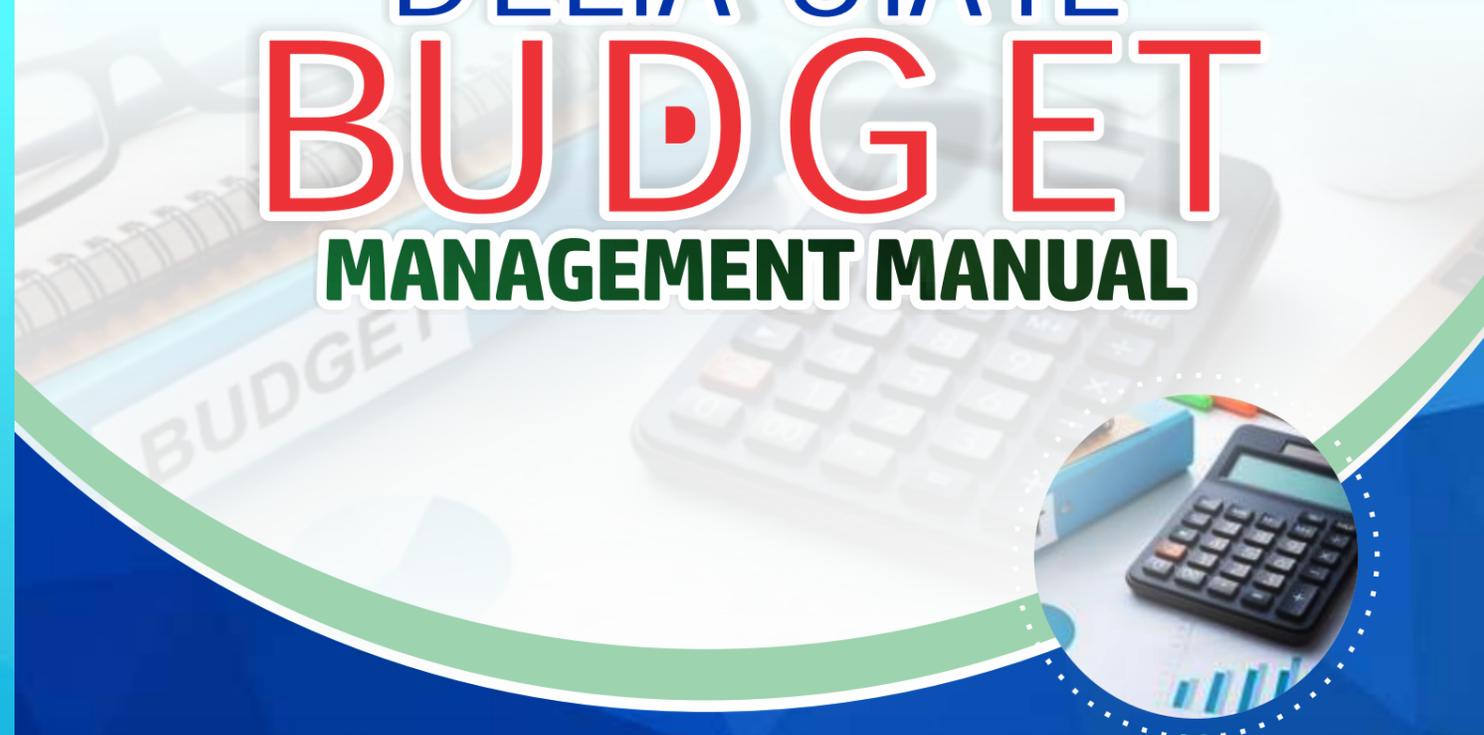




DELTA STATE BUDGET MANAGEMENT MANUAL



A PUBLICATION OF THE
MINISTRY OF ECONOMIC PLANNING DELTA STATE
with support from



WORLD BANK



EUROPEAN UNION



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Prepared By:
MINISTRY OF ECONOMIC PLANNING
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DELTA STATE



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1.0 INTRODUCTION

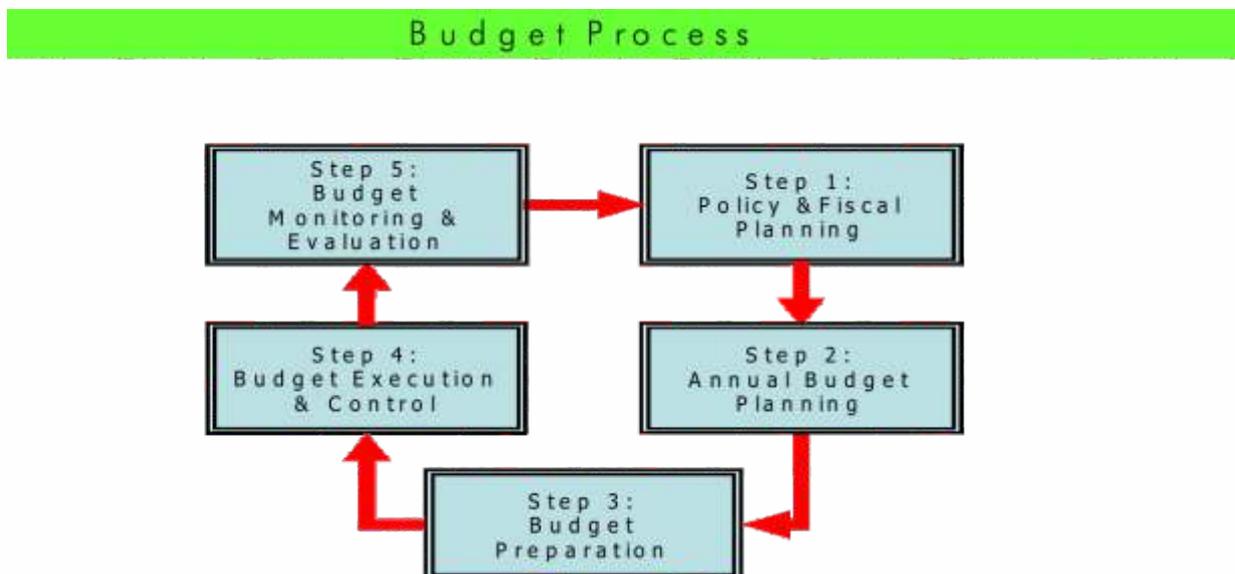
1.1 This manual documents standard budget procedure to be followed by all Ministries, Departments & Agencies (MDAs) of Delta State in the preparation and implementation of annual budgets. It should be used in conjunction with the extant laws and regulations guiding financial and budget management in the State. The rules and regulations include:

- (a) Delta State Public Finance Management Law
- (b) Delta State Fiscal Responsibility Law
- (c) Delta State Public Procurement Law
- (d) Delta State Financial Regulations
- (e) Delta State Audit Law

1.2 Budget is a financial plan embodying estimates of proposed expenditure for a given period (usually one year) and the proposed means of financing the expenditure. It is a legal authority to collect revenue and spend once it is approved by the appropriate authority. While Budgeting itself is a set of procedures that recur, typically with little change or no change, year after year, by means of which government ration resources among their agencies and control the amount each spends.

1.3 Budget Management involves planning, organizing, coordinating, monitoring and reporting the various activities contained in the budget cycle (see Figure 1 below). This Budget Process Manual therefore documents all the activities, processes, roles, responsibilities, and timelines for effective and efficient management of Delta State budget process.

Figure 1: State Level Budget Cycle



1.4 The emphasis of this manual is to illustrate and provide guidance on the linkages between policy making, planning and budgeting; stakeholder participation in the budget process; and better monitoring and reporting mechanism.

2.0 Policy and Fiscal Planning

2.1 Overview

The objective of this section of the budget manual is to provide guidance on institutional arrangements and processes for:-

- (a) Ascertaining available resources and allocation of resources; and
- (b) Linking policy, planning and budget.

2.1.1 Fiscal planning lays the basis and architecture for effective and efficient resource allocation and use. A proper fiscal planning process will positively impact on budgetary outcomes of the state at three levels:

- (a) Aggregate fiscal discipline.
- (b) Allocation of resources in accordance with strategic priorities.
- (c) Efficient and effective use of resources in the implementation of strategic priorities.

2.1.2 Good fiscal planning ensures that the total amount of money a government spends is closely aligned to what is affordable over the medium term and, in turn, with the annual budget; spending being appropriately allocated to match policy priorities; and the spending producing intended results at least cost.

2.1.3 To address issues of aggregate fiscal discipline and allocation of resources in accordance with strategic priorities, Delta State should, in line with the provision of Fiscal Responsibility Law and in addition with good practice institutionalize the following:-

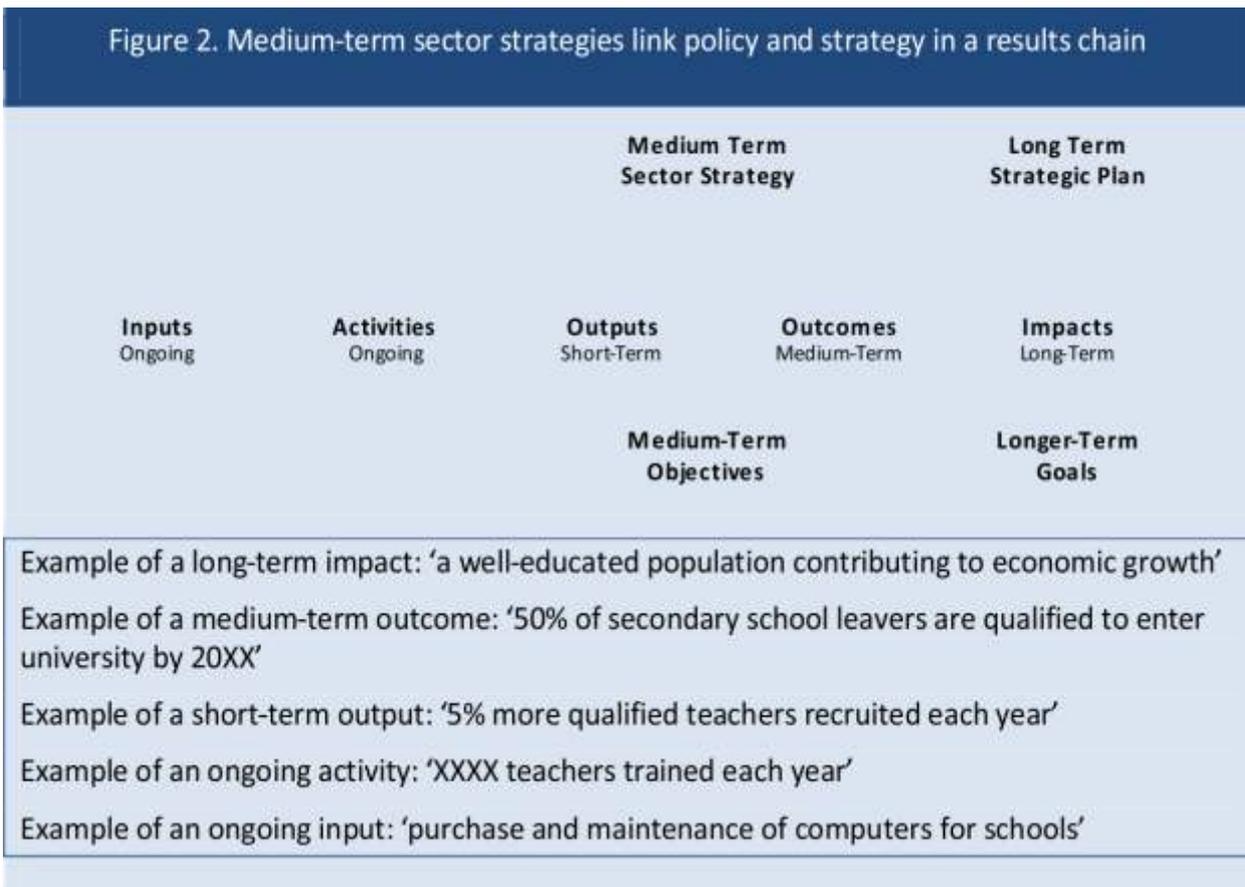
- (a) Develop and Implement a Medium-Term Planning.
- (b) Principles of Responsible Fiscal Management.
- (c) Create a Contingency Reserve funds on annual basis.

2.2 Medium Term Planning

2.2.1 Developing and implementing a medium-term planning entail preparation of State Development Plans and Medium-Term Sector Strategies (MTSSs) for critical sectors.

2.2.2 Whereas state development plans define the big picture and long-term goals, medium-term strategies (whether state medium term strategy or sector strategies) set out specific inputs and activities to deliver specific outputs in the medium term. A medium-term sector strategy is thus a road map that combines ambition and realism, and clearly plots priorities, deliverables and costs. It shows the chain of results that will achieve policy goals as shown in figure 2.

2.2.3 The MTSS process involves getting the spending agencies within a sector to articulate their medium-term goals and objectives against the background of the overall goals of Delta State vision; identify and document key initiatives being embarked upon to achieve their goals and objectives (i.e. their key projects and programs); cost these initiatives, prioritize and phase the initiatives over a three year period; define the expected outcomes of the initiatives in clear measurable terms; and link expected outcomes to their objectives and goals.



The requirements and process for preparation of MTSS is explained in Delta State MTSS Preparation Guide, a separate document that complement this manual.

2.3 Medium Term Expenditure Framework

2.3.1 The Medium-Term Expenditure Framework is an integrated top-down & bottom-up system of public expenditure management designed to –

- (a) Achieve macro-economic stability without compromising economic development.
- (b) Direct greater proportion of public spending to the state's strategic priorities as articulated in State Development Vision/Plan document and the Medium-Term Strategies.
- (c) Greater budgetary predictability for spending units; and
- (d) More efficient use of public funds

2.3.2 MTEF is a three-stage process comprising:

- (a) A Medium-Term Fiscal Framework (MTFF) which documents fiscal policy objectives, a set of integrated medium-term fiscal policy objectives plus fiscal targets & projections (including resource availability).
- (b) A Medium-Term Budget Framework (MTBF) which documents medium term budget estimates for individual spending agencies based on the State's strategic priorities & in a manner consistent with overall fiscal objectives.
- (c) A Medium-Term Expenditure Framework (MTEF), which consolidates the MTBF of spending agencies and adds programme and output based budgeting

2.3.3 MTEF specifically involves:-

- (i) An assessment of prior fiscal and economic performance; this is a backward-looking piece of analysis providing context for the future looking fiscal and budget framework. This is referred to as economic and fiscal update (EFU).
- (ii) Developing realistic macro-economic projections of total resources both from federation accounts, tax, non-tax and other sources (such as grants, loans and special funding).
- (iii) Developing comprehensive sector ceilings for a three-year period early in the process so that Ministries can prepare their budgets based on these ceilings, thereby avoiding the usual "game" of budget negotiations.
- (iv) These ceilings need to be based on top down decisions of how resources should be allocated among sectors based on state government priorities.
- (v) The budgeting preparation process focusing on estimating the resources required to meet government objectives through clear

definition and costing of ministries' plans, thereby moving away from the incremental approach to budget preparation.

- (vi) Developing fiscal strategy paper (FSP) spelling out the fiscal strategy for the planning term (i.e. for three years).

The requirements and process for preparation of EFU and FSP is explained in Delta State EFU/FSP/BPS Preparation Guide, a separate document that complement this manual.

2.4 Linking Policy, Planning and Annual Budget

2.4.1 The process of linking policy, planning and annual budget is graphically explained in figure 3 and 4 below. Figure 3 and 4 illustrates the relationship of the development vision/plan, medium strategies and the annual budget planning sub-process. The set of boxes clearly shows the flow as well as directional influence of each on the other and vice versa.

2.4.2 The annual budget in all circumstances should be consistent with the policy, medium term strategies and medium term fiscal framework of the state. The state policies define the big picture and long-term goals while the medium-term strategies set out specific inputs and activities to deliver specific outputs in the medium-term. The Budget Policy Statement (BPS) sets out the overarching goals that will guide the government's budget decisions and the government priorities for the budget year. The overarching policy goals and priorities in the BPS are derived from the state policies as stated in the development vision/plans (with the specific inputs and activities provided in the medium-term strategies) limited by the available resources provided in the medium term fiscal framework. The BPS is therefore the major instrument of ensuring that the government wide priorities as documented in the development plan as well as the specific inputs and activities provided in the medium-term strategies are captured in state annual budget.

Figure 3: Linking Policy Planning and Annual Budget

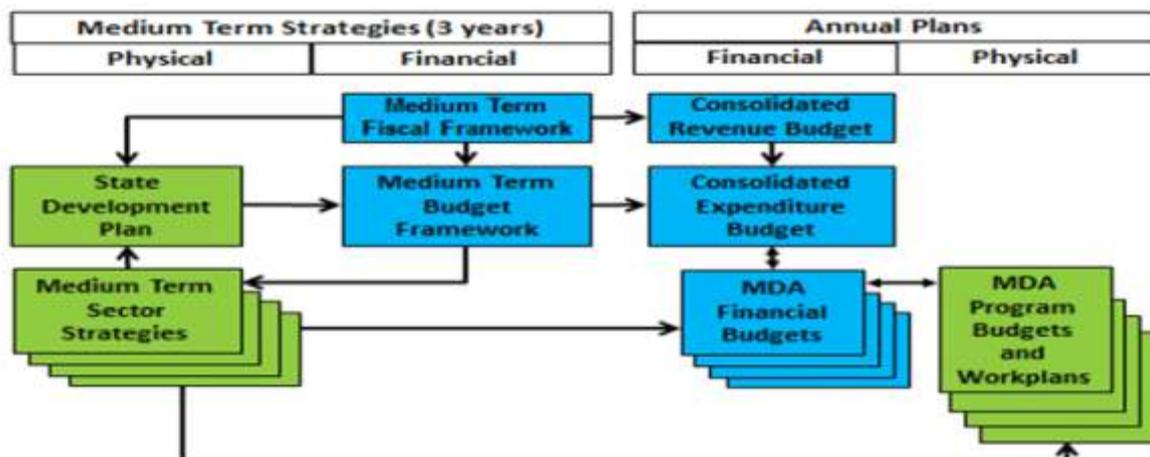
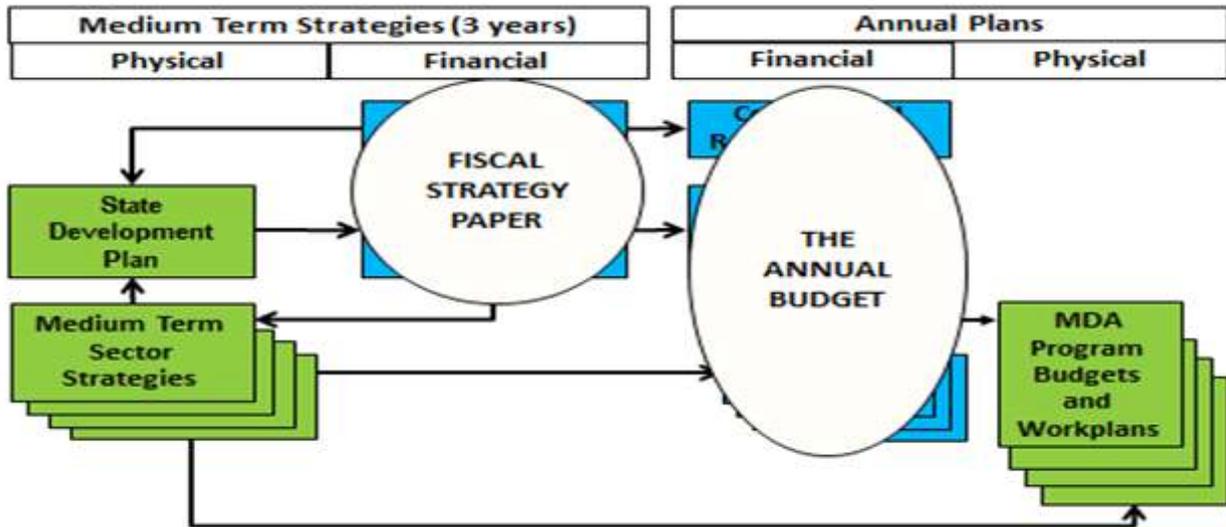


Figure 4: Linking Policy, Planning and Annual Budget



2.4.3 The following are to be included in the Budget Policy Statement:-

- (i) Broad annual budget goals and targets derived from the development vision/plan and medium-term sector strategies, that is expected fiscal performance of the general government operations during the year under consideration;
- (ii) Broad guide on sector priorities and justifications derived from the medium-term sector strategies;
- (iii) Annual Aggregate spending limit derived from the medium term fiscal framework (revenue forecast minus contingency reserve);
- (iv) Planning Reserve (included in the annual aggregate spending limit). Planning reserve is a proportion of the annual aggregate spending limit not allocated to spending MDAs in the budget call circular. The planning reserve is allocated to spending MDAs at budget defense stage to augment for shortfall in budget request.
- (v) Contingency Reserve, this is a special reserve for emergency or unexpected occurrences during the budget execution stage (will be proposed for amendment);
- (vi) Annual spending limit for sectors/MDAs (planning reserve not included) determined based on the overall state priorities as provided in the development vision/plan and medium-term sector strategies; and
- (vii) Mainstreaming of gender and other social issues.

2.5 Creating a Contingency Reserve

2.5.1 Good practice requires Delta State to establish through a special law the Delta State Contingencies Fund. The purpose of the law is to allow the State Government to deduct a certain percentage, to be determined from the

total revenue of the state each year, to add to the Contingencies Fund, together with the net revenues earned from investment of the Contingencies Fund.

2.5.2 The Governor, if satisfied that there is an urgent and unforeseen need for expenditure for which no other provision exists shall present an appropriation bill to the House of Assembly for the amendment of the subsisting appropriation law.

3.0 Annual Budget Planning

3.1 Overview

3.1.1 The objective of this section of the budget manual is to provide guidance for the improvement in budget planning, particularly stating timeline for different budget activities, responsibilities, budget stakeholders and need for consultation and engagement.

3.2 Budget Planning and Calendar

3.2.1 Delta State Budget planning and preparation processes will be regulated by a timeline as specified in Appendix 1 to this manual. The first activity in the budget process is for the Ministry of Economic Planning to hold budget planning meetings to activate the budget process and in consultation with State Ministry of Finance and other stakeholders to develop/update the FSP and BPS as explained in Section 2 above.

3.2.2 Effective annual budget planning is a pre-requisite for successful budget preparation and consists of all activities undertaken before the issuance of annual call circular, which is the start of budget preparation sub-process. At the planning level staff of Ministry of Planning would be expected to:

- (i) Perform an assessment of prior fiscal and economic performance; this is a backward-looking piece of analysis providing context for the future, looking into fiscal and budget framework. This is referred to as economic and fiscal update (EFU).
- (ii) Develop/Update Delta State Fiscal Strategy Paper (FSP) – Three-year aggregate resources envelopes (Fiscal Framework) based on a macro-economic framework, and fiscal objectives, assumptions and risks; and
- (iii) Prepare Delta State Budget Policy Statement - Based on the above aggregate envelope and on policy priorities, three sector envelopes that are the basis for MTSS updates and annual budget ceilings (Budget Framework).

3.3 Budget Committee

3.3.1 The critical budget planning activities explained in Section 3.2 above is to be prepared by Ministry of Economic Planning and Ministry of Finance in collaboration with other stakeholders. To encourage participation and ownership of the process, the State will inaugurate a Budget Committee to properly harmonize all issues relating to the medium term fiscal targets and annual fiscal priorities. Members of the committee shall include:

- (i) Ministry of Economic Planning
- (ii) Ministry of Finance
- (iii) Accountant General's Office
- (iv) Board of Internal Revenue

3.3.2 The duties and responsibilities of this committee taking into account, the provisions of the FSP document shall include the following:

- (i) Review of fiscal targets
- (ii) Review of aggregate spending limit,
- (iii) Review of Contingency Reserves,
- (iv) Review sector spending ceilings.

3.4 Stakeholders' Consultation and Engagement

3.4.1 Stakeholders' participation and consultation is important for formulation and implementation of effective fiscal and budget policies. Stakeholders include representatives of non-governmental organisations with sectoral expertise, organised private sector, organized labour, professional associations, the academia and community representatives. Their participation should start from the preparation of the State Development Plan, MTSS up to the FSP and BPS. In the preparation of the State Development Plan and MTSS, they should be part of the teams to develop key sectoral contributions whilst a consultative process involving calls for memoranda and a public forum should be used to get their inputs into the FSP and BPS.

3.4.2 Stakeholders' consultation has three main benefits:

- (I) Effective ways to involve citizens at each stage of government's work; from planning and budgeting to monitoring performance of public services.
- (ii) Open and transparent government.
- (iii) A clear flow of information from the government to its citizens and vice – versa.

3.4.3 Stakeholders' consultation can be done through:

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

3.5 Presentation of Fiscal Strategy Paper and Budget Policy Statement to State Executive Council

3.5.1 The draft State Fiscal Strategy Paper as explained in Section 2.3 above and Budget Policy Statement as explained Section 2.4 above will be presented to the State Executive Council within the timeline as specified in Appendix 1 of this manual for review, consideration, modification and endorsement.

3.6 Consultation and Engagement with Delta State House of Assembly on FSP and BPS

3.6.1 The State Executive Council shall prior to completion of the FSP and BPS hold further political engagement with members of the State House of Assembly. This is to improve the understanding of the members of Delta State House of Assembly on the fiscal possibilities and options as detailed in the FSP and BPS. Political engagement in Budget process also helps to reduce unrealistic demands and adds credibility to budget enforcement.

4.0 Budget Preparation

4.1 Overview

4.1.1 This section of the budget manual provides the mechanism to ensure appropriate and transparent allocation of public resources among competing priorities during budget preparation stage.

4.2 Annual Budget Call Circular

4.2.1 The formal budget preparation process starts with issuance of annual budget call circular (BCC) to all Ministries, Departments and Agencies (MDAs) of government. In principle the call circular shall include the following which have already been developed and agreed at the Budget Planning stage:-

- (i) Economic and fiscal outlook of the State for the fiscal year;
- (ii) Aggregate spending limit (stating planning reserve);
- (iii) A summary of State Budget Policy Statement;

- (iv) Government-wide priorities;
- (v) Explanations and guidelines on downloading projects and programmes in the State Development Plan/Medium Term Sector Strategies (MTSSs);
- (vi) Form and Format the Budget estimates would take;
- (vii) Input spending boundaries (e.g. capital versus recurrent and personnel versus overhead costs);
- (viii) Guidelines for preparing recurrent expenditure (particularly personnel costs);
- (ix) Instructions for completing the budget forms; and
- (x) Detailed time table for submission of proposal and defense.

4.2.3 The time of issuing the call circular is very critical for early presentation of draft annual Budget to State House of Assembly (it is however recommended that call circular need to be issued on or before the date as specified in the timeline - appendix 1). Appendix 3 provided broad sections of the BCC.

4.3 Preparation of Budget Proposals by Spending Organizations

4.3.1 The Ministries, Departments and Agencies (MDAs) on receipt of budget call circular are required to prepare detailed proposal which should be submitted to Ministry of Planning. The MDA proposal shall:-

- (i) Be in the approved form and format;
- (ii) Apply the proper budget classification and codes;
- (iii) Have a qualitative presentation of the substance of their budget submission; and
- (iv) Integrate recurrent and capital expenditures.

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

- (i) Constitute MDA Budget subcommittee (to be chaired by Permanent Secretary/Accounting Officer of the proposing MDA);
- (ii) Send copy of the Budget call circular to their Departments & Agencies calling for their proposals;
- (iii) The sub organization and sub-sub organization would prepare detailed proposal in accordance with the approved form and format;
- (iv) The sub organization and sub-sub organization would also prepare qualitative presentation of the Budget; and
- (v) The Ministry (or main organization) Budget subcommittee would review the submissions from all sub organizations.

4.3.3 Some MDAs may not have the requisite in-house technical manpower to prepare their proposals in line with the required format particularly following the introduction of the new Budget Classification & Chart of Accounts (BC & COA). Non-adherence with the format will critically undermine the entire budget preparation process. There may be need for Ministry of Economic Planning to have standing technical back stopping team that would offer technical support to MDAs. The support may be in respect of:-

- (i) Visiting MDAs to ensure that Budget proposals are being prepared in line with above requirement;
- (ii) Specific training for budget staffs in MDAs where the staffs lack proper knowledge of the requirements; or

4.4 Bilateral Discussion

4.4.1 The Ministry of Planning on receipt of Budget proposals (capital and recurrent) from MDAs would carry out joint bilateral discussion/negotiation with MDAs on their proposals. The essence of bilateral discussion are as follows:-

- (i) To review the proposals with MDAs to ensure consistency with approved proposal completion guidelines;
- (ii) To ensure that the MDAs complied with the input spending boundaries;
- (iii) Review the personnel and over-head input and its compliance with State government overall recurrent expenditure policy (particularly the personnel profile);
- (iv) To test the strategy, projects and programmes consistency with State Budget policy as well as sector policies;
- (v) To ensure that the MDAs Identification of Capital projects are in line with Policy priorities;
- (vi) To verify when necessary that each new capital project is supported with formal Project Appraisal document prepared by appropriately skilled staff of MDAs or Consultants;
- (vii) To review and judge the reasonableness of the costing mechanism of projects and programmes in the proposal as may be applicable;
- (viii) To review MDA's performance indicators and method of measuring output and outcome to ensure consistency with State approved system; and
- (ix) Where necessary allocate additional resources from Planning reserve for funding important projects and programmes not covered within the MDA resource envelope (expenditure ceiling).

4.5 Integrating Annual Budget

4.5.1 The proposals from MDAs would be consolidated incorporating amendments and adjustments based on the bilateral discussions. The consolidated proposals from all MDAs are integrated to be Delta State Draft Budget for the year. The personnel and operational (overhead) cost estimates are computed and deducted from the aggregate spending limit (earlier determined at planning stage) and the balance is considered as the capital development fund.

4.6 Presentation of draft Budget Proposal to the EXCO

4.6.1 The consolidated proposals will be presented to the EXCO for review. The EXCO would ensure that the draft budget estimates reflect the following:

- (i) State Budget Policy as well as sector policies approved by EXCO at the Budget planning level; and
- (ii) Trade off and balance of interests agreed at both political engagement and consultative processes with Assembly members and other stakeholders (CSO) respectively.

4.7 Presentation of Draft Budget to House of Assembly

4.7.1 After review of the consolidated proposals, the Governor will present the draft Budget to the House of Assembly as an Appropriation bill within the timeline as specified in Appendix 1 of this manual. The State Appropriation bill shall be accompanied by:

- (i) The budget message of the Governor;
- (ii) The draft State budget.

4.7.2 The budget message of the Governor includes:

- (a) The Statement of the Governor on the main directions of socio-economic development and fiscal policies in the coming financial year;
- (b) Macro-economic assumptions used for fiscal forecast;
- (c) Level of Fiscal deficit;
- (d) Deficit financing, describing if any anticipated composition;
- (e) An up to-date debt stock;
- (f) Brief review of the previous budget performance; and
- (g) Explanatory note on the proposed budget
- (h) Overall focus of the administration.

4.7.3 The explanatory note is a complete file of documents, justifying the State proposed budget which includes:

- a) Justification of planned State budget aggregate revenues, aggregate expenditures and deficit (surplus), including the interest rates and maturities on loans to be borrowed for financing of the deficit, as well as trend analysis of the mentioned budget elements;
- b) Trend analysis of planned state budget revenues, expenditures and deficit (surplus) on the basis of actual figures of the previous financial year and confirmed figures of the current financial year;
- c) Justification of State budget revenues expectations in the proposed draft, with a breakdown per "allocations from the federation account", "tax", "non-tax" and "others" (such as grants. Loans and special funding);
- d) Justification of the proposed State budget appropriations, for each line of budget classification, identification and justification of the nature and the amount of budget credits and guarantees, identification of the basic norms for calculation of budget expenditures;
- e) The structure and trend analysis of external and domestic loan as well as grants, on the basis of actual figures of previous financial year and estimated figures of current financial year;
- f) Justification of the appropriations budgeted for generation of Contingencies Fund;
- g) Information on proposed appropriations against the original budget requests;
- h) Information on personnel expenditures of budget financed ministries, departments and agencies and trend analysis of this information based upon the corresponding figures of the last financial year and the estimated figures of the current financial year, as well as information on the actual number of employees;
- I) Any other information, which the State Executive finds essential for justification of the draft State budget.

4.8 Review and Approval by the House of Assembly

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

- i. The Executive formally propose the Budget to the House of Assembly, thereafter a motion for the first reading of the appropriation Bill is moved by the House;
- ii. The second reading and thereafter the Bill will be referred to House Committee on Appropriation and other committees for discussion;
- iii. Discussion of the Budget may involve public hearing, discussion

- with the MDAs and votes by House Committees;
- iv. Presentation of Report of the House Committee on Appropriation to the House (referred to as the third reading); and
- v. Final deliberation and passage of the Appropriation Law.

4.9 Assent by the Governor

4.9.1 The approved budget will be presented to the Governor for his assent. Assent involves the Governor appending his signature to the passed bill to make it a law.

4.9.2 Public Presentation and Analysis

4.11 Detailed analysis of the budget will be presented by Commissioner for Economic Planning. The approved Budget together with the Budget policy statement will be published and circulated by the Ministry of Economic Planning.

5.0 Budget Execution and Control

5.1 Overview

5.1.2 The objective of this section of the budget manual is to set clear requirements for budget execution and control. The requirement as set in this section is to ensure that actual spending reflects budget priorities as well as to achieve sound budget expenditure accountability.

5.1.3 Budget execution is one of the crucial sub-process in the budget cycle and consists of a series of activities that starts as soon as the budget is passed into law. These activities would usually begin in January the first month of the fiscal year with request from the Ministry of Economic Planning calling for capital expenditure work plan from spending units (or MDAs).

5.1.4 This sub-process relies on the budget classification and chart of accounts used in allocating resources and recording transactions. Budget is executed by spending units classified as administrative entities such as Organization (Ministries) and sub-organization (service providers).

5.1.5 The execution of Capital Budget shall consist of the following activities:

- (i) Preparation of Work Plan
- (ii) Expenditure Projection
- (iii) Cash Forecasting (to be provided by Ministry of Finance)
- (iv) Authority to incur Expenditure

- (v) Procurement Process (tendering and award of contract)
- (vi) Mobilization of Contractor as may be necessary
- (vii) Mobilization by Contractor
- (viii) Project Implementation (Monitoring & Evaluation)
- (ix) Project Implementation Reporting
- (x) Accounting and Reporting of Budgeted Funds

5.1.6 The responsible agency and time line for the sub-processes under this section are shown in table 1 below.

S/N	Description of Output	Responsible Agency	Time Line
1	Preparation of Work Plan	Spending Units (MDAs)	January
2	Expenditure Projection	Ministry of Economic Planning	January
3	Cash Forecasting	Ministry of Finance	January
4	Procurement Process	Spending Units with Procurement Office	Continuous
5	Project Implementation (Monitoring & Evaluation)	Ministry of Economic Planning	Continuous
6	Project Implementation Report	Ministry of Economic Planning	Monthly
7	Accounting and Reporting	Dept. of Finance and Accounts of Spending Units (MDAs) and OAG	Continuous

5.2 Request for Work-plan

5.2.1 At the inception of the budget implementation the Ministry of Planning shall in consultation with the Ministry of Finance and Office of the Accountant General (OAG) issue budget implementation guideline and request for work plan (or programme) from all spending units (MDAs) within the State

Government using the format attached as appendix 4. The adjusted work plan of the MDAs shall be the basis for making capital expenditure projections on quarterly basis.

5.2.2 The **Workplan** shall state, in a schedule and sequenced, what is to be done within the financial year as provided in the approved annual budget:-

- i. The activities/projects/programmes to be carried within the financial year as provided in the approved budget and their outputs;
- ii. Their planned start and completion dates for each activity/project/programme;
- iii. The person(s), organisation and/or institution to carry out the activity/project/programme;
- iv. The total costs for each activity/project/programme; and
- v. The costs broken into the months from start to completion dates.

5.3 Expenditure Projection

5.3.1 On the basis of the work plan submitted by the spending units for capital expenditure, investment, the Ministry of Economic Planning shall meet with the Ministry of Finance and Accountant General to produce aggregate monthly expenditure projections for:

- i. Personnel Costs
- ii. Overhead (Operational) Costs
- iii. Capital (expenditure) Investment Costs
- iv. Others

5.4 Cash Requirement Forecasting

5.4.1 The Ministry of Finance/Accountant General shall request the revenue generating agencies to provide a realistic revenue forecast for the first month and aggregate for first quarter and subsequent months (quarters) for all sources of revenue.

5.4.2 The following information must be included in the document: -

- (A) Name of MDA
- (B) MDA Code
- (c) Sources of Revenue, approved estimates and Economic Codes
- (D) Collection per source per month (quarter)

5.4.3 The Office of the Accountant General shall collate the submissions from all revenue generating MDAs and produce consolidated monthly (quarterly) revenue forecast for the State Government.

5.4.4 Tentative aggregated cash requirement forecast will be prepared by

The Ministry of Finance/Accountant General using the aggregate monthly expenditure projections and consolidated quarterly revenue forecast.

5.4.5 The State Government shall have a Cash Management/Allocation Committee (or Treasury Board) that is responsible for approving cash requirement of all budget entity. The members of the committee shall include: -

- i. Governor (Chairman)
- ii. Commissioner of Finance,
- iii. Commissioner for Economic Planning,
- iv. Permanent Secretary (Finance),
- v. Permanent Secretary (Economic Planning),
- vi. Accountant-General,
- vii. Director, Treasury Department,
- viii. Chairman, Board of Internal Revenue,
- ix. Director, Department of Budget - Secretary.

5.4.6 The Cash Management/Allocation Committee will review the monthly expenditure projection and monthly (quarterly) revenue forecast as well as consider, deliberate and approve monthly cash requirement forecasts for each budget entity (i.e. the ministry, department or spending agency that is the spending entity) and the use according to economic classification (i.e. kind of transaction – personnel, overhead, capital and others).

5.5 Authority to Incur Expenditure

5.5.1 The Department of Budget will on approval of the monthly cash requirement forecasts shall prepare for signature of the Commissioner of Finance: -

(i) A general monthly warrant in accordance with the approved monthly cash requirement forecasts for each budget entity for the approved recurrent expenditure.

(ii) A specific warrant (one-off warrant) for any capital expenditure item in the Annual Appropriation Law that the spending ministry, department or agency has obtained due process certification in accordance with Delta State Procurement Law.

5.6 Mobilization by Contractor

5.6.1 The startup of project execution would normally lead to constituting a project implementation team with a desk officer designated in the spending unit who would be responsible for liaison with all participants in the project particularly Project Implementation Unit located in the Ministry of Economic Planning.

5.7 Project Monitoring & Evaluation

5.7.1 The Project Implementation Unit located in the Ministry of Economic Planning Office carries out project monitoring to ascertain the level of job done/performance. For avoidance of doubt the Ministry of Economic Planning functions do not include processes for evaluation of bids, selection of contractors and award of contracts.

5.8 Project Implementation Reporting

5.8.1 The Desk Officer in the Spending Unit and Project Implementation Unit shall prepare project implementation report for each project being executed by the State Government which is basically a value for money assessment. The following information must be captured by the project implementation report:

- (I) Project Description
- (ii) Budget Code
- (iii) Executing Agency
- (iv) Desk Officer
- (v) Contractor
- (vi) Sub-contractor
- (vii) Original Value of Contract
- (viii) Cost Variation (if any)
- (ix) Project Tenure
- (x) Start Up date
- (xi) Completion Date
- (xii) Number of Disbursements
- (xiii) Total Value of Disbursement
- (xiv) Value of Commitment
- (xv) Value of Outstanding Bills

5.9 Accounting and Reporting

5.9.1 The budget execution and control processes in relation to accounting and reporting as well as treasury functions are fully explained Delta State Financial Regulations and Treasury Manual.

6.0 Budget Monitoring, Evaluation and Reporting

6.1 Overview and Objectives of Monitoring & Evaluation

6.1.2 The objective of this section of the budget manual is to provide tools and mechanism to enhance the State's capacity for monitoring, evaluation and reporting on budget performance.

6.1.3 The purpose of monitoring and evaluation in budget and project management is to address one or more of the following concerns:-

- **Effectiveness:** is the budget or project achieving its objectives and targets?
- **Efficiency:** is the budget or project being implemented in an efficient manner that justifies continued funding?
- **Relevance:** are the projects in the budget still relevant to the needs of the State?
- **Impact:** to what degree have the beneficiaries of the project been affected positively or negatively, or has there been any change in behaviour resulting from the project implemented?
- **Response:** what has been the degree of acceptance and cooperation from the target beneficiaries (this will indicate if the project is addressing the needs of the beneficiaries and if it was properly designed)?
- **Causality:** what factors or events have impacted on the implementation and performance of the budget or project?

6.1.4 The monitoring and evaluation of the State budget or projects should consider and report performance at various levels of objectives and targets including input, activity, output, outcome and impact.

(A) **Inputs** – are resources allocated to the implementing MDA for an expected level of output. The inputs or resources may include money, men and machines budgeted for the achievement of the desired level of output. Input monitoring and evaluation is necessary because it is the bases for achieving other levels of objectives of the budget or project.

(B) **Activities** - the various tasks of government carried out to deliver the required services; these are either carried out directly by government officials or contracted out to outside experts within basic government rules and regulations. They are all carried out at the implementing agencies' level.

(c) **Outputs** - the expected levels of services or goods to be created based on the units of inputs; they consist of targets set to be achieved (example completed Primary Health Clinic with basic diagnostic equipment, 10

bedded ward block, consulting clinic, 4 flat quarters, etc).

(D) **Outcomes** - the expected benefits of the outputs created and delivered using a given unit of input (functional primary health clinic used by the over 1,200 inhabitants of the village for their health care needs).

(E) **Impacts** - the ultimate improvements in living standard of a community from the services provided directly or indirectly (example reduction in maternal mortality and under-five mortality).

6.2 Monitoring and Evaluation Tools

6.2.1 The State Government shall devise tools for effective monitoring and evaluation of the budgets and projects. These tools may include log frames and progress reviews.

6.2.2 The Logframe will define the logic of the budget or project, and clearly state the linkages between cause and effect; the levels or hierarchy of objectives (inputs, output, outcome and impact) and how they can be achieved and measured over time. It should state the targets, indicators, milestones and their means of verification; the assumptions to the budget or project, the risk inherent in the budget or project and how those risks could be mitigated.

6.2.3 The Progress Review will examine work actually done and shall provide answers to the following questions, are:

- inputs available as planned?
- activities being carried out in accordance with the workplan?
- outputs being achieved as envisaged?
- there changes that have been made to the activities in the course of the implementation?
- there problems and difficulties encountered during implementation?
- there remedial actions taken or planned?

6.3 Monthly Budget Performance Reporting

6.3.1 Every month, each MDA prepares a detailed account of actual revenue and expenditure compared to budgeted revenue and expenditure together with an explanation of variances. The MDAs submit these reviews to Ministry of Economic Planning. The MDAs monthly Budget Performance Reporting Template is attached as appendix 7 and 8.

6.3.2 Ministry of Economic Planning compiles MDA monthly performance reports and produces a consolidated monthly performance report. The

consolidated monthly performance report allows Ministry of Economic Planning to compare inputs and outputs to determine whether the state is on course.

6.4 Quarterly Budget Performance Reporting

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

6.4.2 The Ministry of Economic Planning shall through the budget control mechanism generate the necessary budget performance data to enable it compare actual expenditure with budgeted figures. The Ministry of Economic Planning shall review the budget performance data with a view to identifying variances and outline reasons for the variances; and produce appropriate monthly, quarterly, mid-year and annual budget performance reports.

6.4.3 **The monthly and quarterly budget performance reports** shall be consolidated and analyzed and forwarded to the EXCO with definite recommendations (the report shall be forwarded on or before 21st of the subsequent month after the reporting period). The budget performance report shall show the variance in personnel cost, overhead and capital costs as well as revenue collections under various sources; and circularized to all the relevant MDAs to inform them of their performances and steps to be taken to ensure that the budget is implemented as intended.

6.5 Mid-Year Budget Performance Reporting

6.5.1 **The Mid-Year budget performance report** shall be generated from a review of the budget from the beginning of the fiscal year, say (January-June). This should be carried out by the Budget Committee (see Section 3.3 of this manual) every July to inform members of the public how far and how well or not the state budget has performed.

6.6 Annual Budget Performance Reporting

6.6.1 There shall also be an annual budget performance report at the end of the fiscal year, which will show how much the approved budget was consistent with the implemented budget, and how much the objectives of the budget were realized, and lessons learned.

6.7 Monitoring Capital Projects and Programmes

6.7.1 Monitoring capital programmes and projects tracks progress, ensures that projects match designs and specifications, and that the inputs deliver the expected outputs. MDAs shall produce monthly reports and send them to

Ministry of Economic Planning. MDAs shall also inform the Ministry of Finance of progress on capital programmes and particularly of any delays so that they can adjust cash forecasts and demands for funds accordingly.

6.7.2 The Ministry of Economic Planning and Ministry of Finance receive monthly project monitoring reports from MDAs. The Ministry of Economic Planning separately reviews and compiles the reports, and produces a consolidated quarterly M&E report showing overall resource inputs compared to outputs.

6.7.3 The essence of project and programme monitoring is to:

- (i) formally obtain information on the progress and challenges being faced with budget implementation so that remedial actions could be taken on time;
- (ii) justify request for further funding, as the office responsible for budget management and control is adequately informed and convinced that monies released earlier have been judiciously utilized as planned;
- (iii) serve as an audit and evaluation trail for validating the compliance with plans, procedures, rules, regulations and laws guiding budget or project implementation;
- (iv) serve as a reference or precedence for future budget formulation or project design and implementation; as such reports provide experiences and records of successes, failures, lessons learned and good practice; and
- (v) provide reports to external stakeholders like project sponsors (e.g. donors, and development partners) on how their resources have been managed.

6.8 Entities Responsible for Monitoring, Evaluation and Reporting

6.8.1 The entities responsible for reporting on budget performance monitoring and evaluation as well as the various aspects of performance indicator are:

- i. Ministry of Economic Planning; (Inputs, Activities, Outputs, Outcomes, and Impacts)
- ii. Monitoring & Evaluation Unit of the Spending Units (MDAs); (Activities and Outputs)
- iii. Office of Accountant General; (Inputs)
- iv. Office of Auditor General (State). (Inputs, Activities and Outputs)
- v. State Project Implementation Unit; (Activities, Outputs, and Outcome)

6.8.2 These entities either collect information from sources or rely on the baseline data generated by other units.

6.9 Non-State Actor Monitoring of Budget Allocation Use and Accountability

6.9.1 Non State actors shall include representatives of non-governmental organisations with sectoral expertise, organised private sector, organized labour, professional associations, the academia and community representatives. They shall be part of the field teams of MDAs and parastatals monitoring the use of budget funds and reporting on value for money. In accordance with Delta State Public Procurement Act, they should be involved in monitoring and reporting on the bidding process. MDAs and spending agencies are enjoined to give Non State Actors access to information and the necessary cooperation to facilitate their monitoring and reporting on projects.

6.1.0 Budget Amendment (Supplementary and Re-alignment)

6.1.1 Supplementary budget could be prepared by the State Government during the fiscal year to propose for additional expenditures occasioned by additional revenue or to cover emergency occurrences.

6.1.2 The Ministry of Economic Planning may after critical review of the budget performance data particularly where there are identified variances, propose to EXCO for amendment of the annual budget. Budget Re-alignment shall only be proposed for purpose of reallocating funds in areas that are not spending the allocated fund in line with the approved work plan. This shall be based on evidence that the spending entity will not be able to utilize the fund as appropriated within the financial year. Amendment of budget should not be for purpose of validating expenditure(s) already incurred by MDAs on un-appropriated items not in the original budget or in cases of over expenditure on some appropriated items.

6.1.3 The EXCO will review the proposed amendment and forward the amendment to DTHA for review and appropriation.

Appendix 1: Delta State Budget Calendar

Stage	Date (s)	Responsibility
First Quarter Budget Performance Report	April	MEP
Preparation of EFU-FSP-BPS Document	June	Ministry of Economic Planning
Submission of EFU-FSP-BPS to EXCO for Review and Approval	July	MEP
Submission of EFU-FSP-BPS to DTHA and Political Engagement	July	EXCO
Pre-Budget Conference (including CSOs, MDAs)	July	MEP and MDA's
Issuance of Budget Call Circular with Capital expenditure and Recurrent envelopes	July	MEP
Stakeholder Consultation (MDAs, CSO's, other stakeholders)	August	MDA's
Preparation and Submission of MDA Budget Proposals	September	MDA's
Bilateral Discussions and Interactions	September	Budget Committee (MEP/MOF/BIR/AG)
Consolidation of MDA's Proposals	September	MEP
EXCO Review and Approval of Draft Budget	October	EXCO
Presentation of Draft Budget to DTHA	October	HE, The Governor
Budget Defence by MDA's before DTHA	November	DTHA
Debate and Approval of Budget by DTHA	December	DTHA

HE, The Governor's Assent	29 December	HE, The Governor
Budget Breakdown	December	Hon. Commissioner for Economic Planning
Publication & Dissemination of Budget	1 st January	MEP

Appendix 2: Stakeholders Diagram

Every sector to undertake stakeholder's analysis as it relates to its activities. Managers of the sectors will determine who needs to be considered as valuable stakeholders and those with the potential to affect discussions or implementation outcomes. Hereunder provides a broad list of stakeholders groups



- = Strong
- = Weak
- ////// = Stressful

Appendix 3: Guide for Preparation of Annual Budget Call Circular

Ministry Letter Head

Reference number and Date

YEAR 20XX BUDGET CALL CIRCULAR

- 1.0 Introduction
- 2.0 Economic and Budget Performance for current budget year
A summary of economic and fiscal update and a table not more than half a page.
- 3.0 Fiscal Framework 20XX to 20XX
 - 3.1 Key Assumptions
Summary of key assumptions underlying the preparation of revenue and expenditure of the FSP extracted from EFU-FSP document
 - 3.2 Three year fiscal framework
A summary of fiscal framework and table from the EFU-FSP-BPS document
- 4.0 20xx Budget Thrust
 - 4.1 The Delta State 20XX budget objectives/policy priorities
Extracted from BPS
 - 4.2 The 20XX sector priorities
Extracted from BPS
 - 4.3 Other budget priorities, targets, etc
 - 4.4 Sector Ceilings
Extracted from EFU-FSP-EFU document
- 5.0 20XX Budget Guidelines
 - 5.1 General Guidelines –
 - 5.2 Revenue
 - 5.3 Recurrent Expenditure
 - 5.4 Capital Expenditure
 - 5.5 Measures Guiding the Budget Preparation and Implementation
 - 5.6 Report of first six months budget performance and achievements
- 6.0 Submission and Defence of Budget Proposals
 - 6.1 Date for submission of proposal, format and template for submission, mode of submission, no of copies, etc
 - 6.2 The timetable for the budget defence/interaction sessions.
- 7.0 Information on who to contact for further clarification or support.

Appendix 5: Revenue Forecast Template

State Revenue Profile													
Revenue Item	Budget	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Budget Year													
Treasury Opening Balance		0											
Recurrent Revenue Items													
Statutory Allocation													
VAT													
IGR													
Excess Crude													
Capital Receipts													
Internal Loans													
External Loans													
Grants (Foreign & Domestic)													
Other Capital													
Total Revenue													
Total Cumulative Revenue													
Other Federal Receipts													

Appendix 7: Monthly Budget Performance Report Template (Revenue)

Code	Particulars	Annual Budget	Revenue for the Month	Revenue to Date	% achieved on Budget	Remarks
11010100	Statutory Allocation			-		
11010200	VAT					
11010300	Excess Crude					
	Total	-	-	-		
12010000	Tax Revenue			-		
12020100	Licenses			-		
12020400	Fees – General			-		
12020500	Fines General			-		
12020600	Sales - General			-		
12020700	Earnings General			-		
12020800	Rent on Government Building General			-		
12020900	Rent on Lands and Others General			-		
12021000	Repayments General			-		
12021100	Investment Income			-		
12021200	Interest Earned			-		
12021300	Re-Imbursement General			-		
12021400	Miscellaneous			-		
	Total IGR	-	-	-		
	Total Consolidated Revenue	-	-	-		

13010100	Domestic Aid					
13010200	Foreign Aid					
13020100	Domestic Grants			-		
13020200	Foreign Grants			-		
	Total					
	Domestic Loans			-		
	International Loans			-		
	Miscellaneous			-		
	Total Capital Receipts	-	-	-		
	Total	-	-	-		

Appendix 8: Monthly Budget Performance Report Template (Expenditure)

Code	Particulars	Annual Budget	Month Actual	Actual to Date	Liability Committed	Total Exp & Liability	Balance Available
	Personnel						
21010100	Salaries and Wages					-	0
21020100	Allowances			-		-	0
21020200	Social Contribution			-	-	-	0
	Total	0		-	-	-	0
						-	
	Overhead						
22020100	Travels and Transport			-		-	0
22020200	Utilities			-		-	0
22020300	Materials and Supplies			-		-	0
22020400	Maintenance Services			-		-	0
22020500	Training			-		-	0
22020600	Other Services			-		-	0
22020700	Consulting and Professional Services			-		-	0
22020800	Fuel and Lubricants			-		-	0
22020900	Financial Charges			-		-	0
22021000	Miscellaneous Expenses			-		-	0
22030100	Staff Loans and Advances			-		-	0
22040100	Local Grants and Contributions			-		-	0
22040200	Foreign Grants and Contributions			-		-	0
	Total	0		-	-	-	0

DELTA STATE BUDGET MANAGEMENT MANUAL

	CRFC			-		-	0
21010103	Salaries and Allowances of Statutory Office Holders			-		-	0
22010100	Pensions and Gratuities			-		-	0
22060000	Public Debt Charges			-		-	0
	Total			-		-	0
				-		-	0
	Capital Expenditure						
23000100	Land and Building Infrastructure						
23000200	Purchase of Furniture & Fittings						
23000300	Purchase of Office Equipment						
23000400	Purchase of Power Energy Equipment						
23000500	Purchase of Road Maintenance Equip						
23000600	Purchase of Agricultural Equip						
23000700	Purchase of Other Equipment						
23000800	Public Debt						
23000900	Grants and Subvention						
23001000	Payment to Third Parties						
	Total						
	Grand Total						

Appendix 9: Monthly Project and Programme Monitoring Report Template

i. Project/Programme Title:

ii. Economic Code: _____

iii. Programme Code: _____

iv. Function Code:

v. Geo-location:

vi. Description of Project/Programme

Maximum 1 paragraph narrative

vii. Beneficiaries

Total population of the area the intervention is covering

Percentage of poor people in the area

Percentage of Women

How many people will be affected directly by the intervention?

How many people can potentially be reached by the intervention?

viii. Progress by Project Output

Monthly Progress Report

Prepare Tables for each project by outputs and activities including the following:

Output description

Activity description

Activity start/end date

Activity result (achievement, comments)

Quarterly Progress Report

Prepare Table for each project by outputs including the following:

Output description

Indicator

Baseline

Target

Result for quarter

ix. Planned Activity for next month or quarter

The following will be taken next month/quarter

x List of Challenges/Risks

Challenge /Risk	Event	Adverse Impact	Like-likelihood	level	Mitigating Strategy	Responsibility
Challenges						
Developing Risks						
Intervention Risks						
Management Risks						

Likelihood: Low, Medium, High; **Impact:** Low, Medium, High; **Risk level:** 1=Low; 2=Moderately Low; 3=Medium; 4=Moderately High; 5=High; 6=Extreme