

# **ABIA STATE BUDGET PROCESS MANUAL**

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# **MANUAL**



God's Own State

**GOVERNOR**  
**ABIA STATE, NIGERIA.**  
Government House, Umuahia, Abia State.


## FOREWARD

The Budget Process Manual is a detailed document that explains the main components of Abia State's budget processes and budget cycle. It explains how the budget is formulated, approved, implemented and monitored and evaluated. The processes and explanations included in the Manual are meant to serve as a reference guide for all stakeholders.

The Manual simplifies budgeting in Abia State. It lays out in a logical manner the main steps to implement the budget to ensure Abia State's budget is credible and implemented to achieve program, activity, project service delivery goals and objectives. The budget is the essential tool the Government of Abia State uses to improve the quality of life of its citizens.

This Manual will provide a deeper understanding of budgeting in Abia State, it will guide the State's Political leadership, Managers, Practitioners in MDAs and public on their respective roles and responsibilities throughout the State's budget cycle. The Manual will explain business processes and working relationships between the various divisions and units that are involved in supervising and monitoring budget performance in Abia State. The Manual is an important component of Abia State's Public Financial Management (PFM) reform program.

I anticipate that it will serve as a valuable reference tool. I urge all relevant stakeholders involved in Abia State's budget cycle to be guided by the principles and steps outlined in this Manual.

  
**Okezie Victor Ikpeazu Ph.D**  
Governor of Abia State.

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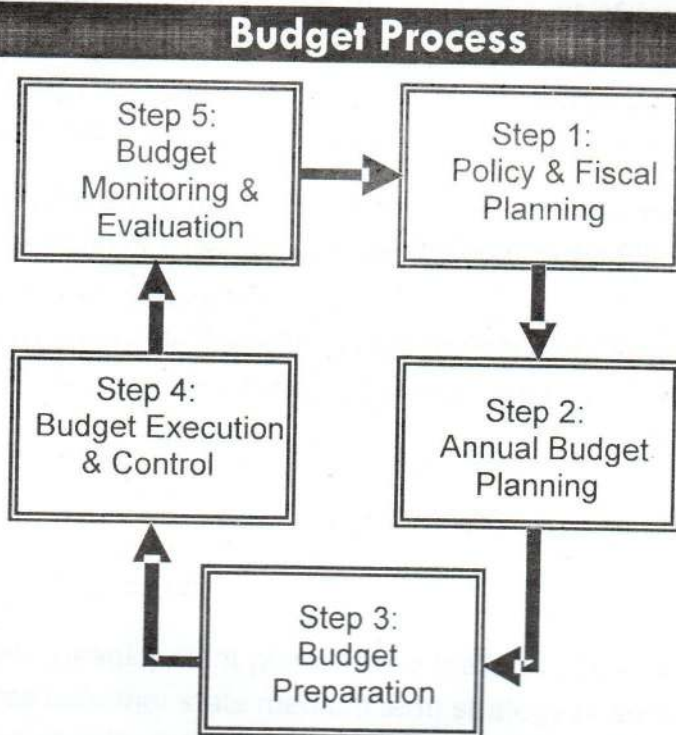
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## 1.0 INTRODUCTION

A Budget is a tool for giving substance to a plan or strategy, or an instrument used in accomplishing a set of goals stated in a policy document. Budgeting is an annual process, which enable a State Government to implement and achieve the goals stated in the policy documents for a particular fiscal year. A Budget is therefore an annual financial statement presenting the government's expected revenues and anticipated expenditure for a fiscal year.

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 timeline for effective and efficient management of Abia State budget process.

Figure 1: State Level Budget Cycle



In a Presidential system of Government, the budget must be approved by the legislature. Section 120(2) of the 1999 Constitution as amended provides that "No moneys shall be withdrawn from the Consolidated Revenue Fund of the State except to meet expenditure that is charged upon the fund by this Constitution or where the issue of those moneys has been authorized by an Appropriation Law, Supplementary Appropriation Law or a Law passed in pursuance of Section 121".

The State Ministry of Finance, State Planning Commission, Office of the State Accountant General, Office of the State Auditor General, other ministries departments and agencies (MDAs), the State Executive Council, State House of Assembly and Civil Society Groups actively participate in the budget process.

Good practice requires an integrated top-down and bottom-up budgeting process, involving all parties in an orderly and timely manner. Each stage of the budget process must be performed in a particular manner and within a fixed timeline for the appropriation bill to be approved by State House of Assembly before the start of the financial year.

This manual documents standard budget procedures to be followed by all MDAs of Abia State in planning, preparation and implementation of annual budgets. This manual will be used in conjunction with the extant rules, regulations and laws guiding financial and budgeting management in the State.

This manual also illustrates and provides guidance on the linkages between policy making, planning and budgeting; stakeholder participation in the budget process; and budget monitoring and evaluation 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:-

- Ascertaining available resources and allocation of resources
- Linking policy, planning and budgets

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:

- Aggregate fiscal discipline
- Allocation of resources in accordance with strategic priorities
- Efficient and effective use of resources in the implementation of strategic priorities

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.

- + To address issues of aggregate fiscal discipline and allocation of resources in accordance with strategic priorities, Abia State will institutionalize the following:-
  - Adopt Medium Term Planning.
  - Principles of Responsible Fiscal Management (Medium Term Fiscal Forecast).
  - Creating a Contingency Reserve funds on annual basis.

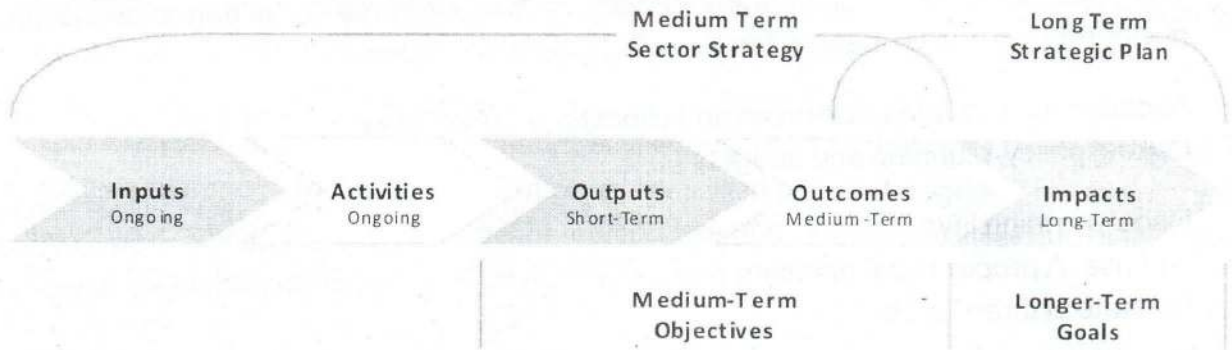
### 2.2 MEDIUM TERM PLANNING

- + Medium term planning entails the preparation of State Development Plan and Medium Term Sector Strategies (MTSSs) for critical sectors.

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.

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 Abia 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.

Figure 2. Medium-term sector strategies link policy and strategy in a results chain



Example of a long-term impact: 'a well-educated population contributing to economic growth'

Example of a medium-term outcome: '50% of secondary school leavers are qualified to enter university by 20XX'

Example of a short-term output: '5% more qualified teachers recruited each year'

Example of an ongoing activity: 'XXXX teachers trained each year'

Example of an ongoing input: 'purchase and maintenance of computers for schools'

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

### 2.3 Medium Term Expenditure Framework

- The Medium Term Expenditure Framework is an integrated top-down and bottom-up system of public expenditure management designed to:
- Achieve macro-economic stability without compromising economic development;
- Direct the bulk of public spending to the state's strategic priorities as articulated in State Development Plan/Vision document and the Medium Term Strategies.
- Greater budgetary predictability for spending units; and
- More efficient use of public funds

MTEF is a three stage process comprising:

**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):

**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.

**A Medium Term Expenditure Framework (MTEF)**, which consolidates the MTBF of spending agencies and adds programme and output, based budgeting.



MTEF specifically involves:-

- An assessment of prior fiscal and economic performance, this 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).
- Developing realistic macro-economic projections of total resources both from federation accounts and internal sources.
- Developing comprehensive sector ceilings for a three-year period early in the process so that MDAs can prepare their budgets based on these ceilings, thereby avoiding the usual "game" of budget negotiations.
- These ceilings need to be based on top down decisions of how resources should be allocated among sectors based on Abia State Government priorities.
- The budget preparation process focusing on estimating the resources required to meet government objectives through clear definition and costing of MDAs' thereby moving away from the incremental approach to budget preparation.
- 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 Abia State EFU/FSP/BPS Preparation Guide, a separate document that compliments this manual.

#### **2.4 Linking Policy, Planning and Annual Budget**

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 plan/vision, 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.

The annual budget in all circumstances should be consistent with the policy, medium term strategies and medium term fiscal framework of the state. Abia State Government 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 plans/vision (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

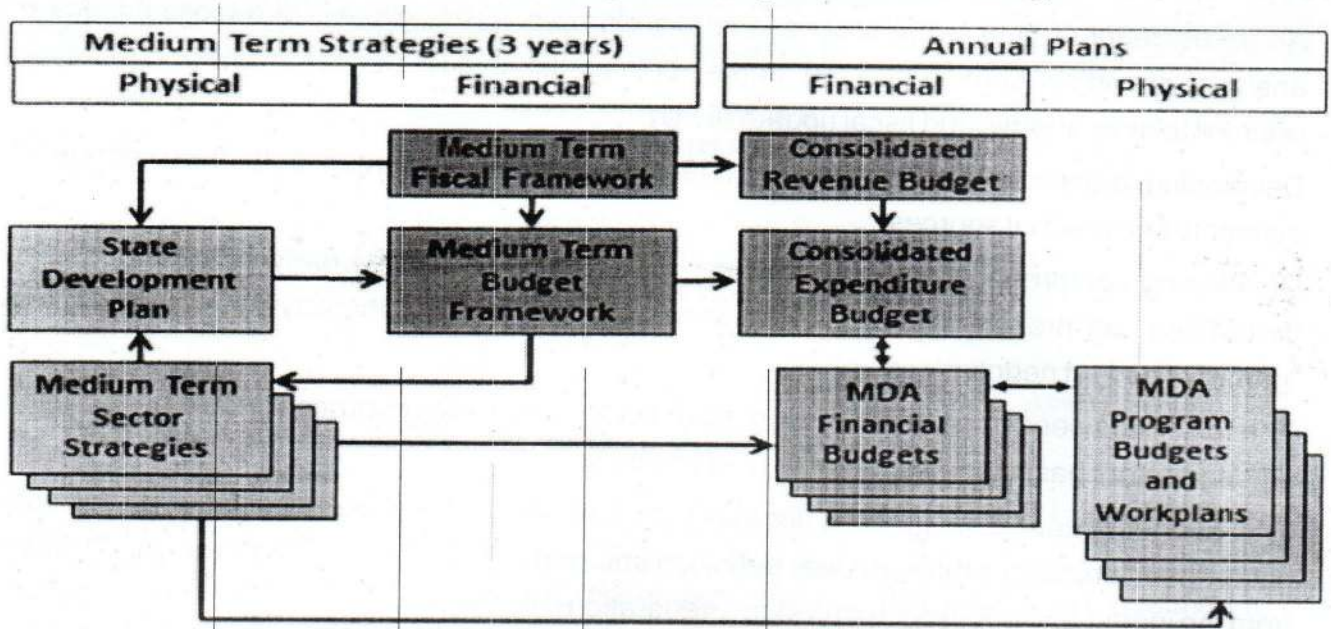
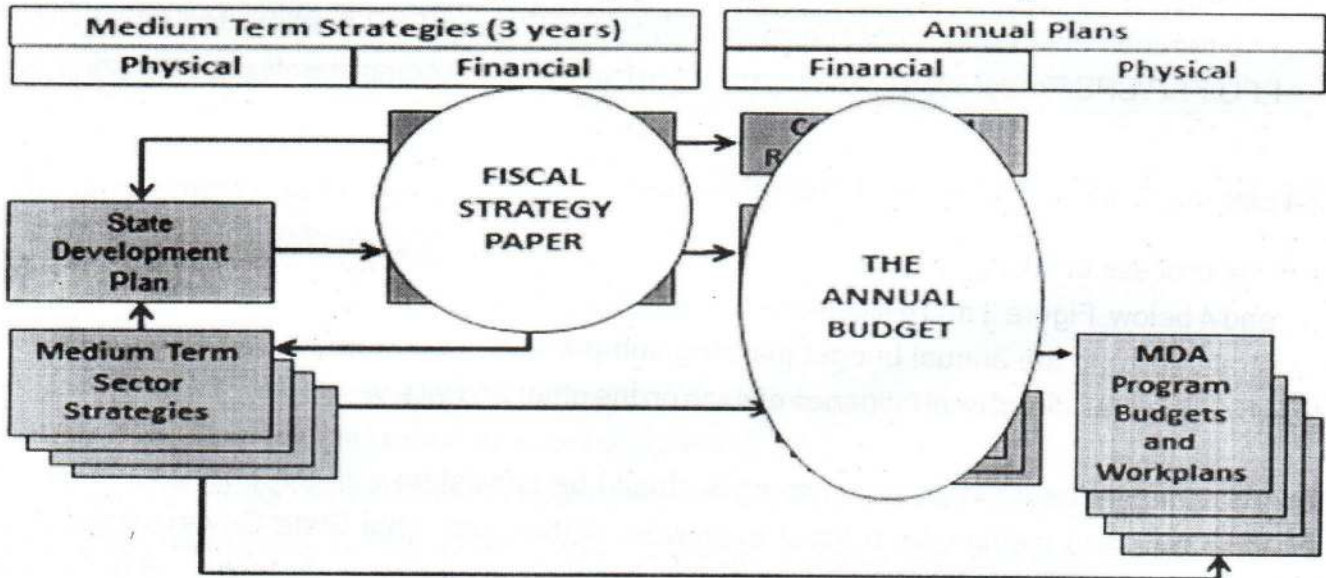


Figure 4: Linking Policy, Planning and Annual Budget



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

1. Broad annual budget goals and targets derived from the development plan/vision and medium term sector strategies, that is, expected fiscal performance of the general government operations during the year under consideration;
2. Broad guide on sector priorities and justifications derived from the medium term sector strategies;
3. Annual Aggregate spending limit derived from the medium term fiscal framework (revenue forecast minus contingency reserve);
4. 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;

5. Contingency Reserve, this is a special reserve for emergency or unexpected occurrences during the budget execution stage (will be proposed as supplementary budget);
6. Annual spending limit for sectors/MDAs (planning reserve not included) determined based on the overall state priorities as provided in the development plan/vision and medium term sector strategies and;
7. Main streaming of gender and other social issues.

## 2.5 Creating a Contingency Reserve

Good practice requires Abia State to establish through a special law the Abia 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.

The Governor, if satisfied that there is an urgent and unforeseen need for expenditure for which no other provision exists shall present a supplementary appropriation bill for approval of State House of Assembly with funding to meet that need from Contingencies Fund.

## **3.0 ANNUAL BUDGET PLANNING**

### **3.1 Overview**

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

### **3.2 Budget Planning and Calendar**

Abia 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 Budget Department (i.e. State Planning Commission) to hold budget planning meetings to activate the budget process and in consultation with Ministry of Finance, Office of the Accountant General and other key Finance MDAs to develop/update the FSP and BPS as explained in Section 2 above.

Effective annual budget planning is a pre-requisite for successful budget preparation and consists of all activities undertaken before the issuance of annual budget call circular, which is the start of budget preparation sub-process. At the planning level staff of Budget Department (i.e. Abia State Planning Commission) in collaboration with Ministry of Finance, Office of the Accountant General and other key Finance MDAs are required to:

- Perform an assessment of prior fiscal and economic performance, this 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).
- Develop/Update Abia 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
- Prepare Abia State Budget Policy Statement - Based on the above aggregate envelope and on policy priorities, three sector envelopes which shall be the basis for MTSS updates and annual budget ceilings (Budget Framework).

### **3.3 Budget Committee**

The critical budget planning activities explained in Section 3.2 above is to be prepared by Budget Department (i.e. Abia State Planning Commission) working with Ministry of Finance, Office of the Accountant General and other key Finance MDAs. To encourage participation and ownership of the process the State will inaugurate a Budget Committee co-chaired by the Permanent Secretary, Abia State Planning Commission and Permanent Secretary, Ministry of Finance to properly harmonize all issues relating to the medium term fiscal targets and annual fiscal priorities. Other members of the committee should be drawn from the following MDAs: -

- State Planning Commission
- Ministry of Finance
- Office of the Accountant General
- Board of Internal Revenue
- Office of the HOS (Bureau of Establishment & Pensions)
- Office of the State Auditor-General

The duties and responsibilities of this committee are the following:

- Review of fiscal targets,
- Review of aggregate spending limit,
- Review of Contingency Reserves,
- Review sector spending ceilings,
- Preparation of FSP and BPS.

### **3.4 Stakeholders' Consultation and Engagement**

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, organised 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.

Stakeholders' consultation has three main benefits:

- Effective ways to involve citizens in each stage of government's work. From planning and budgeting to monitoring performance of public services.
- Ensure open and transparent government.
- A clear flow of information from the government to its citizens and vice – versa.

Stakeholders' consultation can be done through:

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

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

The draft State Fiscal Strategy Paper as explained in Section 2.3 above and Budget Policy Statement as explained in 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 House of Assembly on FSP and BPS**

It is recommended for the State Executive Council engage with the members of the Abia State House of Assembly prior to completion of the FSP and BPS. The purpose of the political engagement between the ExCo and SHoA is to improve the understanding of the members of Abia 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 demand and modifications by SHoA during appropriation, and adds credibility to budget enforcement.

## 4.0 BUDGET PREPARATION

### 4.1 Overview

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

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 should include the following which have already been developed and agreed at the Budget Planning stage:-

- Economic and fiscal outlook of the State for the fiscal year;
- Aggregate spending limit (stating planning reserve);
- A summary of State Budget Policy Statement;
- Government-wide priorities;
- Explanations and guidelines for downloading projects and programmes in the State Development Plan/Medium Term Sector Strategies (MTSSs) to the budget;
- MDA/Sector spending ceiling;
- Form and Format the Budget estimates would take;
- Input spending boundaries (e.g. capital versus recurrent and personnel versus overhead costs);
- Guidelines for preparing recurrent expenditure (particularly personnel costs);
- Instructions for completing the budget forms; and
- Time table for submission of proposal and defense.

The time of issuing the call circular is very crucial 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

The Ministries, Departments and Agencies (MDAs) on receipt of budget call circular are required to prepare detailed proposal which should be submitted to Budget Department (i.e. Abia State Planning Commission). The MDA proposal is expected to:-

- Be in the approved form and format;
  - Apply the proper budget classification and codes;
  - Have a qualitative presentation of the substance of their budget submission; and
  - Integrate recurrent and capital expenditures.
- To produce the above stated documents within the time-frame, each MDA or main organization is expected to:-
- Constitute MDA Budget subcommittee (to be chaired by Perm Sec in case of a Ministry);
  - Send copy of the Budget call circular or Ministerial (main organization) circular to all sub organizations and sub-sub organizations calling for their proposals;

- The sub organization and sub-sub organization would prepare detailed proposal in accordance with the approved form and format;
- The sub organization and sub-sub organization would also prepare qualitative presentation of the Budget; and
- The Ministry (or main organization) Budget subcommittee would review the submissions from all sub organizations and sub-sub organizations

Some MDAs may not have the requisite in-house technical manpower to prepare their proposals in line with the required format. Non adherence with the format will critically undermine the entire budget preparation process. There may be need for Budget Department (i.e. Abia State Planning Commission) to have standing technical back stopping team that would offer technical support to MDAs. The technical support may be in respect of:-

- Visiting MDAs to ensure that Budget proposals are being prepared in line with above stated requirements;
- Specific training for budget staffs in MDAs where the staffs lack proper knowledge of the requirements; or
- A member of Technical backstopping team leading the process in the MDA without proper capacity to prepare budget in line with the requirements.

#### **4.4 Bilateral Discussion**

The Budget Department (i.e. Abia State Planning Commission) on receipt of Budget proposals (capital and recurrent) from MDAs should arrange for the Budget Committee provided for in Section 3.3 above to hold bilateral discussion/negotiation with MDAs on their proposals. The Budget Committee at the bilateral discussion will:-

- Review the proposals with MDAs to ensure consistency with approved proposal completion guidelines;
- Ensure that the MDAs complied with the input spending boundaries;
- Review the personnel and over-head input and its compliance with State government overall recurrent expenditure policy (particularly the personnel profile);
- Test the strategy, projects and programmes consistency with BPS as well as sector policies;
- Ensure that the MDAs identification of Capital projects are in line with Policy priorities as provided in the BPS;
- Verify that each new capital project is supported with formal Project Appraisal document prepared by appropriately skilled staff of MDAs or Consultants;
- Review and judge the reasonableness of the costing mechanism of projects and programmes in the proposal;
- Review of MDA's performance indicators and method of measuring output and outcome to ensure consistency with State approved system, and
- 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**

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 Abia State draft Budget for the year. The process of integrating the annual budget is primarily interactive in nature. The personnel and operational 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. The total capital expenditure is estimated, which would consist of capital projects and programs. The fresh capital investment for the fiscal year would attract additional recurrent cost estimates, and adequate provision should be made by the MDAs. The additional recurrent cost implication of fresh capital investment should be computed by line item (or economic input) and added to the personnel and recurring operating cost estimates.

#### **4.6 Presentation of draft Budget Proposal to the EXCO**

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

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

#### **4.7 Presentation of Draft Budget to House of Assembly**

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 is composed of:

- The budget message of the Governor; and
- The draft State budget.

The budget message of the Governor includes:

- a) The Statement of the Governor on the socio-economic development, policy directions and fiscal policies for the next financial year;
- b) Macro-economic assumptions used for fiscal forecast;
- c) Level of Fiscal deficit if any;
- d) Deficit financing, describing anticipated composition;
- e) Debt stock, including details at least for the beginning of the current year;
- f) Brief review of the previous budget performance; and
- g) Explanatory note on the proposed budget.

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

- a) Justification of planned State budget revenues, expenditures and deficit (surplus), including the interest rates and maturities on loans to be borrowed for financing of the deficit;
- b) Trend analysis of budget revenues and expenditures and 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) Justification of budget appropriations for financing of targeted programmes, with indication of the programmes: legal basis, substance, tasks and objectives, and phases and timing of implementation;
- f) The structure and trend analysis of external and domestic loans as well as grants, on the basis of actual figures of previous financial year and estimated figures of current financial year;
- g) Justification of the appropriations budgeted for generation of Contingencies Fund;
- h) Information on proposed appropriations against the original budget requests;
- i) 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;
- j) Any other justification of the draft State budget.

The draft Abia State budget and the budget message of the Governor will be available to the public for review, analysis and comments.

#### **4.8 Review and Approval by the House of Assembly**

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

- The Executive formally propose the Budget to the House of Assembly (The public presentation by the Governor which is regarded as the first reading of the Appropriation Bill);
- The second reading and thereafter the Bill will be referred to House Committee on Appropriation and other committees for discussion;
- Discussion of the Budget may involve public hearing, discussion with the MDAs and votes by House Committees;
- Presentation of Report of the House Committee on Appropriation to the House (referred to as the third reading); and
- Final deliberation and passage of the Appropriation Law.

#### **4.9 Assent by the Governor**

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

#### **4.10 Public Presentation and Analysis**

Detailed analysis of the budget will be presented by the Commissioner of Finance with key staff of State Ministry of Finance, Abia State Planning Commission, Office of the Accountant General, Board of Internal Revenue and Office of the Special Adviser to the Governor. The approved Budget together with the Budget policy statement will be published and circulated.

## 5.0 BUDGET EXECUTION AND CONTROL

### 5.1 Overview

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 expenditure reflects budget priorities as well as to achieve sound budget expenditure accountability.

Budget execution is one of the crucial sub-processes 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 Budget Department (i.e. Abia State Planning Commission) calling for capital expenditure work plan from spending units (or MDAs).

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), sub-organization and sub-sub organization (service providers).

The Budget Execution consists of the following activities:

- Preparation of Work Plan
- Expenditure Projection
- Cash Forecasting
- Issuance of Expenditure Warrant (general)
- Procurement Process (tendering and award of contract)
- Release of Mandate (cash backing)
- Mobilization by Contractor
- Project Implementation
- Project Implementation Reporting
- Accounting and Reporting of Budgeted Funds

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

**Table 1: Outputs of Sub-Processes, Responsible Agency and Timeline**

S/N	Description of Output	Responsible Agency	Time Line
1	Preparation of Work Plan	Spending Units (MDAs)	January
2	Expenditure Projection	Budget Department (i.e. Abia State Planning Commission)	January
3	Cash Forecasting	Office of the Accountant General	January
4	Issuance of Expenditure Warrant (General)	Ministry of Finance	
5	Procurement Process	Spending Units (MDAs) with Due Process Office	Continuous
6	Release of Mandate (cash backing)	Office of the Accountant General	Continuous
7	Project Implementation	Contractors, Suppliers, Service Providers and MDAs	Continuous
8	Project Implementation Report	State Project Implementation Unit, Governor's Office	Monthly
9	Accounting and Reporting	Dept. of Finance and Accounts of Spending Units (MDAs) and Office of the Accountant General	Continuous

## 5.2 Request for Work-plan

Budget implementation will commence with the Budget Department (i.e. Abia State Planning Commission) in collaboration with Ministry of Finance and Office of the Accountant General (OAG) issuing budget implementation guideline and requesting 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.

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

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

## 5.3 Expenditure Projection

On the basis of the work plan submitted by the spending units for capital investment, the Budget Department (i.e. Abia State Planning Commission) will meet with the Office of the State Accountant General and Ministry of Finance to produce aggregate monthly expenditure projections for:

- Personnel Costs
- Overhead (Operational) Costs
- Capital Investment Costs
- Others

## 5.4 Cash Requirement Forecasting

The Office of State Accountant General will request the revenue generating agencies to provide a realistic revenue forecast for the first month and aggregate for first quarter and subsequent months (quarters) from all sources of revenue.

The following information must be provided in the Revenue Forecast:

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

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

Tentative aggregated cash requirement forecast will be prepared by the Office of the Accountant General using the aggregate monthly expenditure projections and consolidated quarterly revenue forecast.

The State Government will also 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 will include:

- Governor or Governors' nominee (chair)
- Commissioner of Finance,
- PS (Finance),
- PS (State Planning Commission)
- Accountant-General,
- Chairman of State Internal Revenue Service,
- Director Budget Department.

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 spending entity) and the use according to economic classification (i.e. kind of transaction – personnel, overhead, capital and others).

#### **5.5 Expenditure Warrant (general)**

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

- 1) A general monthly warrant in accordance with the approved monthly cash requirement forecasts for each budget entity for the approved recurrent expenditure.
- 2) A specific warrant (or 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 Abia State Procurement Guidelines.

#### **5.6 Release of Mandate (cash backing)**

A copy of the warrant duly signed by the Commissioner of Finance shall be forwarded to the Office of the Accountant General. On the basis of the due process certificate issued to the spending unit in accordance with the requirements of Abia State Procurement Guidelines and the specific warrant duly signed by the Commissioner of Finance, the Office of the Accountant General will issue cash mandate to the spending unit and to the Bank.

#### **5.7 Mobilization by Contractor**

The startup of project execution would normally lead to constituting a project implementation team with a desk officer designated in the spending unit who will be responsible for liaison with all participants in the project particularly Project Implementation Unit located in the Governor's Office for purposes of raising interim and completion certificates.

#### **5.8 Project Implementation**

The Project Implementation Unit located in the Governor's Office carries out project monitoring and issues interim and completion certificates to the contractors for payment purposes. For avoidance of doubt the Project Implementation Unit functions do not include processes for evaluation of bids, selection of contractors and award of contracts.

### **5.9 Project Implementation Reporting**

The Desk Officer in the Spending Unit and Project Implementation Unit will 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:

- Project Description
- Budget Control Code
- Executing Agency
- Desk Officer
- Contractor
- Sub-contractor
- Original Value of Contract
- Cost Variation (if any)
- Project Tenure
- Start Up date
- Completion Date
- Number of Disbursements
- Total Value of Disbursement
- Value of Commitment
- Value of Outstanding Bills

### **5.10 Accounting and Reporting**

The budget execution and control processes in relation to accounting and reporting as well as treasury functions are fully explained Abia State Financial Instructions/Regulations.

## 6.0 BUDGET MONITORING, EVALUATION AND REPORTING

### 6.1 Overview and Objectives of Monitoring & Evaluation

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.

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?

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.

**Inputs** – are resources allocated to the implementing unit 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 is necessary because it is the bases for achieving other levels of objectives of the budget or project.

**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.

**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).

**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).

**Impact** - 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**

The Government is required to design tools for effective monitoring and evaluation of the budgets and projects. These tools may include logframes and progress reviews.

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 the risks could be mitigated.

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

- Inputs available as planned?
- Activities being carried out in accordance with the work plan?
- Outputs being achieved as envisaged?
- The changes that have been made to the activities in the course of the implementation?
- The problems and difficulties encountered during implementation?
- The remedial actions taken or planned?

## **6.3 Monthly Budget Performance Reporting**

Every month, each MDA will prepare 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 Budget Department (i.e. Abia State Planning Commission). The MDAs monthly Budget Performance Reporting Template is attached as appendix 7 and 8.

Budget Department (i.e. Abia State Planning Commission) compiles MDA monthly performance reports and produces a consolidated monthly performance report. The consolidated monthly performance report allows Abia State Planning Commission and Ministry of Finance to compare inputs and outputs.

## **6.4 Quarterly Budget Performance Reporting**

At the end of each quarter, Budget Department (i.e. Abia State Planning Commission) will in collaboration with Ministry of Finance review MDAs monthly reports and produce a quarterly report, which the Hon. Commissioner, Ministry of Finance, present to stakeholders.

Abia State Planning Commission and Ministry of Finance will through the budget control mechanism generate the necessary budget performance data to compare actual expenditure with budgeted figures. Abia State Planning Commission in collaboration with Ministry of Finance will 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.

The monthly and quarterly budget performance reports will be consolidated and analyzed and forwarded to the EXCO with definite recommendations (the report is expected to be forwarded on or before 21<sup>st</sup> of the subsequent month after the reporting period). The budget performance report will 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

The Mid-Year budget performance report will be generated from a review of the budget from the beginning of the fiscal year, say (January-June). This will 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

The annual budget performance report will be prepared at the end of the fiscal year. The annual budget performance report will show the percentage of the implementation of the approved budget, and the level of attainment of the objectives of the budget, and lessons learned.

#### 6.7 Monitoring Capital Projects and Programmes

Monitoring capital programmes and project progress tracking ensures that projects match designs and specifications, and that the inputs deliver the expected outputs. MDAs are required to produce monthly reports and send them to State Planning Commission and \_\_\_\_\_. MDAs will also inform the Office of Accountant General (OAG) of progress on capital programmes and particularly of any delays so that they can adjust cash forecasts and demands for funds accordingly.

The State Planning Commission and \_\_\_\_\_ receives monthly project monitoring reports from MDAs. The State Planning Commission and \_\_\_\_\_ separately, reviews and compiles the reports, and produces a consolidated quarterly M&E report showing overall resource inputs compared to outputs.

The essence of project and programme monitoring is to:

- Formally obtain information on the progress and challenges being faced with budget implementation so that remedial actions could be taken on time;
- 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;
- Serve as an audit and evaluation trail for validating the compliance with plans, procedures, rules, regulations and laws guiding budget or project implementation;
- 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
- 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**

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

- Budget Department, Ministry of Finance (Inputs and Activities)
- State Planning Commission; (Inputs, Activities, Outputs, Outcomes, and Impacts)
- Monitoring & Evaluation Unit of the Spending Units (MDAs); (Activities and Outputs)
- Office of State Accountant General; (Inputs)
- Office of State Auditor General. (Inputs, Activities and Outputs)
- State Project Implementation Unit; (Activities, Outputs, and Outcome)

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**

Non State actors include representatives of non-governmental organisations with sectoral expertise, organised private sector, organized labour, professional associations, the academia and community representatives. They are required to be part of the field teams of MDAs and parastatals monitoring the use of budget funds and reporting on value for money. 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.

## **6.10 Supplementary Budgeting and Budget Amendment**

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 from the contingency reserve explained in Section 2.5 above.

The Budget Department (Abia State Planning Commission) will after critical review of the budget performance data particularly where there are identified variances propose to EXCO for amendment of the annual budget. Budget amendment will be proposed for purpose of reallocating funds in areas that are not spending the allocated fund in line with the approved work plan. There is sufficient 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 items not in the original budget or in cases of over expenditure on some appropriated items.

The EXCO will review the proposed amendment and forward the amendment to House of Assembly for review and appropriation.

## APPENDIX 1: ABIA STATE BUDGET CALENDAR

Stage	Date (s)	Responsibility
Preparation of EFU-FSP-BPS Document	June/July	EFU-FSP-BPS Preparation Team
Submission of EFU-FSP-BPS to EXCO for Review and Approval	July	Ministry of Finance
Submission of EFU-FSP-BPS to House of Assembly and Political Engagement	July	EXCO
Pre-Budget Conference	July	Budget Department (Abia State Planning Commission), Ministry of Finance, and MDA's
Issuance of Budget Call Circular with Capital expenditure and Recurrent envelopes	July	Abia State Planning Commission and Ministry of Finance
Stakeholder Consultation (MDAs, CSO's, other stakeholders)	August	Abia State Planning Commission, Ministry of Finance, and MDA's
Preparation and Submission of MDA Budget Proposals	September	MDA's
Bilateral Discussions and Defence	September	Budget Committee
Consolidation of MDA's Proposals	September	Budget Department
EXCO Review and Approval of Draft Budget	October	EXCO
Presentation of Draft Budget to House of Assembly	October	HE, The Governor
Budget Defence by MDA's before House of Assembly	November	House of Assembly
Debate and Approval of Budget by House of Assembly	December	House of Assembly
HE, The Governor's Assent	December	HE, The Governor
Budget Breakdown	December	Commissioner of Finance(with key PFM Functionaries)
Dissemination of Budget	1 <sup>st</sup> Week of January	Ministry of Finance and Abia State Planning Commission

APPENDIX 2: STAKEHOLDERS.....

# 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
- 1.1
- 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 2015 Budget Thrust
- 4.1 The Abia 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/MDA 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 4: MDAs Work Plan Template (Capital Project)

<b>Spending Entity (MDA):</b>						
<b>Budget/ Account Code</b>	<b>Activity/ Project/ Programme</b>	<b>Budget/ Costs</b>	<b>Start Date</b>	<b>Completion Date</b>	<b>Costs Broken to Months</b>	<b>Outputs</b>

## 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											
<i>Recurrent Revenue Items</i>													
Statutory Allocation													
VAT													
IGR													
Other FAAC Transfers													
<i>Capital Receipts</i>													
Internal Loans													
External Loans													
Grants													
Other Capital Receipts													
Total Revenue													
Total Cumulative Revenue													



# 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	Other FAAC Transfers					
	<b>Total</b>					
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			-		
	<b>Total IGR</b>					
	<b>Total Consolidated Revenue</b>					
13010100	Domestic Aid					
13010200	Foreign Aid			-		
13020100	Domestic Grants			-		
13020200	Foreign Grants					
	<b>Total</b>					
	Domestic Loans			-		
	International Loans			-		
	Miscellaneous			-		
	<b>Total Capital Receipts</b>					
	<b>Total</b>					



**APPENDIX 8: MONTHLY BUDGET PERFORMANCE REPORT TEMPLATE (EXPENDITURE)**

Code	Particulars	Annual Budget	Month Actual	Actual to Date	Liability Committed	Total Exp & Liability	Balance Available
<b>Personnel</b>							
21010100	Salaries and Wages			-		-	0
21020100	Allowances			-		-	0
21020200	Social Contribution			-		-	0
	<b>Total</b>	0	-	-	-	-	0
	<b>Overhead</b>						
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
	<b>Total</b>	0	-	-	-	-	0

CRFC							
21010103	Salaries and Allowances of Statutory Office Holders			-		-	0
22010100	Pensions and Gratuities			-		-	0
22060000	Public Debt Charges			-		-	0
	Total			-		-	0
Capital							
23010100	Fixed Assets General						
23020100	Construction & Provision						
23030100	Rehabilitation/ Repairs						
23040100	Preservation of the Environment						
23050100	Acquisition of Non-Tangible Assets						
	Total						
	Grand Total						

## APPENDIX 9: MONTHLY PROJECT AND PROGRAMME MONITORING REPORT TEMPLATE

1. Project/Programme Title: \_\_\_\_\_
2. Economic Code: \_\_\_\_\_
3. Programme Code: \_\_\_\_\_
4. Function Code: \_\_\_\_\_
5. Description of Project/Programme and location (including geo code)  
Maximum 1 paragraph narrative

### 6. **Beneficiaries**

Total population the intervention is covering (including area) \_\_\_\_\_

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? \_\_\_\_\_

### 7. **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

### 8. **Planned Activity for next month or quarter**

The following will be taken next month/quarter

### 9. **List Challenges/risks**

Challenge /Risk	Event	Adverse Impact	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

**APPENDIX 10: YEARLY ANALYSIS OF EXPENDITURE BY FUNCTIONS REPORT  
TEMPLATE**

Statement Of Total Government Expenditure By Main Function For The Year Ended 31<sup>st</sup> December,  
20xx

**Note 6 - Housing and Community Development**

Recurrent Expenditure	XX	XX	XX	XX	XX	XX
Capital Expenditure	XX	XX	XX	XX	XX	XX
Total	<u>XXX</u>	<u>XXX</u>	<u>XXX</u>	<u>XXX</u>	<u>XXX</u>	<u>XXX</u>

**Note 7 - Health**

Recurrent Expenditure	XX	XX	XX	XX	XX	XX
Capital Expenditure	XX	XX	XX	XX	XX	XX
Total	<u>XXX</u>	<u>XXX</u>	<u>XXX</u>	<u>XXX</u>	<u>XXX</u>	<u>XXX</u>

**Note 8 - Recreation, Culture & Religion**

Recurrent Expenditure	XX	XX	XX	XX	XX	XX
Capital Expenditure	XX	XX	XX	XX	XX	XX
Total	<u>XXX</u>	<u>XXX</u>	<u>XXX</u>	<u>XXX</u>	<u>XXX</u>	<u>XXX</u>

**Note 9 - Education**

Recurrent Expenditure	XX	XX	XX	XX	XX	XX
Capital Expenditure	XX	XX	XX	XX	XX	XX
Total	<u>XXX</u>	<u>XXX</u>	<u>XXX</u>	<u>XXX</u>	<u>XXX</u>	<u>XXX</u>

**Note 10 - Social Protection**

Recurrent Expenditure	XX	XX	XX	XX	XX	XX
Capital Expenditure	XX	XX	XX	XX	XX	XX
Total	<u>XXX</u>	<u>XXX</u>	<u>XXX</u>	<u>XXX</u>	<u>XXX</u>	<u>XXX</u>



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