

Provincial Budget Pilot

Line ministries' Guidelines for the Preparation of Provincial Inputs to The Budget Circular No 2 Request

1. Introduction

The 1391 budget will pilot a new provincial budgeting approach to better integrate provincial priorities into the national budget and facilitate communication between central line ministries and their provincial departments. The five ministries participating in the pilot are Ministry of Education, Ministry of Public Health, Ministry of Rural Rehabilitation & Development, Ministry of Agriculture, Irrigation & Livestock and Independent Directorate for Local Governance.

At the budget circular No 1 stage, these ministries consulted the provincial line directorates and incorporate provincial priorities into the budget submissions. In this process, each provincial directorate has developed budget request within **one main National Program implemented by the Ministry [name the selected program] in the total value of Afs 23.5 million (USD 500,000)**. These requests have been submitted to the Ministry of Finance and presented to donors to acquire funding.

2. Provincial Budget Request

As part of the budget circular No 2 process, each provincial directorate is to further develop their development budget requests submitted through BC1 process. Provincial directorates are to do so only for those projects they already submitted through BC1 process – **within the selected the key national program [name the selected program] and up to total amount of Afs 23.5 million**. Any request for a different program or above this ceiling will not be accepted

These requests must be within existing program budget structure of the ministry. Program structure and 1390 budget of the Ministry of ____ [name your ministry] is provided in the Annex 2 to these instructions [attach your ministry 1390 program budget to the instructions].

Each provincial directorate is to fill in attached Budget Circular No 2 forms and submit to the Ministry, by no later than October 30.

After receipt of all provincial line directorates' inputs, the Ministry will prepare a single integrated budget submission for the Ministry of finance.

3. Instruction for the Preparation of BC2 Submissions

The format for completing provincial directorate's 1391 Budget Submission is provided as an Excel Spreadsheet attachment to this Circular. There are 2 forms in total to be filled in: B1 (Program) form and A2 (Development project) form. Detailed explanations on how to fill the spreadsheets are provided in the "Read me first" sheet. Please read these instructions carefully before filling the forms. Provincial directorates are required to submit both electronic and hard copy formats to the Ministry [name where].

3.1 Program Structures and Narratives

Before you start the costing and budget estimation, you should review how your requests fit within Ministry's Program Structures and Narratives. For program structure and associated narratives, the following points are required to be taken into account:

- a. Budget request should fit under one of the Ministry's **program**, depending on the overall objectives projects are to achieve.
- b. **Objectives of the selected program** should be taken over from the Ministry's program structure and defined objectives.
- c. **Outcomes** of the selected program, supporting achievement of program objectives, are not to be invented, but copied from the existing Ministry's program structure.
- d. Each program is divided into a number of **sub-programs**. Each sub-program represents a significant function within the program and should constitute one of its operational objectives. Provincial directorates should analyze Ministry's program structure to decide under which sub-program or sub-programs their budget request fits.
- e. The **core development projects** should be identified and fit under relevant sub-program.
- f. All **operating activities** required to cover for operational and maintenance cost of the proposed development projects are to be identified and fit under relevant sub-program they support.
- g. Appropriate **output indicators and targets** should be developed – one output for each sub-program and preferably for each proposed development project,

In order to develop budget submission that will be in line with the Ministry's program structure, provincial directorates should consult the Ministry's **[name relevant department]**.

3.2 Costing and Prioritization

Other important points to note in completing the BC2 submission forms are:

- a. The identification and costing of resources required is to be done at the project/activity level
- b. **All resources** used need to be identified and disaggregated by: (i) major economic categories – goods and services (code 22) and acquisition of assets (code 25) – for development projects in sheet "A2 Dev_Projects") and for both operating and development budget in sheet "B1 Program"
- c. **Separate baseline costs** (level of project activities and cost currently implemented) **and new spending initiatives** (additional or completely new project activities and cost) for development budget, these should be specified in sheet "A2 Dev_Projects"
- d. The same development project data that is entered at the project level in sheet "A2 Dev_Projects" need to be re-entered in the sheet "B1 Program" at the major code (21, 22, and 25) level.

The budget proposals of **all ministries and budgetary units** will be subject to scrutiny at the time of Budget Committee discussions. This scrutiny will be concerned both with the basis for calculation of the cost of activities and prioritization of expenditure plans within the provided budget ceiling. Once your costing exercise is completed, you may therefore find it necessary to reduce the initial aggregate budget totals through a further process of prioritization to conform to the budget ceilings. This can be done by either removing some of the lower priority activities, or decreasing the budget of one or more activities by reducing the level of output for it/them. If this is the case, **your output targets will need to be amended to conform to the revised budget.**

3.3 Multi Year Budget Projections

In the Budget Submission provincial directorates are required to include budget projections of the implications of the 1391 budget request for the 1392 and 1393 fiscal years. This information is requested to be provided in A2 (Development project) form, for each requested development project.

You are required to provide 1392 and 1393 projections as the one-year time horizon of the annual budget process is too short to enable Government to assess whether spending decisions are affordable in the medium term. For example, most projects are multi-annual and the project started in one year will require budget in subsequent years, as well for its successful completion.

3.4 Budget Integration

Each program should present the full cost of delivering specific service (output). The operating costs need to take into account operating budget maintenance and running cost of the proposed projects if it is to occur in the next 3 year. These operating costs are to be identified in the sheet “B1 Program” under the same program and sub-program as the proposed development project they will be supporting.

For example, if the new project is “construction of one school in District XY” and will result in building one school, cost needed to operate this school upon completion of the project will need to be identified under same program and sub-program as the project “construction of one school in District XY”.

3.5 Cross Cutting Issues

The budget is a tool for translating the national policy announcements (Constitution, ANDS, NAPWA and others) for national development into practice, including important cross-cutting issues, such as gender equality, Pro-Poor Spending and employment creation¹. In the sheet “B1 Program”, provincial directorates are required to specify the relevant cross cutting issues and provide information about how they are meeting their responsibilities.

This year special attention needs to be paid on effect of budget on the creation of employment (jobs). It is mandatory for provincial directorates to assess the impact of their development projects on employment and particularly to assess new jobs to be created (in the spreadsheet “A2: Development Projects”).

4. Actions Required

All provincial line directorates are required to submit the requested information to the Ministry of xxx [name your ministry] no later than 30 October 2011. Where desirable, detailed responses may be given on separate sheets of paper, attached to the completed tables.

If you have any questions or need assistance, please do not hesitate to contact your Ministry of ____ [name your ministry] focal points.

XXXXXX [name your contact people]

XXXXX [name your contact people]

¹ Other cross cutting issue: Anti corruption, Institutional reform and capacity building, Environment, Regional cooperation, Counter Narcotics.