement two of your stated objectives. For each step, indicate timing and accountability. Develop a work program for at least one of your objectives that is not a capital project.

V. BUDGETS

Next, for these two above work programs, show on the next two pages your estimates of the costs of carrying out the listed work steps and of where you would plan to get the money required to pay for these costs.

Objective B.: To _____

_____

Work Steps	Timing	Acct.	Budgeted Costs
1.			
2.			
3.			
4.			
5.			
6.			
7.			
8.			
9.			
10.			
TOTAL			

Sources of Income	Budgeted Income
1.	
2.	
3.	
4.	
5.	
6.	
7.	
8.	
9.	
10.	
TOTAL	

Budget Reconciliation

Total Costs	
Total Income	
Balance	

105

FINANCIAL MANAGEMENT WORKSHOP
PLANNING AND BUDGETING
KENYA

No. 47

WORKSHOP EXERCISE — PROGRAM FOR THE CENTRAL AND PROVINCIAL GOVERNMENTS FOR IMPROVING PLANNING AND BUDGETING BY LOCAL AUTHORITIES

Participants from the central and provincial governments should form into a team. Please develop and record below the program of actions that your team feels should be taken by the central government and its agencies, and by provincial governments, to assist in improving planning and budgeting by local authorities. The following outline may be helpful, but please feel free to adopt a different format and approach if you wish.

1. What improvements can be attempted in central government laws, regulations, circulars, and other formal, written policy and procedural instructions and guidance relating to local authority planning and budgeting?

2. What improvements can be made in the handling and processing by the central government agencies of submissions for approval, requests for assistance, and the like made by local authorities (thoroughness, timeliness, etc.) in regard to planning and budgeting?

3. What improvements can be made in direct interactions of central and provincial government staff members with, and in the support provided by them to, councillors and staff of local authorities in regard to planning and budgeting?

4. What improvements are possible in organization and staffing of the Ministry of Local Government, other central government agencies, and provincial governments that will facilitate assistance to local authorities in planning and budgeting?

5. What improvements can be made in data provided by the central and provincial governments to local authorities that will assist the latter in planning and budgeting?

6. What can local authorities do that will help central and provincial governments to do a better job in assisting local authorities in planning and budgeting?

7. What, if any, other improvements - relating to the central and provincial governments and to interfaces with local authorities - can be made to assist the latter in planning and budgeting?

FINANCIAL MANAGEMENT WORKSHOP
PLANNING AND BUDGETING
KENYA

NO. 48

EVALUATION OR WORKSHOP

A. To what extent did this workshop fulfill the initially stated goals? Rate on a scale of 1 to 10 from:
1 = not at all effective to 10 = very effective
(circle the appropriate number).

1. To clarify Kenyan Government processes and expectations regarding planning and budgeting

1	2	3	4	5	6	7	8	9	10
Not at all effective									Very effective

2. 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.

1	2	3	4	5	6	7	8	9	10
Not at all effective									Very effective

3. To impart skills regarding the proper steps and processes required to develop sound plans and budgets for local authorities and their departments.

1	2	3	4	5	6	7	8	9	10
Not at all effective									Very effective

4. To develop attitudes and modify behaviour so as to lead to more realistic and effective planning and budgeting by local authorities.

1	2	3	4	5	6	7	8	9	10
Not at all effective									Very effective

B. How would you rate the training approach in terms of its overall effectiveness?

1	2	3	4	5	6	7	8	9	10
Not at all effective									Very effective

C. Following is a list of topics that were addressed in the workshop. For each topic, please rate on a scale of 1 (lowest) to 10 (highest) (1) the importance of the topic and its usefulness to you and (2) the effectiveness of the presentation.

TOPIC	IMPORTANCE AND USE-FULNESS OF TOPIC	EFFECTIVENESS OF PRESENTATION
1. Sound Planning as a Key Responsibility of the Financial Manager		
a. Importance of Planning (1) for Recurrent Operations as Well as (2) for Capital Budgets	_____	_____
b. Importance and Nature of Both Long- and Short-Range Planning	_____	_____
2. Kenyan Government Planning and Expectations		
a. Local Authority Planning		
(1) One-year Estimates	_____	_____
(2) LADPs	_____	_____
(3) District Focus Relationships	_____	_____
b. Ministry 3-year and 1-year Planning	_____	_____
c. Trends in Kenyan Government Planning	_____	_____

110

TOPIC	IMPORTANCE AND USEFULNESS OF TOPIC	EFFECTIVENESS OF PRESENTATION
3. Planning Steps		
a. Defining Mission/Purpose	_____	_____
b. Developing Forecasts and Implicaions	_____	_____
c. Setting Goals and Objectives with Standards	_____	_____
d. Developing Programs with Schedules and Accountabilities	_____	_____
e. Developing Budgets	_____	_____
f. Developing Policies and Procedures	_____	_____
4. Requirements for Good Planning - Excellent Data Base (Historical and Current) and Sound Calculations	_____	_____
5. Management of Budget Implementation	_____	_____

What is your evaluation of the small group workshop exercises?

1 2 3 4 5 6 7 8 9 10

Little Value ..... Extremely Valuable

What is your evaluation of the final workshop exercise to develop a "back-home" plan for local authorities?

1 2 3 4 5 6 7 8 9 10

Little Value ..... Extremely Valuable

F. What did you like best at the workshop?

_____

_____

_____

_____

G. What did you like least?

_____

_____

_____

_____

H. What changes could have been made to increase the workshop's effectiveness and your learning?

_____

_____

_____

_____

I. How would you judge the overall value of the workshop in relationship to other workshops you have attended (check one).

More Valuable _____
About the Same _____
Less Valuable _____

J. Regarding the length of the workshop, was it:

Too Short _____
About Right _____
Too Long _____

K. If you are asked, upon your return home, what you learned or gained as a result of the workshop, what would you say?

_____

_____

_____

_____

L. If you are asked to describe what the teaching method(s) was like, what would you say?

_____

_____

_____

_____

M. Would you like to attend one or more of the three added Financial Management workshops planned in this series (i.e., on (1) Revenue Generation, (2) Expenditure Management and Control and (3) Planning, Organizing, Staffing, Leading, Controlling, and Related Support Issues?)

Yes _____

No. _____

N. Please use this space for any added comments.

_____

_____

_____

_____

FINANCIAL MANAGEMENT WORKSHOP
PLANNING AND BUDGETING
KENYA

APPENDIX A

"ESTIMATES AND RELATED MATTERS - 1984", CIRCULAR NO. 20/83, MINISTRY OF LOCAL GOVERNMENT, AUGUST 31, 1984

Ref. No. 300/84/1 31st August, 1983

Circular No. 20/83

TO: ALL TOWN CLERKS

ALL TOWN TREASURERS

ALL COUNTY CLERKS

ALL COUNTY TREASURERS

ALL CLERKS TO URBAN COUNCILS

ESTIMATE AND RELATED MATTERS - 1984

It is again time for Estimates and I take this opportunity to remind you of the provisions of Sections 212 and 213 of the Local Government Act (Cap. 265) on the preparation of Annual and Supplementary Estimates and the Minister's powers respecting the same. May I also draw your attention to this Ministry's previous circulars on the Estimates, the need for strict Budgetary Control and the establishment of various funds, and the general statutory requirements within the provisions of Sections 214 to 221 of the said Act. You are reminded of these Sections so that you may note the conditions laid down in them and adhere to them without any exception during the process of preparing the Estimates and thereafter as applicable.

2. RESPONSIBILITY FOR DRAFT ESTIMATES

In accordance with the provisions of Section 130 and Part II of the Third Schedule to the said Act, the Town or County Treasurer, as the Chief Financial Officer and Adviser, is charged with the responsibility of advising the Council through its Finance Committee on all matters of finance and these include the financial arrangements. The Town Clerks and Clerks to Councils should, however, ensure that there is proper co-ordination and that every Department submits its

proposals in time for discussion. It is important that Treasurers should keep in constant touch with their respective Provincial Local Government Officers at all stages, particularly on matters of New and Revised levels of Fees and Charges, Rate-struck, additional establishment, new items of expenditure, etc.

All Councils must exercise great measures of economy and cut down wastages and inefficiences where possible. Existing staff should be mobilized for greater productivity and maximum revenue collection effort. Where vacancies occur, the Council should re-appraise the need to fill them so that those that can be delayed or temperarily frozen without the work of the Council suffering are not filled as a means of saving.

It should be well understood that the approval of a expenditure or revenue item in a Recurrent Budget lapses at the end of the year under review. If, for example, by the end of the year there is an unspent balance on an expenditure item, that balance cannot be carried forward to be spent in the ensuing year; not even if the purpose for which the expenditure was meant has not been fulfilled within the year under review. Councils are advised to observe this requirement strictly.

3. PAYMENT TO WHICH CHIEF OFFICER OBJECTS

Where a Council, either through its Committee or in its Full Council Meeting, insists upon implementing a policy in a manner which the Chief Executive of the Council or Chief Financial Officer regards as wasteful and extravagant, or the Council insists on approving an expenditure which is contrary to the regulations or contrary to the Ministry's instructions and directives, or the Council insists on authorizing a payment which, for any reason, the Chief Executive Officer believes to be wrong, the Chief Officer advising on the matter must present his objection in writing and have the objection and his ground for it recorded in the Minutes. Provided the instruction to make such a payment is resolved, despite his recorded objection, the responsibility is then transferred to the members present in the Council meeting who vote in support of the payment and who will be held liable jointly and severally.

After making such a payment or if possible before making such payment, the Chief Executive should inform the Minister for Local Government of the circumstances and should copy the papers to the Controller and Auditor-General. Provided that this procedure has been faithfully followed, but only on this condition, will the Chief Officer responsible for advising on the matter acquit himself of any personal responsibility for the expenditure.

4. FORMAT OF THE DRAFT ESTIMATES

Like in all the previous years, the Recurrent Budget Format should show the following:-

(a) Actual figures for Income and Expenditure for 1982.

(b) Approved figures for Income and Expenditure for 1983.

(c) Probable figures for Income and Expenditure for 1983.

(d) Estimated figures for Income and Expenditure for 1984.

(e) General Revenue Fund position as at 31st December, 1984 made up as follows:-

(i) Accumulated General Revenue Fund position as at 31st December, 1983.

(ii) Add Estimated position Surplus/Deficit in 1984.

(iii) General Revenue Fund position as at 31st December, 1984 (being total of (i) and (ii) above).

(f) A statement of All Other Fund Balances as at 31st December, 1984 listed individually, e.g., Renewal Fund, Capital Reserve Fund, Housing Fund, etc., made up as follows:-

(i) Accumulated position of each Fund as at 31st December, 1983.

(ii) Add estimated position Surplus/Deficit in 1984

(iii) Total Fund position as at 31st December, 1984 (being a total of (i) and (ii) above).

(iv) A statement showing the extent to which the Total Fund position reflected in (iii) above is represented by Cash Deposits in the form of investments.

(g) A statement showing the Total Number of Staff in your Council, categorized between salaried and non-salaried.

(h) The amount of Approved overdraft facility during the year 1981 and the extent to which the facility has been utilised as at 30th December, 1983.

(i) The Treasurer's explanatory notes to the Estimates, giving reasons for major variations from 1983 provisions and new items of expenditure. These notes should accompany all the copies of Estimates submitted to the Ministry.

(j) Projected Cash Flow statement for 1984.

(k) Staff List as shown in previous years and must indicate the age of each employee.

(l) 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.

(m) A separate list of employees who will be 55 years in the course of the year 1984.

5. RATES, LICENCES, FEES AND CHARGES

Any proposed levels of Fees and Charges, including Rate-struck, to be effected from 1st January, 1984 should be discussed early enough and submitted here separately for the Minister's urgent action. Please note that the Fees and Charges for 1984 are to be submitted separately and earlier than the Estimates so that approval can be given in time to make collection possible as from 1st January, 1984. In this respect, it is suggested that all proposed New and Revised Rates, Fees and Charges should be submitted to reach the Ministry Headquarters by 30th September, 1983.

117

6. CAPITAL PROJECTS TO BE FINANCED IN 1983

As in previous years, Local Authorities should only include, in their Schedule of Capital Programmes for 1984, the schemes 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.

7. ESTABLISHMENT AND NEW EXPENDITURE

You are cautioned that no new items of expenditure and additional staff establishment should be included in the 1984 Budget, unless the Council can defend their need and show how they will be financed. Where new expenditure allocations and additional staff requirements are called for as a result of completed capital projects, these should be given special mention in the Treasurer's explanatory notes to the Budget.

All employees who reach the age of 55 years must retire. Any resultant vacancies should not be filled as a means of saving. The Council should re-appraise the need to fill the vacancies so that wherever possible, the posts should be frozen. If there is a strong need to fill the vacancies, the Council has to apply to the Ministry for specific approval.

8. SUPPLEMENTARY ESTIMATES

Numerous Supplementary Estimates from the Councils will not be entertained in 1984. In this respect, Councils are reminded that Supplementary Estimates are restricted to new services which were unforeseen at the time of drafting the Annual Estimates and which are unavoidable and cannot be held over until the next Annual Estimates. There will not be any retrospective approval of the Supplementary Estimates. Councils are, therefore, warned to review cases which may require Supplementary Estimates well in advance of actual expenditure and present them for the Minister's consideration, giving detailed explanation to justify the expenditure. The details for Supplementary Estimates must give the following particulars in respect of each item applied for:-

(a) The description of the expenditure in words followed by its Code Number.

(b) The amount originally approved for that item.

(c) The additional amount required now.

(d) The resultant total amount for that item.

(e) The reasons for additional amount.

(f) A statement showing the originally approved overall financial position of the Council Budget (whether a deficit or a surplus).

(g) A statement showing how the amount of Supplementary Estimates now required would affect the financial position.

(h) Lastly, a statement as to how the total Supplementary Estimates asked for is going to be financed. Failure to give the above details may lead to the request for Supplementary Estimates being rejected or delayed while awaiting the necessary details.

9. NEED TO SUBMIT REALISTIC DRAFT ESTIMATES

In view of the present financial constraints which have been caused by low revenue performance and escalation in costs of providing various supplies and services, it is obvious that no real expansion of Council expenditure can be financed in 1984. Local Authorities are, therefore, expected to appreciate this situation and frame their Estimates with the guiding principle that at this time of financial difficulties, they are not expected to continue to spend at the same level as they have done in the past. Most of the Councils have exhausted their accumulated reserves as a result of budgeting for Deficits. It is, therefore, expected that efforts will be put aimed at balancing the 1984 Budget and where a Deficit Budget is passed, the Council concerned must be able to show its past accumulated reserves from which the Deficit would be financed. This is, therefore, a warning to Councils that unexplained Deficits will lead to budgets being returned to the Councils for re-drafting.
Responsibility for submission of accurate and realistic Estimates rests entirely on Treasurers and Clerks as Chief Advisers to their respective Local Authorities. You have already been advised that all the grants to Local Authorities have been discontinued. In this regard, you should not include the element of grants in your Estimates for 1984.

Any queries or problems relating to this circular should be directed, in the first instance, to the Provincial Local Government Officer of your area. For Councils dealing with the Headquarters, the queries should be directed to the Permanent Secretary.

10. TIME SCHEDULE FOR SUBMISSION OF DRAFT ESTIMATES - 1984

The Draft Estimates for 1984 should be submitted to reach the Provincial Local Government Officers by 15th October, 1983 and the Ministry Headquarters by 15th November, 1983 after discussion with the Provincial Local Government Officers. For those Councils that deal with the Ministry Headquarters directly without passing through Provincial Local Government Officers, such as the Nairobi City Council, their Estimates are expected at the Ministry Headquarters by 15th October, 1983.

By copy of this circular, the Provincial Local Government Officers are asked to arrange their time-tables for discussing the Estimates with the individual Local Authorities in their areas so that these deadlines are met. During the discussions, the Provincial Local Governments Officers should ensure that only realistic Estimates are submitted to the Headquarters for approval.

(Signed)
L.M. KABETU
PERMANENT SECRETARY

FINANCIAL MANAGEMENT WORKSHOP
PLANNING AND BUDGETING
KENYA

APPENDIX B

"LOCAL AUTHORITY ESTIMATES 1985", CIRCULAR NO. 28/34, MINISTRY OF LOCAL GOVERNMENT, OCTOBER 10, 1984

MINISTRY OF LOCAL GOVERNMENT
P.O. BOX 30004
NAIROBI

REF. File No: 300/85/2

Circular No. 28/84

10 October 1984

All Town Clerks

All Clerks to Councils

LOCAL AUTHORITIES ESTIMATES 1985

The Minister for Local Government, in his address to representatives of various Local Authorities in ALGAK meeting held on 7th September 1984, announced that local authorities will with effect from July 1985 synchronise their financial year with that of the Central Government. This decision is in line with the Government policy of placing emphasis on the District focus. Local Authorities are therefore required to prepare two sets of budgets.

In the first instance, local authorities will prepare budgets for the period January to June of 1985. This set of budgets should reach the Ministry of Local Government by 30th November 1984 and should reflect the planned expenditure and expected revenue for the period involved. The format contained in our circular referenced 300/84/1 of 31st August 1983 should be followed. In addition, the council should add one column on both the expenditure and income sides to show the projections made for 1985/86.

Local authorities will then be required to prepare a second set of budgets for the period July 1985 to June 1986. The submission of this budget should be made by 28th February 1985. The format should be as outlined in our earlier circular but with one additional column for both income and expenditure showing the forward budget for 1986/87. I would like to point out here that the projections made will offer your council and the Ministry the opportunity to re-examine in advance the council's future commitments and to be able to make recommendations with regard to alternative sources of revenue.

Recently, a number of local authorities have requested and received approval for the introduction of various types of fees and charges. To be able to monitor the performance by your council on the new items of revenue sources, it is necessary that you indicate in separate tabulations the likely revenue realised from the existing sources for the period January to September 1984. You should also make a projection of the likely revenue to be realised from such sources for the whole year, i.e., 1984.

In cases where your council is likely to experience a shortfall in revenue, action should be initiated early enough to make recommendations on those items of fees and charges that are to be reviewed. Your council hould also explore alternative sources of revenue with a view to getting the Minister's approval before the beginning of the new financial year. In the meanwhile, you are required to comply with the government directive to submit your estimates by 30th November 1984.

Arrangements are underway to amend section 227 and other relevant sections of Cap 265 that deal with a local authority's informed of this in due course.

(Signed)
J.P. MBOGUA
PERMANENT SECRETARY

FINANCIAL MANAGEMENT WORKSHOP
PLANNING AND BUDGETING
KENYA

APPENDIX C

MINISTRY OF FINANCE AND PLANNING

E.S. 1/04

TREASURY CIRCULAR NO. 5

THE TREASURY
P.O. Box 30007
NAIROBI

TO: ALL ACCOUNTING OFFICERS AND
ALL CHIEF EXECUTIVES OF PARASTATAL
ORGANIZATIONS

12th July
1985

PROGRAMME REVIEW AND FORWARD BUDGET
1985/86 - 1988/89

A. INTRODUCTION

1. Accounting Officers are required to submit to the Treasury, five copies of their Ministry's Programme Review and Forward Budget for the period 1985/86 - 1988/89, NOT LATER THAN 15TH OCTOBER 1985. This circular provides adequate time and instructions and guidelines to be followed for the preparation of the forward budget, tentative ceilings for recurrent and development votes (Annex I) and a timetable for the fiscal year 1985/86 for the preparation of the forward budget, revised estimates and draft estimates for 1986/87 (Annex II).

Overall Fiscal Constraints

2. The expenditure ceilings for the years 1986/87 - 1988/89 have been determined taking into account the anticipated revenue trends and the growth prospects for the economy. The unprecedented drought conditions in 1984/85 and the fall in agricultural production have resulted in a virtual stagnation of the GDP in 1984, which grew by only 0.9%. This has not only resulted in reduced levels of ordinary revenue but has also put a severe strain in the country's foreign exchange situation through the foodgrain importation programme.

Given the relatively slow growth of the Government revenues, combined with the rapidly increasing debt service requirements, it is evident that the approved levels of expenditure in the earlier forward budget (1985/86 - 1987/88) cannot be sustained. Thus no major growth in Government expenditures is possible over the period covered by this forward budget, Accounting Officers are therefore expected to appreciate the fiscal constraints reflected in the ceilings and frame their proposals strictly within the limits given for their respective votes.

3. The attached ceilings are given in 1985/86 constant prices and Accounting Officers, in preparing the detailed forward budget should estimate future annual expenditures at 1985/86 prices. Effects of price increase will be taken into account at the draft estimate stage, but are not to be reflected in the forward budget submissions.

Purpose of Programme Review and Forward Budget

4. Although annual forward budget exercises have been conducted since 1983, many Ministries are not giving the exercise the importance it deserves. In the context of scarcity of budgetary resources, it is essential that Accounting Officers should regard the Programme Review as an important tool for planning the allocation of the limited budgetary resources amongst competing claims in their sector. This exercise is meant to assist the Ministries to review their ongoing programmes and projects and the implementation of priorities identified in the Development Plan. It is also a tool for the formulation of future budgetary requirements, especially those relating to the next financial year.

5. In order to achieve the growth targets set for the remaining years of the Development Plan (1984/88), it will be necessary not only to mobilize additional domestic resources more effectively for investment, but also to direct public investments to more productive undertakings and towards increasing the utilization of the existing capacity. Therefore Accounting Officers should utilize the opportunity of this annual exercise to set priorities for their sectors and to ensure that the budgetary resources allocated to their sector are planned to be utilized productively and on high priority projects and programmes which will contribute directly to economic growth.

6. In order to strengthen the linkages between forward budget and draft estimates, the approved forward budget for each Ministry will be strictly followed by the Treasury for draft estimates. Projects and programmes not included in the forward budget will not be considered for inclusion in the draft estimates. The Treasury will be communicating to each Ministry the approved forward budget for the period 1986/87-1988/89 at the end of this exercise, as indicated in Annex II.

Need for a Careful Review of Projects/Programmes and Recurrent Activities:

7. The development ceilings in Annex I are tentative and are likely to be reduced for many Ministries depending on the portfolio of projects recommended by them. This is necessary in order to ensure that the available resources are more rationally distributed among the sectors with emphasis on completing ongoing projects and on selecting projects with greater contribution to productivity and of immediate impact on economic growth. In the recurrent vote also the Treasury will distribute resources so as to improve the utilization of existing capacity in essential and high priority services and infrastructure and therefore allocations for some Ministries may have to be reduced from the levels indicated in Annex I.

8. In view of the above, Accounting Officers should follow very closely the Guidelines and Instructions at the end of this circular in preparing their proposals. They should carefully review the implementation of ongoing development projects and programmes in order to concentrate resources on a fewer number of projects instead of spreading them too thinly across a large number of underfunded projects. Development funds should be utilized only on (i) projects that promise to generate substantial benefits at low cost; (ii) projects which are in an advanced stage of completion; and (iii) high priority and critical projects which need to be continued and for which there are specific committment of funds from donor agencies.

125

9. In the recurrent vote also it is apparent that not all services and activities can continue to be funded at existing levels in view of the present financial constraints. Acounting Officers should therefore identify the infrastructure and services in their sector which should receive priority in the allocation of recurrent funds. Therefore a careful review of all activities/services and infrastructure funded through the recurrent vote should be undertaken as an essential part of the forward budget exercises by each Ministry.

B. PROCEDURES TO BE FOLLOWED IN THE REVIEW OF PROJECTS AND PROGRAMMES AND IN THE PREPARATION OF THE FORWARD BUDGET

Inclusion of Parastatals in the Forward Budget:

10. In this year's Programme Review and Forward Budget those Parastatal Organizations whose investments will be financed from the Development Estimates must submit their Forward Budgets through the respective Ministries. As in the past any proposed financing from the Exchequer and/or from external donor agencies must be contained within their respective Ministry's ceilings.

11. For this category of Parastatal Organizations, draft forward financial and investment plans will be prepared in conjunction with the Investment Division of the Treasury. These parastatals are required to set out investment projects according to the guidelines and format provided in this circular, and in the publication entitled, "Guidelines for the Preparation, Appraisal and Approval of New Public Sector Investment Projects" which has already been circulated to all Ministries and Parastatals falling under the respective Ministries. Each Parastatal must submit copies of the draft forward budget including projections of their foreign exchange requirements both to the parent Ministry and to the Investment Division of the Treasury as early as possible, and in any case not later than the 30th August, 1985 as indicated in Annex II. The responsibility for ensuring that the Parastatals falling under this category comply and submit their proposals accurately and promptly lies wholly with the Chief Executive of the Parastatal in question and the Permanent Secretary responsible for the parent Ministry under which the Parastatal is accountable.

126

Involvement of Districts in the Forward Budget Exercises:

12. In line with the policy of implementing District Focus for Rural Development, Accounting Officers must ensure that the Districts are fully involved in the preparation of the forward budget. The attention of the Accounting Officers is drawn to Circular No. OP/DCO. 14/12/1A/(104) dated 4th December, 1984 from the Chief Secretary for the incorporation of district inputs into the 1985/86 Ministry budgets. In order to ensure that district priorities are reflected in the Ministry's forward budget proposals, Accounting Officers should furnish to their respective district heads, by 31st July, 1985 the following information.

    (i) Tentative ceilings for the district for recurrent forward budget and for district specific projects and national projects and programmes with district specific components in the development forward budget,

    (ii) A statement laying down the Ministry's priorities for budget expenditures and guidelines for the sector, and

    (iii) A list of projects/programmes in the development forward budget that are subject to pre-existing Government or foreign aid commitments that cannot be altered or abridged.

13. The districts in turn will submit to the respective Ministries, to the attention of the PI&EO, not later than 30th August, 1985, the following information:

    (i) The relevant sections of the 1985/86 Annex of its District Development Plan, which includes the district proposals for inclusion in the Ministry forward budget for 1986/87,

    (ii) Comments and views of the DDC on the Ministry's expenditure priority statement, and

    (iii) The district review of the Ministry's tentative allocations for recurrent and development forward budget and recommendations and priorities for improving on the proposed activities in the district.

127

14. It will be the responsibility of the district heads of Ministries to ensure that the information received from the Ministries is immediately submitted to the DDC's for action as stated above.

15. Soon after the Ministry's forward budget is approved, and in any case not later than the 2nd January, 1986, the Accounting Officer will communicate the relevant portion of the approved forward budget to his district head for informing the DDC. The DDCs in turn will review and return to the Ministry not later than the 14th February, 1986, the district comments and recommended reallocations or other amendments to the 1986/87 forward budget, to enable Ministries to incorporate their recommendations in the 1986/87 draft estimates.

Projects to be Funded from the Rural Development Fund:

16. It is likely that in respect of many Ministries, there will be no scope for the introduction of new projects in the forward development budget at least for the first two years, 1986/87 and 1987/88, in view of the financial constraints and existing commitments on ongoing projects and programmes. The scope for reflecting more and more of district specific projects in the Ministries' budget will however be greater in the 1988/89 forward budget year. Meanwhile DDCs should recommend projects from the District Development Plan (Annex) which meet the RDF guidelines, for funding under the Rural Development Fund (RDF) administered by the Ministry of Finance and Planning. The projects should be small ones that could not be accommodated within the ceilings given by the Ministries. It should be noted that the provisional ceilings for RDF projects for 1985/86 issued in May, 1985 have now been revised and the revised ceilings along with the guidelines for the preparation of RDF projects have been issued vide this Ministry's circular letter No. EPD/SC 237/016 (2) of 12th July, 1985. Accounting Officers should instruct their district heads in writing to provide the necessary technical and administrative assistance to the DDCs in the planning and implementation of projects to be funded from the Rural Development Fund.

128

Procedures to be Followed Within the Ministries for the Preparation of the Forward Budget:

17. In order to ensure that the Programme Review and Forward Budget process is treated as a planning exercise and clear priorities are established for the allocation of recurrent and development resources, Accounting Officers should fully involve the Planning Divisions/Units in their Ministries in this exercise. It is therefore suggested that Ministries should constitute a Budget Secretariat consisting of the PF&EO/US(F), the Planning Officers in the Ministry and representatives from the Technical Departments. This Secretariat should be given the responsiblity for the collection, compilation and analysis of information from the Technical Departments, the districts and the Parastatals and for the review of implementation of existing programmes and projects.

18. The review and analysis made by the Budget Secretarial should be considered by a Budget Committee consisting of the DS(F), Heads of Departments, Head of the Planning Unit and the Chairman of the SPG concerned from the Treasury. The SAS/AS concerned from the Budgetary Supply Department should also be invited for the meetings of the Budget Committee. This Committee will also ensure that the information to be submitted to the Treasury is in the prescribed formats and is complete in all respects. It is apparent that the Budget Committe will not be able to finalize its recommendations to the Accounting Officer in one sitting. Therefore the Accounting Officers should plan in sufficient details the action to be taken within their Ministry, soon after receiving this circular to ensure that this exercise is carried out properly and the time limits indicated in Annex II are followed.

129

FORMAT OF PROGRAMME REVIEW AND FORWARD BUDGET

Recurrent Forward Budget

19. The information to be submitted to the Treasury for the draft recurrent forward budget should consist of the following:

(i) A Policy Statement (not exceeding 3 or 4 pages) indicating the priorities established by the Ministry for the allocation of recurrent budgets, including a list of services, activities and physical infrastructure (from among the existing services, activities and physical infrastructure), which will be given priority during the forward budget period. This statement should also indicate problems, if any, in increasing the utilization of existing capacity and in meeting the recurrent costs of completed development projects and as to how the Accounting Officer proposes to approach such problems, within the existing financial constraints.

(ii) The Forward Recurrent Budget Summary in Form A, as per the format attached, giving gross estimates, AIA's and net estimates for each sub-vote and head.

(iii) A more detailed explanation analysed into individual expenditure items for year 1 is required for each head. For years 2 and 3 the explanation could be on head basis highlighting the major factors influencing the gross expenditure and AIA's. The explanation will be given by completing Form B, as per the format attached.

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(iv) Remarks and Programme Brief for each budget head giving the following information, in not more than 2 or 3 pages per head:

(a) The objectives set for the activities of the head, and a statement of the need to which the activities are addressed;

(b) Evaluation of planned and realized outputs or performance in relation to the stated objectives and physical targets, where applicable, to be achieved during each of the forward budget years; and

(c) Funding implications of any development activities/completed development projects which will require recurrent funds during the period covered, under the budget head.

Development Forward Budget

The information to be submitted to the Treasury for the development forward budget should consist of the following:

(i) A Policy Statement indicating the priorities indentified by the Ministry for investments and development programmes within the sector, and the major projects/programmes and commitments in each sub sector;

(ii) Draft Forward Development Budget Summary, as per the format given in Form C, giving for each sub-vote and head, estimates of gross expenditure, AIA's (where applicable) and net budgetary expenditures;

(iii) Details of Draft Forward Development Budget, as per the format given in Form D, to be submitted by sub-head and item for year 1 and sub-head only for years 2 and 3;

131

(iv) A Projects List, indicating (a) high priority and critical ongoing projects to be included for funding within the forward budget ceilings including the gross levels of expenditure for each project, for each of the forward budget years; (b) projects from out of the above group, which are currently being funded by the Government and which are considered appropriate for donor funding through grants and soft loans; and (c) projects that will be deferred, phased out, redesigned or cancelled from the current portfolio in order to provide adequate funds for projects included within the forward budget ceilings;

(v) Project Financial Data as per the format given in Form E, giving the total costs of the project/programme, the total external assistance available in the form of AIA or revenue, whether the external assistance is a grant or loan, the gross expenditure incurred upto 30th June, 1985, and the proposed gross expenditures for the forward budget years should be provided for all projects/programmes included for funding within the forward budget ceilings;

(vi) For projects included under category (b) in paragraph (iv) above, and for such of those projects included within the forward budget ceilings for which additional or supplementary donor funding is sough' by the Ministries, information in the format indicated in Form F should be provided for initiating negotiations with donors during the Consultative Group meeting to be held early next year; and

(vii) The Development Programme Brief, containing the following information for each ongoing project or programme, where applicable:- (i) the specific purpose for which the requested funds will be used, using the guidelines for project implementation set out in M.E.P.D. Circular No.1 of 1982; (ii) the degree of implementation realized to date; (iii) the status of legal commitments, and variations in project costs previously agreed with the Treasury; and (iv) the start date and the total expenditure up to 30th June, 1985; and for construction or physical projects, the estimated total cost and completion date.

132

21. The Development Programme Brief must also contain the following information for each new project or programme which exceeds KPounds 100,000 in total development expenditure, and which will begin during the three year forward budget period:-

(i) statement of objectives, levels of outputs or benefits to be realized;

(ii) schedule of implementation stages as set out in the M.E.P.D. Circular No.1 of 1982, and

(iii) estimated commencement date, completion date and total cost.

This information is to supplement the costs and financing information required in Forms D and E.

22. For new projects or programmes which exceed KPounds 100,000 in total development expenditure, and which are scheduled to begin in 1986/87, the Development Programme Brief must contain the following additional information:-

(i) outline of project organization within the Ministry or Parastatal, and the means of effectively managing project disbursement, implementation and donor reimbursement;

(ii) details of project/programme costs, and financing including source and terms;

(iii) analysis of project viability - technical, financial, economic and social, as appropriate to the project or programme;

(iv) summary of employment creation, foreign exchange likely to be generated, and other benefits such as development of technology and skills, and generation of Government revenues, contribution to increased production or productivity, etc.

23. In preparing the information for Form D, it should be noted that under some votes in the 1985/86 Development Estimates, projects and programmes are shown as budgetary items, while in others as budget heads. Where this is the case, Ministries should in consultation with their respective Budgetary Supply Officers, propose new head and sub-head numbering so that all projects and programmes are identified as heads while geographical locations of each project and programme are identified as sub-heads following the standard geographical codes attached as Annex III to this Circular. Specific components of each project or programme should be identified as items. Estimates Working Groups will review and finalise these proposals.

24. The attention of Ministries is also drawn to the compulsory and rationalized item specification codes outlined in Annex IV to this circular. Except where previously authorised by the Treasury, the item code and specification indicated in Annex IV should be treated as compulsory by all Ministries. Where there are AIA's in the development vote, in the form of direct payments by donor agencies or credit purchases, distinct code numbers should be used to distinguish AIA's from external grants and AIA's from external loans, as indicated in Annex IV.

25. In preparing the information for Form D, great care should be taken to include correct details of externally aided projects. Questions regarding the terms of donor loans should be taken up with the External Aid Depar ent of the Treasury during the preparation of the draft forward development budget and submissions must be based on realistic assessments, both of the availability and terms of external aid, and of the ability of the Ministry to use it effectively.

26. The information in Form F is required by the Treasury for negotiation of external assistance for deepening the support through grants and soft term loans for existing Government funded projects. During the Consultative Group meeting with donors, details of projects and programmes in which the Government would like donor assistance are presented. These projects/programmes are selected from the approved forward budget. The criteria for their inclusion are that they have budgetary support and, where projects are wholly Government financed or require additional donor finance, they have a demonstrable priority. In order to have the right projects and programmes included, Ministries must provide all the relevant details in the Consultative Group Project Form (Form F) and follow up withe the Estimates Working Groups to finalize the details.

D. REVIEW AND FINALIZATION OF FORWARD BUDGET ESTIMATES

27. Review and finalization of Ministry submissions will be undertaken by the Estimates Working Groups (EWG), which are chaired by the Budgetary Supply Officer responsible for each Ministry. The EWG's will be responsible for the following:

(i) to revise the estimates for 1985/86 to reflect expenditure adjustments for ongoing projects and programmes;

(ii) to adjust forward budget estimates within the ceilings shown in Annex I, considering projects and programme briefs, expenditure and donor reimbursement records, Ministry and district priorities and the guidelines and instructions attached to this circular;

(iii) to indicate to the Budgetary Procedures Group where deficiencies in project/programme appraisal or implementation planning exist;

(iv) to approve project proposals for discussion by the External Aid Department with donor agencies (the EAD will not process proposals that do not have the prior approval of the relevant EWG's); and

125

(v) to approve project proposals for preliminary planning and the Ministry of Works, Housing and Physical Planning.

28. The main technical and economic analysis of forward budget proposals will not be done by the Budget Secretariat in the respective Ministries. The role of the existing Sectoral Planning Groups (SPG) in the forward budget exercises will be to assist the Ministries, during the meetings of the Budget Committee, on sectoral directions consistent with the Development Plan objectives and priorities. They will participate in the meetings of the Budget Committee in the respective Ministries with particular responsibility for the following:

(i) to ensure that submissions for the forward years are complete, correct, and consistent with both the pattern of development established in the Plan and the general guidelines/instructions in this circular, especially with respect to the identification of priorities within each sector, capacity utilization, parastatal funding, revenue from Government services and conservation of foreign exchange;

(ii) to arrange development projects and programmes or portions thereof according to their priority, so that either upward or downward adjustments can be made quickly, without having to resourt to across the board cuts; and

(iii) to ensure that the projects included in the forward budget are properly costed and that future recurrent cost requirements of ongoing and completed projects are adequately budgeted.

Within the Treasury, the SPG's will henceforth be responsible for review of policies in the sector and the implementation of ongoing projects and programmes.

E. TIME SCHEDULE FOR SUBMISSION OF DRAFT PROPOSALS

29. To enable the fullest consideration being given to this important planning exercise, Accounting Officers must immediately plan the various steps to be taken in the Ministry, for the preparation of the forward budget and for ensuring that all the necessary information is compiled and submitted to the Treasury as early as possible, and in any case NOT LATER THAN THE 15TH OCTOBER, 1985. It is imperative that this date be strictly adhered to, to avoid hurried consideration of proposals which often adversely affects the interests of Ministries. No deviation from thi date will be allowed unless prior written authority quoting a revised date will have been received from the Treasury. A list of crucial dates in the estimates procedures for this year is provided in the Budget Calendar in Annex II for your further guidance.

30. It is strongly suggested that the relevant Supply Officers be kept informed, and their views sought for all queries, clarifications etc., either in the Ministries during the preparation of the forward budget or subsequently in their considerations in the Treasury. Any clarification with regard to this circular and/or the guidelines and instructions should also be sought from the Supply Officer concerned.

(Signed)
H.M. MUTI
PERMANENT SECRETARY TO THE TREASURY

137

FINANCIAL MANAGEMENT WORKSHOP
PLANNING AND BUDGETING
KENYA

APPENDIX D

TREASURY CIRCULAR NO. 2 -- "DRAFT ESTIMATES OF INCOME AND EXPENDITURE 1985/86", APRIL 15, PAGES 1-8 (ONLY)

MINISTRY OF FINANCE AND PLANNING

ES.103
TREASURY CIRCULAR NO.2
TO: ALL ACCOUNTING OFFICERS

THE TREASURY
P.O. BOX 30007
NAIROBI

18th April, 1985

DRAFT ESTIMATES OF REVENUE AND EXPENDITURE 1985/86

1. Accounting Officers are required to submit to the Treasury five copies of their Estimates of Revenue and Draft Recurrent and Development Estimates of Expenditure for 1985/86, not later than 29th April, 1985. The following instructions should be closely followed in preparing the draft estimates.

EXPENDITURE CEILINGS

2. Ceilings for individual votes for 1985/86 estimates are given in Annex 1 to this Circular. The overall ceiling has been determined taking into account the anticipated total revenues in 1985/86 and the likely trends in the economy. Given the rapid increase in debt service requirements combined with the relatively slow growth of Government revenues, it is essential the total expenditures in 1985/86 should be limited to the levels indicated in Annex 1. Ceilings for individual votes were established after finalization of detailed discussions on each vote during preparation of 1985/86 - 1987/88 Programme Review and Forward Budget. In real terms the attached ceilings do not reflect any significant growth in expenditures, compared to the increase in price levels. Accounting Officers are, therefore, expected to appreciate the fiscal constraints reflected in the ceilings and frame their estimates strictly within the limits given for their respective votes.

3. The requirement that all expenditure proposal(s) must be held within the ceilings will need a careful review by all Accounting Officers of services and programmes in the recurrent vote and of all the development projects in the development vote. It is apparent that not all services and activities can be continued to be funded at existing levels in view of the present financial constraints. Accounting Officers should therefore identify clear priorities for the allocation of the limited recurrent funds. Funding should be restricted to essential and high priority activities, services and infrastructure. The level and quality of services should however be improved through improvements in efficiency and productivity.

4. As far as development estimates are concerned, it is clear that the attached ceilings do not reflect any real increase in expenditures compared to the increase in development costs. Therefore some projects already approved in the forward budget may have to be postponed in order to find money to finance the increase in costs of projects that are retained in the budget. Development expenditures will therefore have to be concentrated on a fewer number of projects by all Ministries instead of being spread too thinly across a large number of underfunded projects. Accounting Officers should therefore ensure that development funds are utilized only to such of those projects that promise to generate substantial benefits at low cost and which are in an advanced stage of completion and high priority and critical projects which need to be continued and for which there are specific commitment of funds from donor agencies.

5. In the allocation of limited budgetary resources to Government activities and services in the recurrent vote and to development programmes and projects in the development vote, Accounting Officers should give priority to expenditure proposals which will: (i) contribute immediately to increased production in the economy; (ii) create employment and income generating opportunities through private productive activities, especially in rural areas; (iii) assist the small farmers, pastoralists, landless rural workers, urban poor and the handicapped to increase their economic productivity; (iv) earn or save foreign exchange through exports or efficient import substitutions; (v) promise substantial payments for the costs of the services by the beneficiaries.

6. While formulating the forward budget for the period 1985/86 - 1987/88, Accounting Officers were required to review their recurrent programmes to identify where and how revenues (Appropriations-in-Aid) can be increased, so that services could be extended to new areas. Where gross expenditure ceilings were agreed upon in anticipation of receipt of projected Appropriations-in-Aid, if any amount of Appropriations-in Aid is not likely to be collected, both the gross and net expenditure estimate proposals for the affected vote for 1985/86 must be reduced as applicable.

DISTRICT FOCUS

7. In compliance with Government policy of implementing district focus for rural development and in order to integrate the districts in the budgetary processes, each Ministry is required to identify and provide budget information for its projects or programmes which are district specific in nature. These include the following:

(i) Projects or Programmes for which the Authority (or sub-authority) to Incur Expenditure will be issued at the District level;

(ii) Projects or Programmes which will be largely implemented by or under the supervision and direction of the District Head or his staff, or which depend on the district department officers for support (such as vehicles and petrol), whether or not the AIE is held at the district level, and

(iii) Projects or Programmes which are contained solely within a District, irrespective of where the AID is held.

8. Adhering to the budgetary mechanism in support of the District Focus Strategy, Accounting Officers are required to assemble a list of District specific projects and programme activities (with budgets) on a District basis. This information is to be prepared by completing and submitting to the Treasury five copies of Form DD-D, five copies of Form DD-R and supporting documentation which must be attached to the estimate proposals of the Ministry. In many cases the listing of projects will coincide with the AIEs which will be issued to the

District heads. In case where it is not possible to identify specific projects at the District level in the next financial year, the proposed level of funding should be identified for each District. The data submitted to the Treasury should also be forwarded to the Districts.

9. Development Estimates - Confining to the ceilings indicated in Annex I, the data assembled in preparing Part II of the final Estimates for 1985/86 and the Form C of the Final Forward Budget should be used to disaggregate the 1985/86 budget information on a project by project (or programme-activity by programme-activity) basis for each District. Form DD-D attached to this circular should then be completed indicating clearly the estimated development expenditures for each project or programme which the Ministry plans to implement in each District during 1985/86.

10. Recurrent Estimates - Operating within the figures specified in the ceilings, each Ministry should use Part II of the final Recurrent Estimates and Form B of the Final Forward Budget to complete the attached Form DD-R showing the funds budgeted for 1985/86 for recurrent activities associated with each project or programme in each District.

11. If there are any questions regarding the District specific break-down of rural development projects, both the Rural Planning Division and the Budgetary Supply Department of this Ministry should be contacted for guidance.

FORMAT OF THE DRAFT ESTIMATES

12. The information to be submitted to the Treasury for Draft Estimates should consist of the following:-

1. Part I - Summary of proposals by sub-vote showing gross, A-I-A and net estimates for 1985/86 and net approved estimates for 1984/85.

2. Part II - Details of Part I by Budget Head and Item showing gross, A-I-A and net estimates for 1985/86 and approved estimates for 1984/85.

3. Part III - Breakdown of Part II by Sub-head and Item showing gross, A-I-A and net estimates for 1985/86 and approved estimates for 1984/85 for Development Vote. (Annex IV)

4. Part IV - Details of Personal Emoluments by Budget Head for Recurrent Vote.

5. Motor Vehicle Establishment Schedule by Budget Head.

6. Forms DD-R (Recurrent) and DD-D (Development).

7. Explanatory Notes for Recurrent and Development Votes.

Care should be taken to ensure that the totals of both subhead and items detailed in Forms DD-R and DD-D and part III cross check and agree with the relevant head and item totals in Part II. Similarly, the subvote totals in Part II should agree with the totals in Part I.

13. Code Structure of Votes, Subvotes and Heads: No basic changes are proposed in the code structure of Votes, Subvotes and Heads for the 1985/86 Estimates and the form of the Printed Estimates for 1984/85 should be followed in the submissions. If any Ministry proposes to change the content of their Subvotes and Heads, or create a new Head or amalgamate two Heads, such changes must be approved by the Treasury prior to the submission of the Draft Estimates. Minor changes will first be discussed by the relevant Estimates Working Groups and later by the Budgetary Procedure Group.

14. Compulsory Item Specification: Accounting Officers' attention is once again drawn to the rationalised item specification codes outlined in Annex II to this circular. The discretionary use of different item numbers by some Ministries for identical types of expenditures in different programmes and projects leads to difficulties in determing total resource allocation to a programme or group of programmes and projects and to the

mixing together of expenditures or revenues of different economic types in the national accounts. Therefore, except where previously authorised by the Treasury, the item code and specification indicated in Annex II should be treated as compulsory by all Ministries. Section 3.34 of the Revised Government Accounting Manual should be consulted for a full specification of items. Where certain items have programme identity of their own, such items will have to be specified. As indicated in Annex II, many of the items should be given specific details in the estimates and a more detailed description given in the programme and project briefs forwarded to the Treasury.

15. Explanatory Notes: Explanatory notes (briefs) should be attached to the Drafts Estimates submitted to the Treasury, containing the following information:

(a) Objectives and Programme - A summary statement of the objectives should be given for each sub-vote. This should be followed by short description of the work programme to be financed by the estimates provisions of each budget head. The programme should as far as possible be illustrated with the use of quantitative figures indicating the size or coverage of the programme, e.g. the number of veterinary clinical centres, health centres or water schemes in operation, or the number of students enrolled at schools. Changes in production capacity should be explained either by how they relate to new units or to extension to established units. Care should be taken to ensure that programme targets are fixed taking into account the funds available.

(b) Any changes in expenditure should be explained item by item. The explanation should clarify whether the change or quantity desired is caused by changes in output in terms of quality of service or changes in prices.

(c) If specific Treausury authority has been given for changes in the Draft Estimates compared to those for 1984/85 the reference number and the date of the Treasury letter should be quoted in the notes.

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INSTRUCTIONS TO BE FOLLOWED, RESPONSIBILITY AND TIME SCHEDULE FOR THE SUBMISSION OF ESTIMATES

16. The attention of all Accounting Officers is drawn to the detailed instructions and guidelines attached at the end of this circular. These should be followed very closely in preparing the draft estimates and any proposal violating these instructions and guidelines will not be accepted by the Treasury for funding. The responsibility for the timely submission of the estimates to the Treasury and for the accuracy of their details rests entirely with the Accounting Officers personally. They should therefore, issue further directions as may be necessary to enable them to discharge this duty properly. As in the past, Draft Estimates must be submitted to the Treasury under the signature of the Accounting Officer responsible for the particular vote.

17. As you are aware, a lot of time has already been spent over the last few months by officials from your Ministry and the Ministry of Finance and Planning in the detailed discussions on the Programme Review and Forward Budget covering 1985/86 to 1987/88. The preparation of Draft Estimates is deemed to be a continuation of the forward budget discussions and for this reason, I expect that all Accounting Officers should be able to submit their proposals to the Treasury by 29th April, 1985.

18. In the past some Accounting Officers have failed to submit their estimates by the due date leading to avoidable delays in the finalization of e whole estimate exercise. This unsatisfactor ituation must be avoided. I therefore request all Accou ng Officers to cooperate in this regard.

19. All Ministries and Department are asked to note that there will be no Supplementary Estimates for either recurrent or development spending during 1985/86. Any queries or problems relating to this circular should be directed in the first instance to the Chairman of the Estimates Working Group responsible for a particular vote.

(Signed)
H.M. MUTE
PERMANENT SECRETARY TO THE TREASURY

144

FINANCIAL MANAGEMENT WORKSHOP
PLANNING AND BUDGET
KENYA

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"

The Government's budgetary process falls into three stages during the course of a year: The preparation process for ministerial ceiling; the estimates preparation process; and the expenditure cycle. District focus affects each stage.

Each ministry has two budgets: the recurrent budget, which covers largely the ongoing operating costs of a ministry, and the development budget, which is meant to cover most of the new investment and capital construction. Each year the Ministry of Finance and Planning issues through Treasury circulars the ceilings that each ministry should not exceed when preparing their budgets for the forthcoming year. There is a ceiling for the ministry's recurrent budget and another ceiling for its development budget. These ceilings are based upon the Ministry of Finance and Planning's best estimate of how much local tax revenue, foreign grants and loans, and domestic borrowing are available to cover forthcoming recurrent and development expenditures. Until recently, domestic tax revenue has been sufficient to cover the G.O.K. recurrent budget, but financing development expenditures has always relied heavily on foreign grants and, most important, on loans both from overseas and within Kenya. Ministries should not exceed their total ceilings, since such revenue and aid is in short supply relative to expenditure requirements. In addition, loans are increasingly expensive, both in terms of interest and in terms of competing demands on domestic credit from the private sector.

These ministrial ceilings are not the ceilings for district specific projects referred to in the original District Focus for Rural Development. They, however, are related to each other. When a ministry adds its ceilings for district specific projects to the funds available for non district projects, this sum should not exceed the total ministerial ceiling. In short, district-specific ceilings represent a disaggregation of the total ministerial ceiling.

Each ministry's development budget and recurrent budget is based on estimates of proposed expenditures for the ministry's new and ongoing projects and activities. Most ministries initially propose a set of estimates that exceed their ceilings, but the Printed Estimates, published in June, reflect a set of estimates that have been brought down to be within a year ceiling through a series of discussions between the operating ministry and treasury. The estimates preparation process is really a year long enterprise and falls into three distinct periods during the course of the year: A Programme Review and Forward Budget for the next 3-5 years should be revised and prepared between July and September; Revised Estimates for the current financial year should be discussed and agreed upon between October and March, and Draft Annual Estimates for the recurrent and development budget should be formulated for the next financial sequence of stages (there is always some slippage), in that the Draft Annual Estimates should be based in large part on the estimates of the Forward Budget and Revised Estimates stages. It is the Forward Budget which first proposes what should be a project's funding level for next year, while the Revised Estimates determine whether or not the project's funding level for this year requires supplementary funds, which has a bearing on what next year's allocation should be. Both the Forward Budget and Draft Annual Estimates are prepared according to ceilings issued in Treasury circulars while the outcome of the Revised Estimates reflect whether or not a ministry has been able to keep expenditures within its approved estimates for the current financial year.

The estimates are printed down to the item level. The item is the lowest level of disaggregation in the printed budget and typically represent a type of expenditure, e.g. Personal Emoluments or Transport Operating Expenses. Items add up to make a project, programme, or activity, which is called a head or subhead. Under District focus, subheads will be used increasingly to identify the district in which a project is located. These projects, in turn, are grouped and managed by different organizational units within a ministry, and such distinct divisions or departments are often called sub votes. All sub votes add up to a ministry's vote, which is simply another word for its total recurrent or development budget. All votes, sub votes, head, subheads, and items are numbered and coded, and an attempt has been made to use the same codes for both the recurrent and development budgets.

146

The G.O.K. financial year begins 1st July and ends 30th June. This means expenditures can begin July 1, based on allocations approved by Parliament in the Printed Estimates. If there is a delay between 1st July and Parliament approval, the G.O.K. is allowed to spend money up to one half of the proposed allocation until Parliament approves the new estimates. The expenditure cycle is meant to be a continuous process over the 12 months in a financial year, where A.I.E.s (Authority-to-Incur-Expenditure) are periodically issued and honoured by available funds in the District Treasury that are from time to time reimbursed by Central Government. Reallocation of funds between items, subheads or heads is often necessary in the course of the year (which gives rise to need for Revised Estimates), and the flow of A.I.E.s is sometimes interrupted when honouring unpaid debits carried over from the last financial year. On the other hand, District Focus has improved the expenditure process, particularly by expanding the number of directly disbursed A.I.E.s to the districts and by increasing the district treasury's float and its rate of reimbursement.