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PUNTLAND EE SOMALIYA

PUNTLAND STATE OF SOMALIA
Ministry of Interior, Local Government and Rural Development

District Participatory Planning and Budgeting
Guide (DPP&BG)

District Annual Planning and Budgeting Training

Participant Book

December 2018





SUPPORT PROVIDED BY UNITED NATIONS

Table of Contents

Introduction	5
Introduction Session: Getting Started	7
Session 1: Overview of District Annual Planning and Budgeting	8
Session 2: Planning & Budgeting Steps 1-3.....	16
Session 3: Planning & Budgeting Steps 4-8.....	25
Session 4: Planning & Budgeting Steps 9-12	46
Session 5: Planning & Budgeting Steps 13-15	61
Annex 1. Overview of Annual Planning and Budgeting Documents	70

Abbreviations

AIMS	Accounting Information Management System
AWP	Annual Work Plan
CMG	Community Monitoring Group
DBFP	District Budget Framework Paper
DDF	5 year District Development Framework
DPP&BG	District Participatory Planning and Budget Guide
M&E	Monitoring and Evaluation
MoF	Ministry of Finance
MOI	Ministry of Interior, Local Government and Rural Development
MoP	Ministry of Planning and International Cooperation
NGO	Non-Government Organisation
O&M	Operations and Maintenance
PEM	Public Expenditure Management
VC	Village Council/Committee

Foreword & Acknowledgements

It is with great pleasure that I present to you this newly developed module, the third in the series of 'District Participatory Planning and Budget Guide' (DPP&BG) Curriculum for Local Governments in Puntland. This module and others in the series will be delivered through LGI, with support from the Ministry of Interior.

This Annual Planning and Budgeting Module was developed following the revision of the PEM modules in 2016-17. The module combines information from both the previous PEM 3 Module, as well as the Puntland Local Government Financial Management Manual, and will provide information to local government staff and District Councillors, including the Executive. The focus will be the steps needed to undertake the planning and budgeting activities that each district must perform annually, in order to develop their budgets and identify their spending priorities for the coming year.

I would like to acknowledge the support of the UN Joint Programme for Local Government and Decentralised Service Delivery (JPLG), as well as the JPLG target districts of Garowe, Bosaso, Galkacyo, Banda Bayla, Jariban, Gardo, Eyl, Galdogob and Burtinle, for their contributions to the development of this module.

Mohamed Ali Nor (Juba)

Director General, Ministry of Interior

Introduction

This Participant Book is designed to be used either in a standalone training on the district Annual Planning and Budgeting process, or in conjunction with training on the DPP&BG Overview Module. The purpose is to provide an understanding of the new revised district Annual Planning and Budgeting process.

The information provided in this Participant Book is based on the following documents:

- PEM 3. Module — Budgeting & Investment Programming (April 2013)
- Puntland Local Government Financial Management Manual (February 2016)
- Puntland Local Government Finance Policy (Section 5) (June 2016)
- Local Government Financial Management Training Module (August 2016)

There are some steps in the Annual Planning and Budgeting process that will be familiar, particularly for districts who have been following the previous 'PEM' system. However, there are some other aspects of the process that may be less familiar, which include for example:

- DDF Review Workshop
- Public Expenditure Review
- The District Budget Framework Paper
- Forum on District Development Activities
- Budget Circular and Budget Conference

Who is this module intended for?

This module is designed for:

- The Executive (Mayor, Deputy Mayor, Executive Secretary)
- District Council and its Sub-Committees
- District Planning and Administration & Finance Staff
- District Department Directors
- Other regional, state and national stakeholders

Module Overview and Timings

Module Time: 12 training hours

Delivered Over: 3 days (4 training hours per day)

Session	Indicative Timing	Content
Introductory Session: Getting Started	1 hour	<ul style="list-style-type: none"> • Pre-test Questions • Introductions and Icebreakers • Aims and Objectives
Session 1: Overview	1 hour	<ul style="list-style-type: none"> • DPP&BG Cycle • Planning & Budgeting Stakeholders • Steps in the Planning & Budgeting Process
Session 2: Steps 1-3	1.5 hours	<ul style="list-style-type: none"> • Awareness raising on the P&B process • DDF Review Workshop • DBFP Chs 1-3
Session 3: Steps 4-8	3 hours	<ul style="list-style-type: none"> • District Development Activities Forum • Forecast of Revenue and Expenditure • Prioritising Development Activities
Session 4: Step 9-12	3 hours	<ul style="list-style-type: none"> • Preparing draft budget and AWP • Review draft budget and AWP • Finalise draft budget and AWP
Session 5: Steps 13-15	1.5 hours	<ul style="list-style-type: none"> • Publicise budget and AWP • Finalise DBFP • Procurement Plans
Session 6: Conclusion	1 hour	<ul style="list-style-type: none"> • Module Summary • Next Steps • Assessment & Evaluation

Introduction Session: Getting Started

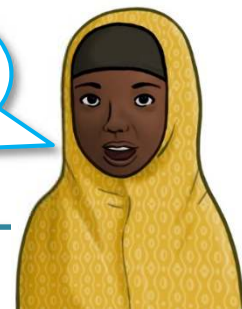
Session Objectives:

- Create a comfortable and encouraging learning environment.
- Provide an overview of the training, including aims and objectives.
- Understand participants' expectations of the training.
- Agree on ground rules for the training.

Here are some topics your trainer is likely to cover in this session:

- Welcome, Introductions and 'Housekeeping'
- Aims and Objectives of the Training
- Expectations and Ground Rules
- Pre-Training Questions

*'How is the annual planning
and budgeting process
currently done in your district?'*



Icebreaker Question

Amina is asking a question to find out what you already know about annual planning and budgeting processes.

Discuss your ideas with your neighbour and then in plenary.

Session 1: Overview of District Annual Planning and Budgeting

Session Objectives:

By the end of this session participants will be able to:

- Give an overview of the district annual planning and budgeting process, including identifying the main steps and the key stakeholders.
- Explain where the annual planning and budgeting process fits in the DPP&BG cycle.

The annual planning and budgeting process is carried out each year, according to set timelines. The activities show in the red box below must be carried out between July and December each year.

Diagram 1. District Planning and Budgeting Calendar

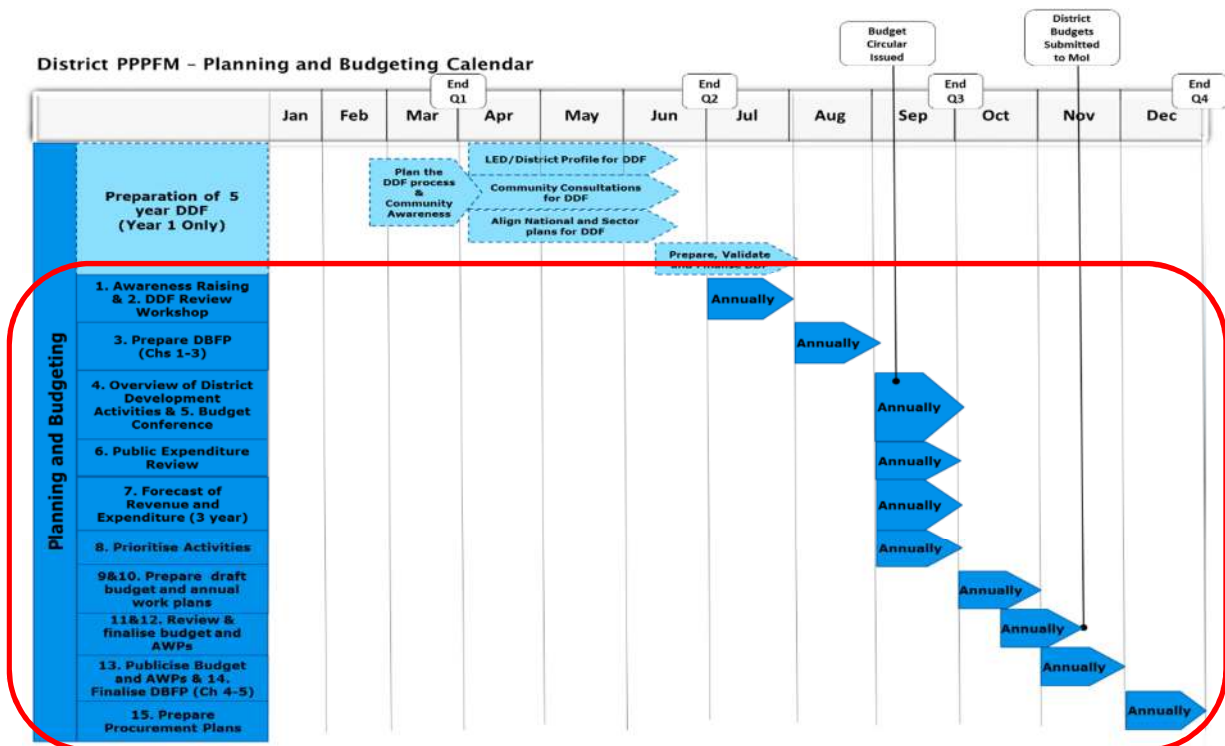


Diagram 2: DPP&BG Cycle

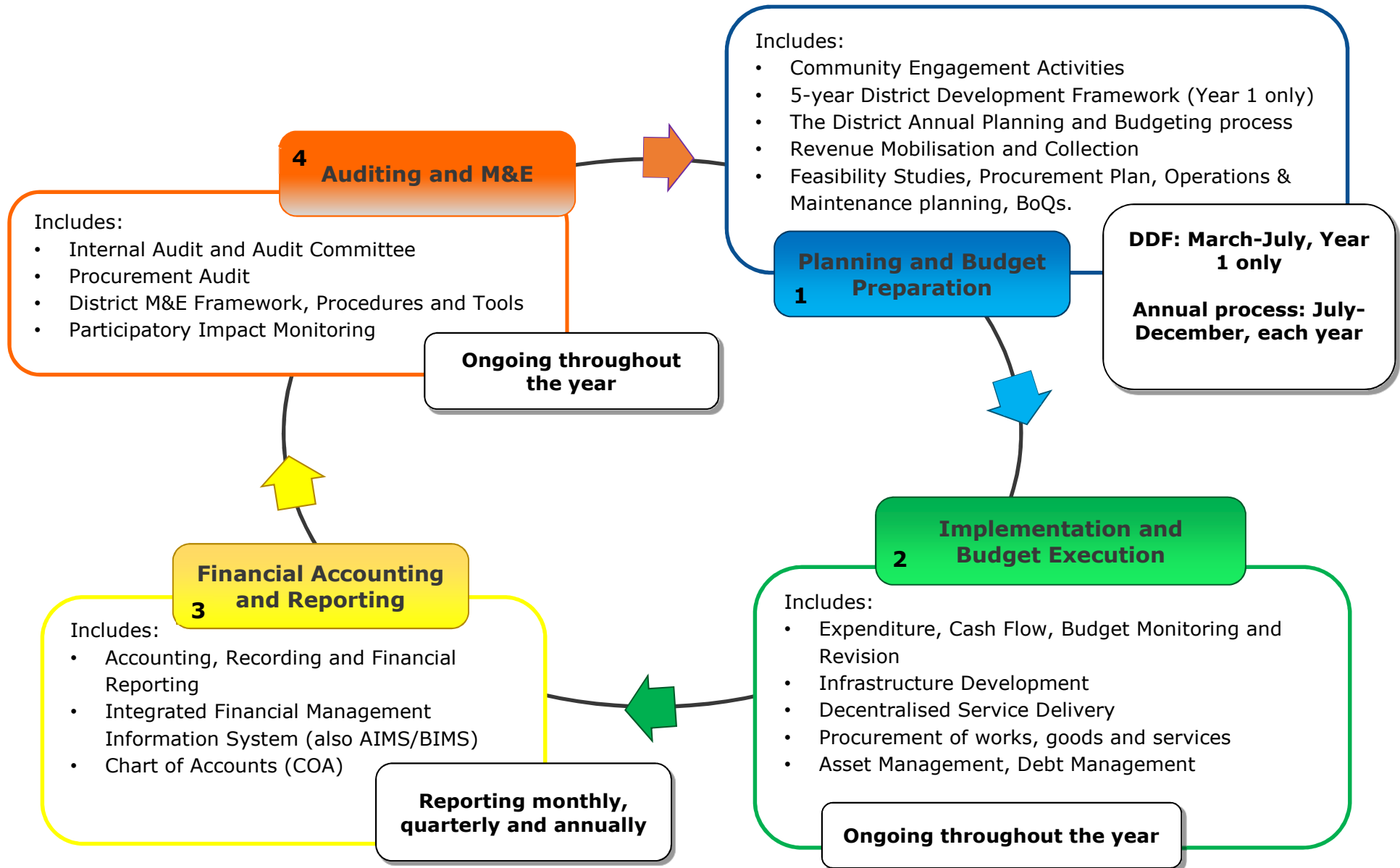


Table 1. Key Planning & Budgeting Stakeholders and Roles

Who	Roles and Responsibilities in Planning and Budgeting
Ministry of Interior (MOI) and Ministry of Finance (MoF)	<ul style="list-style-type: none"> • MoF responsible for setting policies and guidelines to be applied during the budgeting process. • MoF informs MOI on allocations from central to district level. • MOI provides guidance and approval on requirements and policies to include in district work plans and budgets, including the budget circular to kick start the budget process. • MOI provides technical support and monitors district Budget and AWP preparation, and receives and approves district Budgets and Annual Work Plans.
District Council	<ul style="list-style-type: none"> • Sets policy objectives and determines the development goals of the District. • Discuss, review and approve the District Budget and Annual Work Plans. • Oversight and monitoring of progress in implementation of the district budget according to priority areas.
The Executive / Finance Sub-Committee	<ul style="list-style-type: none"> • Reviews costed district priorities annually. • Participates an annual DDF review on behalf of the District Council. • Oversight role in district planning and budgeting.
Mayor	<ul style="list-style-type: none"> • Provides the political and administrative direction for the implementation of the planning and budgeting process. • Facilitates workshops and forums relevant to the annual planning and budgeting process. • Oversees budgeting and budgetary control to ensure that planned activities proceed within the prescribed framework.
Executive Secretary	<ul style="list-style-type: none"> • Provides the executive and administrative support and coordination for the district departments. • Technical supervision of the preparation and implementation of the annual planning and budgeting process. • Provides technical guidance to the District Council.
The Budget Committee / Administration & Finance Department	<ul style="list-style-type: none"> • Prepares the draft budget which must be balanced. • Provides technical input to make revenue projections. • Assists Heads of Departments in preparation of their departmental budgets and work plans.

Who	Roles and Responsibilities in Planning and Budgeting
	<ul style="list-style-type: none"> Ensures District departments observe the formal requirements for the budget including deadlines.
Planning Department	<ul style="list-style-type: none"> Organises the Forum on District Development Activities and the DDF Review Workshop and prepares a report on the DDF review. Supports the Administration and Finance Department to prepare the DBFP, the Expenditure Analysis Report, and the forecast of revenue and expenditure. Coordinate the prioritisation of district development activities. Supports the budgeting compilation process and the preparation and review of the Annual Work Plans. Attends the community forum and presents on the DDF achievements of the previous year. Monitor the implementation of the annual work plans.
Social Affairs Department	<ul style="list-style-type: none"> Prepare and implement community awareness-raising activities on the annual planning and budgeting process. Indicate whether recurrent cost implications can be met, and whether there is any overlap with other sector activities. Provides relevant information on decentralised service delivery activities (SDMs), to ensure they are included as part of the prioritised activities, and to confirm that any recurrent cost implications from proposed investment projects can be met.
Revenue Department	<ul style="list-style-type: none"> Identify new revenue sources. Prepare the revenue forecast.
District Department Directors	<ul style="list-style-type: none"> Formulate their department workplans and budgets. Provide their departmental inputs to the annual district planning and budgeting process.
Community	<ul style="list-style-type: none"> Participate in community awareness-raising activities. Strong participation in the planning and budgeting process. Provide input for the DDF review workshop. Reviews the draft budget and annual work plans at the community forum and provides comment.
Sector Ministries (e.g. MoH, MoE, MoPW&T etc)	<ul style="list-style-type: none"> Receive information on what is being allocated by districts in different sector areas in the budget.
Donors / NGOs / local private sector	<ul style="list-style-type: none"> Provide input into the planning and budgeting process based on their own plans.

Who	Roles and Responsibilities in Planning and Budgeting
Regional Line Ministries / Governor	<ul style="list-style-type: none">• Provide sector plans.• Governor should be aware of the process.



Questions for Discussion

Discuss the following questions in pairs and then discuss in plenary.

- Have a look at Table 1 above. Are there any stakeholders who are important for the planning and budgeting process, but are not included in the above table? If so, make a note of these stakeholders and what their roles in the process should be.

Diagram 3. Steps in the Annual Planning & Budgeting Process

July–August

1. Community Engagement /Awareness-Raising

This includes:

- Community engagement and awareness raising on the upcoming annual planning and budgeting process. This can be through media, it does not necessarily require a public meeting.



2&3. DDF Review Workshop & DBFP

This includes:

- Internal workshop to review the contents of the DDF each year, to ensure it is still accurate and relevant, particularly in terms of district priorities, targets and objectives.
- State and sector plans should also be revisited as part of the process.
- M&E data is examined, to determine progress achieved in the previous year towards the DDF objectives and targets. Results to influence the activities in the Overview of District Development Activities.
- At this time, Chapters 1-3 of the District Budget Framework Paper are prepared/reviewed.



September

4. Forum on District Development Activities (includes O&M plans)

This includes:

- Planning forum to bring together all the relevant stakeholders, to capture all activities to be undertaken by the district in the coming year (includes projects and service delivery activities, also activities to be undertaken by other development 'actors' in the district e.g. INGOs.)
- Priority activities with estimated costings can be determined here, particularly from the sectors.

O&M plans for planned activities should be prepared here as part of this step.



5. Budget Circular & Budget Conference

This includes:

- District Budget Conference of key stakeholders to discuss development priorities based on the budget envelope.
- Indicative planning figures of proposed central government transfers, and donor and NGO funding.
- Budget Circular issued just prior to Budget Conference.



6-7. Public Expenditure Review & Forecast of Revenue and Expenditure

This includes:

- Analysis of previous year's expenditure performance in implementing the previous year's budget of the district.
- Assessing district spending against set objectives and targets for each department.
- Forecast of revenue prepared for all revenue sources, including district's own source revenue.
- Expenditure estimates for all departments, sections and units, including recurrent and capital expenditure and ongoing budget commitments.
- Estimates and forecasts should show indicative figures for the 2 following years where possible.



8. Prioritise activities & Feasibility Studies

This includes:

- Prioritising activities identified at the forum of 'Overview of District Development Activities', based on indicative planning figures and revenue and expenditure estimates.
- Appraisal/Feasibility studies for prioritised activities conducted (where needed).

Feasibility Studies/Project Appraisals for prioritised activities should be conducted at this point.



October

9. Prepare draft Budget

This includes:

- The overall district budget is compiled from individual departmental budget estimates, guided by the Budget Committee.
- Examine budget based on sector priorities, departmental assessments and prioritised projects.



10. Prepare Annual Work Plans (Recurrent and Capital) based on budget

This includes:

- Preparing annual work plans (capital and recurrent) based on budget.
- The work plans can be annexed to the budget document.



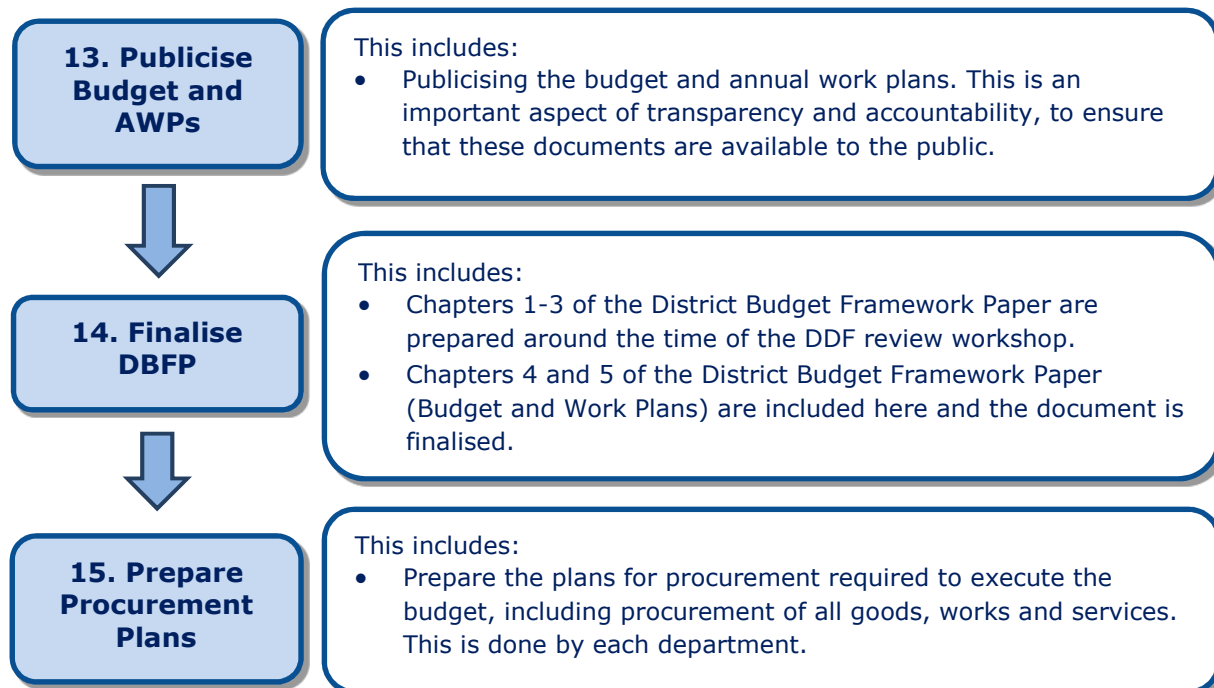
11-12. Review and Finalise Budget and AWP

This includes:

- Allow 2 weeks for feedback on draft budget and Annual Work Plans from the community (also includes a forum where the district updates the community on what was implemented / achieved in the previous year).
- Adjust the budget and AWP based on relevant feedback.
- District Council approve budget and submit to MoI.



November-December

**Exercise 1: Matching Activities**

Your trainer will also guide you in this activity. Some of the planning and budgeting activities in **Diagram 3** above will be new to some. Work in pairs to try to match the activity with its relevant description, in the table below.

Activity	Description
1. DDF Review Workshop	A. A planning forum to bring together all the relevant stakeholders, to identify all development activities to be undertaken by the district in the coming year.
2. Public Expenditure Review	B. A conference of key stakeholders to discuss development priorities based on the budget envelope.
3. The District Budget Framework Paper	C. An analysis of the previous year's expenditure performance in implementing the previous year's budget of the district.
4. Forum on District Development Activities	D. An internal workshop to review the contents of the DDF each year, to ensure it is still accurate and relevant, particularly in terms of priorities, targets and objectives.
5. Budget Conference	E. A document which brings together a number of other planning and budgeting documents and guides the budget process.

Table 2. Summary—Step 1: Awareness-Raising on Annual Planning and Budgeting

When:	July (Annually)	
Purpose:	<ul style="list-style-type: none"> Community awareness-raising on the upcoming annual planning and budget process. It includes outlining the different activities that will take place, and how the public can participate. Community members can also make submissions about issues relating to the DDF from the previous year, which can be raised at the upcoming DDF Review workshop. 	
Output:	A set of community awareness-raising activities, which are rolled out in July at the start of annual planning and budgeting process.	
Who:	Sub-Committee	Oversee the conduct of the community awareness-raising activities, and support the Social Affairs Department in these activities.
	Department of Social Affairs	Prepare and implement community awareness-raising activities on the annual planning and budgeting process, using appropriate tools such as: <ul style="list-style-type: none"> tv and radio announcements notices in public places sms messages local newspapers and websites meetings Note that the methods used should aim to reach out to women, youth, and other minority groups within the community.
	Village Councils / Committees and Community Monitoring Groups	Support the community awareness raising activities on the annual planning and budgeting process.
	General public	Will have a good understanding of the upcoming annual planning and budgeting process, and where they can have input as community members.
	CSOs/NGOs	Will have a good understanding of the upcoming annual planning and budgeting process, and where they can have input.



Questions for Discussion

Discuss the following question in pairs and then discuss in plenary.

- What are some reasons why it is important to raise awareness in the community of the annual planning and budgeting process?
- What are some ways for your district local government to do this effectively?

Table 3. Summary—Step 2: DDF Review Workshop

When:	July (Annually)	
Purpose:	<ul style="list-style-type: none"> To review the contents of the DDF at the beginning of each year's planning and budgeting process, to ensure it is still relevant, particularly in terms of the district vision, priorities, targets and objectives. As part of this process, the District Profile and LED plans should be reviewed, to incorporate any major changes over the past 12 months. State and sector plans should also be reviewed as part of this process, in case any major changes need to be reflected in the DDF. M&E data should be presented at the workshop, to demonstrate progress achieved towards the DDF objectives and targets. 	
Output:	<ul style="list-style-type: none"> An agreed set of revisions to the DDF. An M&E report on progress towards DDF objectives and targets. 	
Who:	Sub-Committee	Attend the review workshop and have input on behalf of the District Council.
	Department of Planning	Organise the DDF Review Workshop. Prepare the necessary information in advance of the workshop, which includes: <ul style="list-style-type: none"> Review the District Profile and LED. Gather M&E data and prepare a report for presenting at the workshop. Request updated planning information from state level and sector ministries.
	Mayor	Facilitate the DDF Review Workshop.
	Executive Secretary	Attend the DDF Review Workshop and provide support to the revision process.
	District Department Directors	
	Representatives from all District Departments	
	Representatives from MOI, MoPIC, Sector Ministries, Regional Administration	Attend the DDF Review Workshop and provide support to the revision process, based on their own planning information.
Other stakeholders	The District may wish to invite other external stakeholders to participate in the workshop as it sees fit, for example, NGOs and other community stakeholders.	

Guidelines for the DDF Review Workshop

The following questions provide a guideline to the Department of Planning for preparing a report to present at the DDF Review Workshop.

District Vision and Priorities

- To what extent has the district been able to make progress towards its DDF Vision over the past 1 year? In which particular areas has it been most successful?
- Is the District Vision still relevant as expressed in the DDF? Or does it need to be amended to reflect the changing situation of the district?
- Do the priorities identified in the DDF still reflect the most pressing priorities of the district?

District Profile and LED

- Is the information in the District Profile still relevant and accurate?
- Are there any areas where there has been a lot of change in the past 1 year, for which we should update the data in the District Profile?
- Is there any information from state or sector data sources that we can use to update our own planning documents?

Table of DDF Achievements (see Table 4. below)

The Department of Planning should use M&E data to help it prepare the following information in table form as part of its report for the DDF Review Workshop.

- List the priority areas as stated in the district's existing DDF. e.g. water
- For each priority area, list the relevant objective as stated in the existing DDF, and any proposed interventions linked to that objective.
- List here any achievements that fall under this objective, that have taken place over the lifetime of the DDF.
- Achievements should be quantifiable as much as possible. For example, if schools have been built, state how many.
- If possible, identify how the achievement was measured.

Other Review Questions

- Describe briefly how the DDF has been useful as a guiding document for district planning over the past 1 year.
- Describe a 'success story' to illustrate how the DDF has been beneficial to the district's planning over the past 1 year.

Table 4. Table of DDF Achievements

Table of DDF Achievements – 1 year period

District Vision: <i>Add District vision here as it appears in the DDF.</i>				
Priority No	Priority	Objectives (as stated in the DDF)	Achievement over the past 1 year	Measurement - Indicators
1	<i>Eg Health, Education, Water etc</i>	<i>By the end of 5 years....,</i>	<ul style="list-style-type: none"> <i>These should be quantified.</i> 	<i>How were the achievements measured?</i> <i>If possible to express an accurate increase or decrease as a %, then do so.</i>
2				
3				
4				

Add other rows for more priorities as needed



Questions for Discussion

Discuss the following question in pairs and then discuss in plenary.

- Has your district local government ever conducted a DDF Review process?
 - If so, what happened and what were the outcomes?
 - If not, what is needed in order to carry out this activity in your district for the next round of planning and budgeting?

Table 5. Summary—Step 3: District Budget Framework Paper

When:	August (Annually)	
Purpose:	<p>The District Budget Framework Paper (DBFP) is a document which can help a district to integrate its planning and budgeting. It complements the 5 year DDF document. It is useful to prepare Chs 1-3 just after the DDF review workshop, and during the same period as the Overview of District Development Activities, and the Budget Conference (see Steps 4 and 5).</p> <p>The DBFP brings together a number of different documents that are prepared as part of the annual planning and budgeting process.</p> <p>The DBFP Chs 1-3 should include the following:</p> <ul style="list-style-type: none"> • Chapter 1: Review of revenue performance (from previous 2 years) and medium term revenue projections (over next 3 years). • Chapter 2: Overview of the district’s past expenditure against budget, departmental expenditure, major past achievements and challenges (past 2 and over the coming 3 years). • Chapter 3: Medium term objectives, priorities, outputs (past and over the coming 3 years, this is taken from the DDF). <p>The information in Chs 1-3 of the DBFP will be useful when preparing the following budgeting documents:</p> <ul style="list-style-type: none"> • District Expenditure Performance Analysis Report (September) • Forecasts of Revenue and Expenditure (September) 	
Output:	Chapters 1-3 of the District Budget Framework Paper prepared.	
Who:	Department of Planning	Work with Department of Administration and Finance to prepare the DBFP.
	Department of Administration and Finance	Work with Department of Planning to prepare the DBFP.
	Directors of District Departments	Provide relevant information for the preparation of the DBFP Chs 1-3.

What is the District Budget Framework Paper (DBFP)?

This document brings together a number of different documents that are prepared as part of the annual planning and budgeting process, primarily because they are interrelated documents, all contributing towards effective planning and allocation of district resources, and therefore need to be working together before finalising district's annual budgets and work plans.

Chapters 1-3 of the DBFP include:

Chapter 1. Revenue performance and projection for the next three years:

X-2 X-1 X X+1 X+2 X+3

Where 'X' is the current year.

This is also similar to the three-year rolling investment programme, however under DBPF revenue performance, we look at *historical performance* (X-2, X-1) to provide context for future expected performance.

Chapter 2. Sector/departmental performance by costs and targets

Three-year indicative sector/departmental costs for years X-0, X, X+1, X+2 and X+3 assuming we are in year X;

Chapter 3. Medium term objectives, priorities, outputs and expenditure allocations

Three-year indicative sector/departmental targets (outputs) for years X-0, X, X+1, X+2 and X+3 assuming we are in year X. In addition to identifying sector costs, it is useful to also identify the corresponding output targets for the sectors/departments as well.

Source: LG Financial Management Manual, 4.2.3 The DBFP Contents.

Table 7. Chapter 2 of the District Budget Framework Paper (DBFP)

Chapter 2 of the DBFP shows an overview of the district past expenditure compared to budget and also projects into the future. This is shown in the table below according to each sector/department.

Note that figures for Years X+2 and X+3 are indicative only.

Medium Term Sector Expenditure Budget Allocations *(Source: Illustration B1, PLGFM Manual)*

Department/Sectors	Year X-1		Year X		Year X+1	Year X+2	Year X+3
	Budget Sh So `000	Spent Sh So `000	Budget Sh So `000	Spent to date Sh So `000	Projected Sh So `000	Projected Sh So `000	Projected Sh So `000
1. Water Sector	112,000	84,000	120,000	100,000	130,000		
2. Roads Sector	224,000	212,000	300,000	200,000	350,000		
3. Health Sector	336,000	308,000	400,000	360,000	470,000		
Total	672,000	604,000	820,000	660,000	950,000		

Table 8. Chapter 3 of the District Budget Framework Paper (DBFP)

Chapter 3 contains the three-year indicative sector/departmental targets, which are based on the sector budgets provided above, as well as information on objectives and main areas of intervention for each priority, as described in the DDF.

Medium Term Sector Output Targets *(Source: Illustration B2, PLGFM Manual)*

Output	Year X-1		Year X		Year X+1	Year X+2	Year X+3
	Target	Achieved	Target	Achieved to date	Projected	Projected	Projected
1. Boreholes (Water Sector)	7	6	9	4	12	13	15
2. Km of feeder road (Roads Sector)	20	15	25	17	30	40	50
3. No. of Health Centres built (Health Sector)	5	3	8	6	10	12	15

Table 9. Summary—Step 4: District Development Activities Forum

When:	September (Annually)	
Purpose:	<ul style="list-style-type: none"> • A forum taking place in each district, directly before the Budget Conference, to build a picture of what activities are taking place in the district by all stakeholders (currently and also projected in the future for the coming two years if possible). • This process involves a range of stakeholders who are active in the district, such as NGOs, so that the local government can ensure that development activities in the district are harmonised. • Priority activities with estimated costings can be determined here, as well as the estimated O&M costings for activities. These priority activities should also include decentralised service delivery activities under the SDMs (Service Delivery Models). 	
Output:	<ul style="list-style-type: none"> • A table of 'Overview of District Development Activities' (note this should be updated throughout the year). • O&M plans, showing estimated O&M costs for current and proposed activities. O&M plans should reflect <i>all</i> district investments. 	
Who:	Mayor	Facilitates the Forum
	Planning Department	Organises the Forum
	District Department Directors	Attend the Forum and provide input on department priority activities for the coming year. Social Affairs Department to indicate whether recurrent cost implications can be met, and whether there is any overlap with other sector activities.
	District Councillors	Attend and have strong participation and discussion in the forum.
	Executive Secretary	
	Representatives of All District Departments	
	MOI	
	MoPIC	
	Regional Representatives	Attend the Forum and provide information about current or proposed activities that encompass more than one district (i.e. are on a regional scale).
	Sector Ministries	Attend the Forum and provide input on current and proposed development activities in the district.
Donors (NGOs, UN, Private)	Attend the Forum and provide input on current and proposed development activities in the district.	

Table 10. Example of District Development Activities

Note: Other columns can be added by districts as needed to reflect any other important information required.

Activity Name	Priority Sector and relevant DDF Objective	Activity Status	Location	Estimated Cost (Sh So)	Project timeframe	Operations and Maintenance Plan?	Funding source
1. Farmer Education	Agriculture Objective 3 in DDF	Ongoing since 2017	Various location in the district	336,000,000	12 months	Yes, in place	District Local Government
2. Construction of MCH	Health Objective 2 in DDF	New - Proposed for 2018	Friendly Village	168,000,000	6 months	Yes – includes staffing and equipment requirements and costs for the first 3 years of operation.	District Local Government
3. Construction of Berket	Water Objective 4 in DDF	50% construction completed	Success Village	168,000,000	3 months	No – to be completed before end of construction.	Donor funded – Friends of Puntland NGO
4. Rehabilitation of Primary School Classrooms	Education Objective 1 in DDF	10% completed	Friendly Village	67,000,000	2 months	Yes – completed in 2017, shows O&M costs for coming 3 years.	Diaspora funded
5. Training workshops on solid waste management.	Sanitation Objective 5 in DDF	10 workshops, 5 completed, 5 scheduled for 2018	Abyan Town	67,000,000	12 months	Yes, in place	Donor funded – UNICEF WASH program

Table 11. Example Operations and Maintenance Plan

Name of Activity and Location:Construction of MCH, Friendly Village.....				
Activity Status:Proposed for 2018..... Timeframe:6 months, Jul-Dec 2018.....				
Estimated Costs of Activity (Sh So):168,000,000.....				
Cost Category	Estimated O&M Costs (Sh So) (3 years following completion of activity)			O&M funding source / arrangement
	Year 1	Year 2	Year 3	
Staffing Costs				Agreement with Ministry of Health to provide 1 full-time nurse. District to provide 1 full-time cleaner.
Equipment Costs (assets)				UNICEF has funded equipment for MCH including chairs, beds, medical equipment.
Equipment Costs (consumables)				UNICEF will provide the initial outlay to stock the required medicines on completion of the MCH. An arrangement is needed for ongoing restocking of medicines.
Maintenance and Repairs of building				The District local government will carry out any necessary maintenance and repairs to the building.
Maintenance and Repairs of equipment				An arrangement is needed for maintenance and repairs to the equipment.
Other costs eg travel				None anticipated.
Total				

Table 12. Summary—Step 5: Budget Circular and Budget Conference

When:	September (Annually)	
Purpose:	<ul style="list-style-type: none"> • The Budget Circular is a document issued by the Ministry of Finance, which provides initial instructions to guide the district budget process for the coming year. • MOI is responsible to circulate a budget circular to districts in mid-September. • The Budget Circular should be issued prior to the Budget Conference. • The Budget Conference brings together key stakeholders to discuss priorities and provide indicative planning figures (budget envelope) of proposed central government transfers, donor and NGO funding to districts for the coming year, and subsequent two years where possible. 	
Output:	<ul style="list-style-type: none"> • Budget Circular document, issued prior to the Budget Conference. • Indicative Planning Figures, presented at the Budget Conference. 	
Who:	MOF/MOI	<ul style="list-style-type: none"> • Prepares and issues the Budget Circular • Convenes the Budget Conference • Presents Indicative Planning Figures at the Budget Conference.
	Sub-Committee	Attend the Budget Conference.
	Mayor / Executive Secretary	
	Directors of District Departments	
	Ministry of Planning representatives	Attend the Budget Conference and provide information on state level planning and budgeting priorities.
	Sector Ministries representatives	Attend the Budget Conference and provide information on sector level planning and budgeting priorities.
	Regional representatives	Attend the Budget Conference.
	Donors/External Funders	Attend the Budget Conference and provide information on expected funding to districts.

What happens at the Budget Conference?

The Budget Conference is an opportunity for District Councils to receive guidance on the development of the district budget in terms of possible increases/decreases in the recurrent *and* capital budgets, pending further development of revenue and expenditure forecasts, through the following activities:

- Inform and discuss state priorities.
- Provide latest available information about fiscal transfers to the district, for the recurrent *and* capital budgets.
- Identify any spending requirements attached to the transfers to districts.
- Identify spending restrictions and discretionary funding.
- Give indications of funding allocations for the coming year and subsequent 2 years where possible.

Example: Abyan District Funding Allocations

Ministry of Finance representatives indicated the following allocations:

Revenue source	2018	2019	2020
	Sh So		
Central Government transfers for recurrent (operating) budget.	4,600,700,000	5,264,000,000	5,600,000,000
Central Government transfers for capital/development budget.	21,800,000,000	22,400,000,000	23,500,000,000
External funding sources for capital budget (e.g. Donors)	3,700,000,000	3,000,000,000	2,900,000,000



Questions for Discussion

Look at the example above, what are the trends in revenue over the next 3 years?

What factors do you think could influence the amount that Abyan District will receive from:

- Central government for its current budget over the next 3 years?
- Central government for its capital budget over the next 3 years?
- External funding sources (e.g. donors) over the next 3 years?

Table 13. Summary—Step 6: Public Expenditure Review

When:	September (Annually)	
Purpose:	<ul style="list-style-type: none"> • The Public Expenditure Review (PER) provides an analysis of past performance on implementing the district budget. It analyses the revenue <i>and</i> expenditure situation in the district for the past financial year. • The PER can draw on information prepared previously for Chapters 1 and 2 of the DBFP, as part of the analysis. • The PER can provide recommendations for change to feed into the budgeting and work planning process for the coming year, by examining: <ul style="list-style-type: none"> ○ Sectoral and intra-sectoral allocations. ○ Budget execution within the district. ○ Recurrent and Capital (investment) budget performance. ○ Development projects status and activities. ○ Shortfalls in expenditures and reasons for this. ○ Recommend areas for improvement. • See below for a format for the PER report. 	
Output:	An 'Expenditure Performance Analysis' Report	
Who:	Department of Administration and Finance	Prepares the Expenditure Performance Analysis report.
	Department of Planning	Supports the Department of Administration and Finance in the preparation of the Expenditure Performance Analysis Report.
	Mayor / Executive Secretary	Receives the Expenditure Performance Analysis Report.
	Finance Sub-Committee	



Questions for Discussion

The conclusions from the District PER will be relevant for discussions on the costing and prioritisation of development projects, as the lessons learned from the previous year's budget expenditure can feed into the development of the next year's budget.

Discuss in pairs and then in plenary:

- What do you see as a possible benefit of conducting a PER as part of your district's next budget development process?
- What do you think the results of your District's PER would indicate, if one had been carried out for the previous financial year, what might have been some possible conclusions and recommendations?

Format for the Public Expenditure Review Report

The PER should be prepared according to the following guiding questions:

1. What was the expected revenue for the previous year's budget and what was the actual revenue? (Both current and capital budgets)
2. What was planned budget execution for the previous year and what was actual? (Both current and capital budgets)
3. What sectors received greatest allocations and how were these allocations executed?
4. What is the status of development projects and activities implemented from the previous year's budget?
5. Was there any difference between planned targets and achievements and what are the reasons for this?
6. Was there any shortfall in planned expenditure and if so, what are the reasons for this?
7. What are some of the problems experienced in budget execution and what are some future strategies to avoid these?
8. Any other recommendations on areas for improvement?

Table 14. Summary—Step 7: Forecast of Revenue and Expenditure

When:	September (Annually)	
Purpose:	To provide a clear picture of the expected revenue and expenditure for the coming year.	
Output:	A forecast of the coming year's revenue and expenditure, which can draw on information prepared in Chapters 1 & 3 of the DBFP , as well as indicative figures from central government.	
Who:	District Department Directors	Provide information on expenditure estimates for their own departments, to support the development of the forecast of revenue and expenditure.
	Department of Revenue / Department of Administration and Finance	Prepare the forecast of revenue and expenditure.
	Department of Planning	Support the development of the forecast of revenue and expenditure.
	Finance Sub-Committee	
	Mayor / Executive Secretary	



For more detail...

Note that District Own Source Revenue is covered in greater detail in a separate training manual:

Local Revenue Mobilisation Initiative: Frameworks and Guides for Revenue Mobilisation

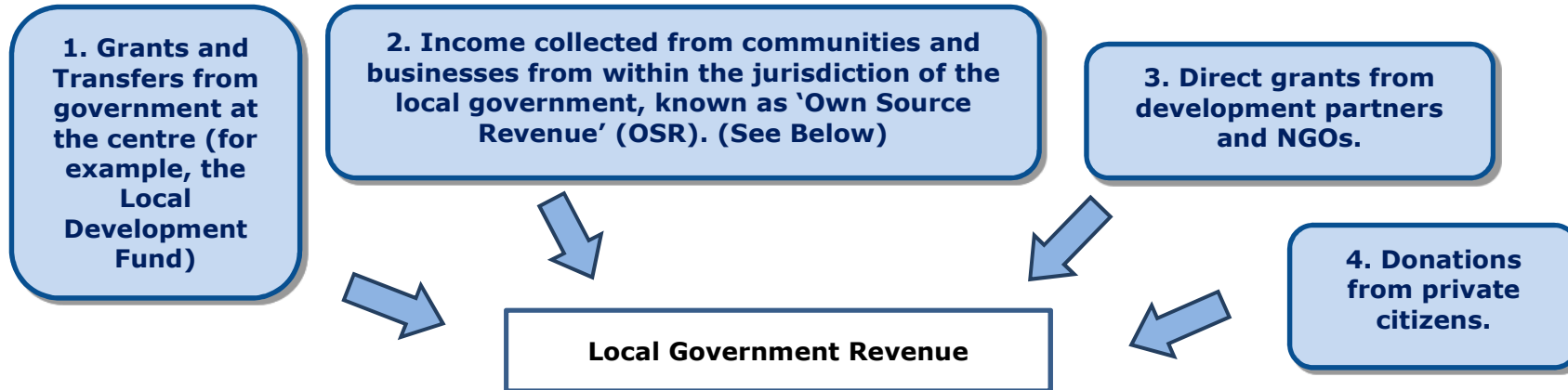
A separate training module has been developed, which will give guidance to districts who are eligible for the Local Development Fund (LDF):

Local Development Fund (LDF) Training Module (2018)

This training module is based on the recently developed Local Development Fund (LDF) Operational Manual (2015).

Diagram 6. District Revenue Sources

What are the main sources of district revenue?



Source: LRMI Trainer's Manual: Session 1. OSRs and Legal Framework; LG Financial Management Training Manual, 6.4.2

What can be considered as 'Own Source Revenue' (OSR)?

1. taxes
2. values
3. daily charges
4. fixed asset fees (e.g. rent from property)
5. licensing
6. fines
7. interest rent

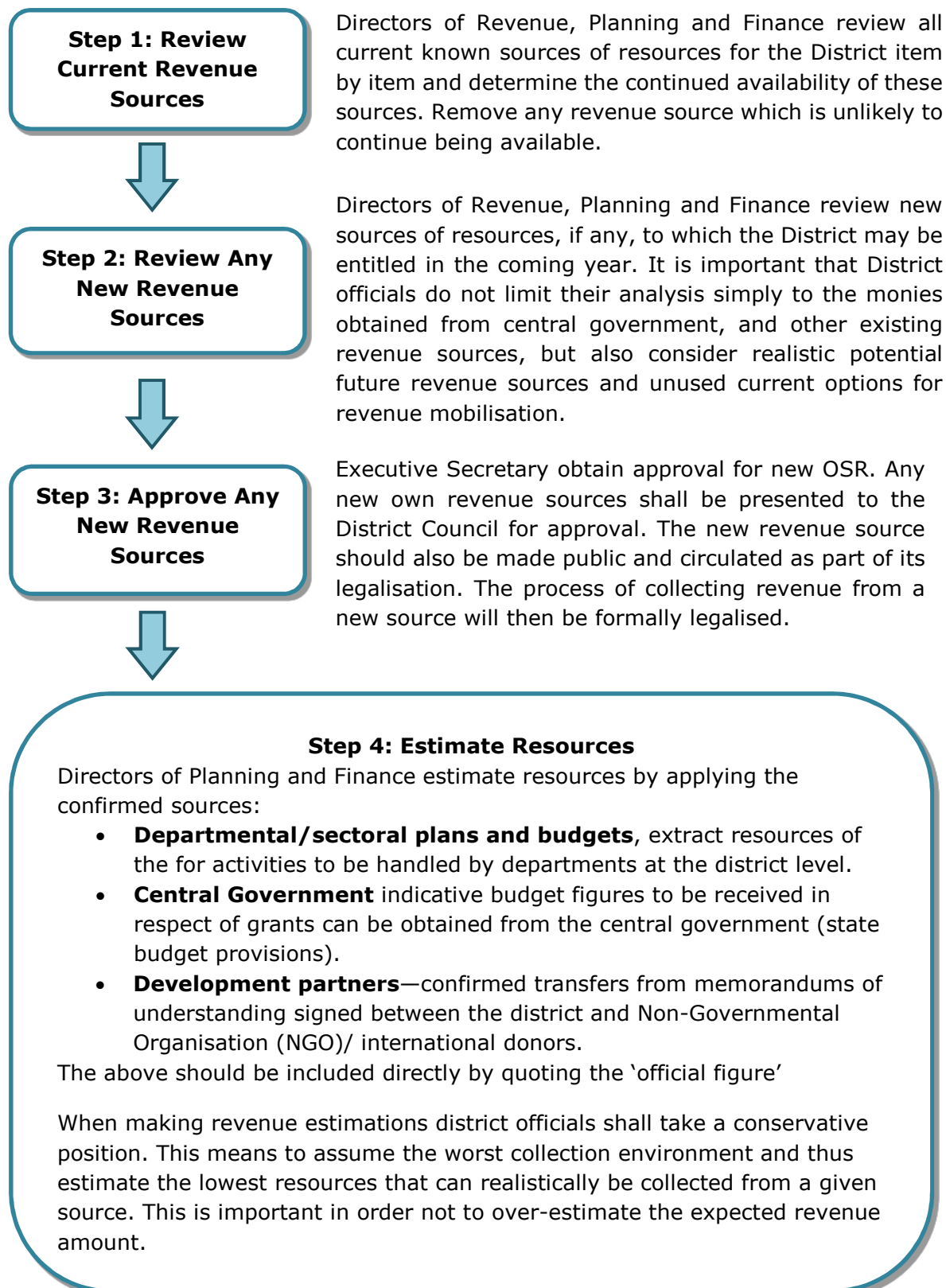
How is district Own Source Revenue (OSR) mobilised?

There are five main activities related to district revenue mobilisation:

1. Identification and enumeration of tax payers.
2. Assessment of tax payers and updating registers where required.
3. Collection of taxes and fees by qualified and competent officers.
4. Sensitisation and publicity—for the general community on the importance and benefits of paying taxes and fees to the local government.
5. Enforcement—for example, following up tax defaulters, conducting regular checks on licences to ensure that payments are made.

Source: LG Financial Management Manual, 5. Revenue.


Diagram 7. Steps in preparing the revenue forecast



Source: PL LG Finance Manual, Section 4.5.5 Forecast/Estimating the resource envelope for the coming year

Preparing an accurate revenue forecast

Questions to ask	Things to consider
<p><i>Have we incorporated the information on allocations from the Budget Conference?</i></p>	<p>Information from the Budget Conference (Step 5) should give an indication of revenue from central government and external funding for the next 3 years.</p>
<p><i>Have we used the information in Chapter 1 of the DBFP, and from the District Public Expenditure Review?</i></p>	<p>These two documents, (Step 3 and Step 6) should provide useful information to help prepare the Revenue Forecast.</p>
<p><i>Is there scope to increase the collection of own source revenues in any areas over the coming 3 years and if so, how is that likely to impact on the amount of local revenue in our forecast?</i></p>	<p>This will require an assessment of the current methods of revenue collection and their efficiency, which should come out from the Public Expenditure Review (Step 6). Such an analysis may point to opportunities for improved revenue collection, which could be reflected in the revenue forecast.</p>
<p><i>What factors might affect the support our district receives from external donors in the next 3 years?</i></p>	<p>This could include the presence of new donors working in the district, or a change in the way in which donors decide to fund development work in the district.</p>
<p><i>What factors in the coming years might affect the amount our district receives from the central government for recurrent expenditure?</i></p>	<p>This could include new central government taxes that are collected and distributed to the districts. It will depend to an extent on how well the central government is able to predict its own revenues and communicate this information to the districts.</p>



Questions for Discussion

- What issues do you think your district might face when trying to develop realistic revenue forecasts – in particular for beyond the coming year?
- What action could your district take to address these issues?
- Which areas of your district’s revenue collection are the most developed? Which areas could be improved?
- What strategies could your district put in place to improve the collection of district own revenue?

Template for the Revenue Forecast

..... District

REVENUE FORECAST 20.... to 20

Introduction

The introduction should contain some brief information about the district, such as: Grade, Number of villages/communities, Population.

It should also contain some general information about the forecast, such as:

- Proportion of revenue composed of local revenue
- Proportion of revenue from central transfers
- Proportion of revenue from the community/donors
- Any revenue code items of interest, for example, those which are not currently collected and reasons why.

Revenue Forecast Table

The revenue forecast should be presented in the following format (see PL LG Financial Management Manual, Table B4, Section 4.6).

Revenue Estimation/Forecast Form

Item Code	Description (Revenue item head /name)	Estimates Year X	Projected Year X+1	Projected Year X+2	Projected Year X+3
	Central Government transfers			<div style="border: 2px solid blue; border-radius: 15px; padding: 10px; width: fit-content; margin: auto;"> <p>Note that figures for Years X+2 and X+3 are indicative only.</p> </div>	
	Total Conditional transfers				
	Total Non-Conditional transfers				
	Total donor funding				
	Total NGO funding				
	Districts Own Source Revenue				
	Commercial licenses tax				
	Livestock sales tax				
	Entertainment tax.				
	Agricultural tax.				
	Buildings value tax				
	Land value tax				
	Temporary structures tax.				

	Street markets tax.				
	Transfer tax.				
	Abattoir and butchery tax.				
	Water reservoirs tax				
	Skin and hide tax				
	Registration tax.				
	People registration tax				
	Projects tax				
	Others (specify)				
	Total District Own Source Revenue				
	Total Revenue				

Comment and Analysis on the Revenue Forecast

Comment on any budget lines with significant changes, including explanations for this where possible.

For example:

- Taxes for district own source current revenue increased by 25% in the previous year, owing to improved tax collection mechanisms and more efficient billing and accounting systems (AIMS/BIMS).

Assumptions

Explain any assumptions made in deriving the figures in the forecast. For example, possible changes in central government transfers, likely changes in donor contributions.

For example:

- The annual average growth of revenue is around 7.3%. Such an increase is considered to be reasonable, when compared with past years' increases.

Risks

Explain any risks that the actual budget figures will vary from the forecast figures and any measures that can be put in place to reduce or mitigate these risks.

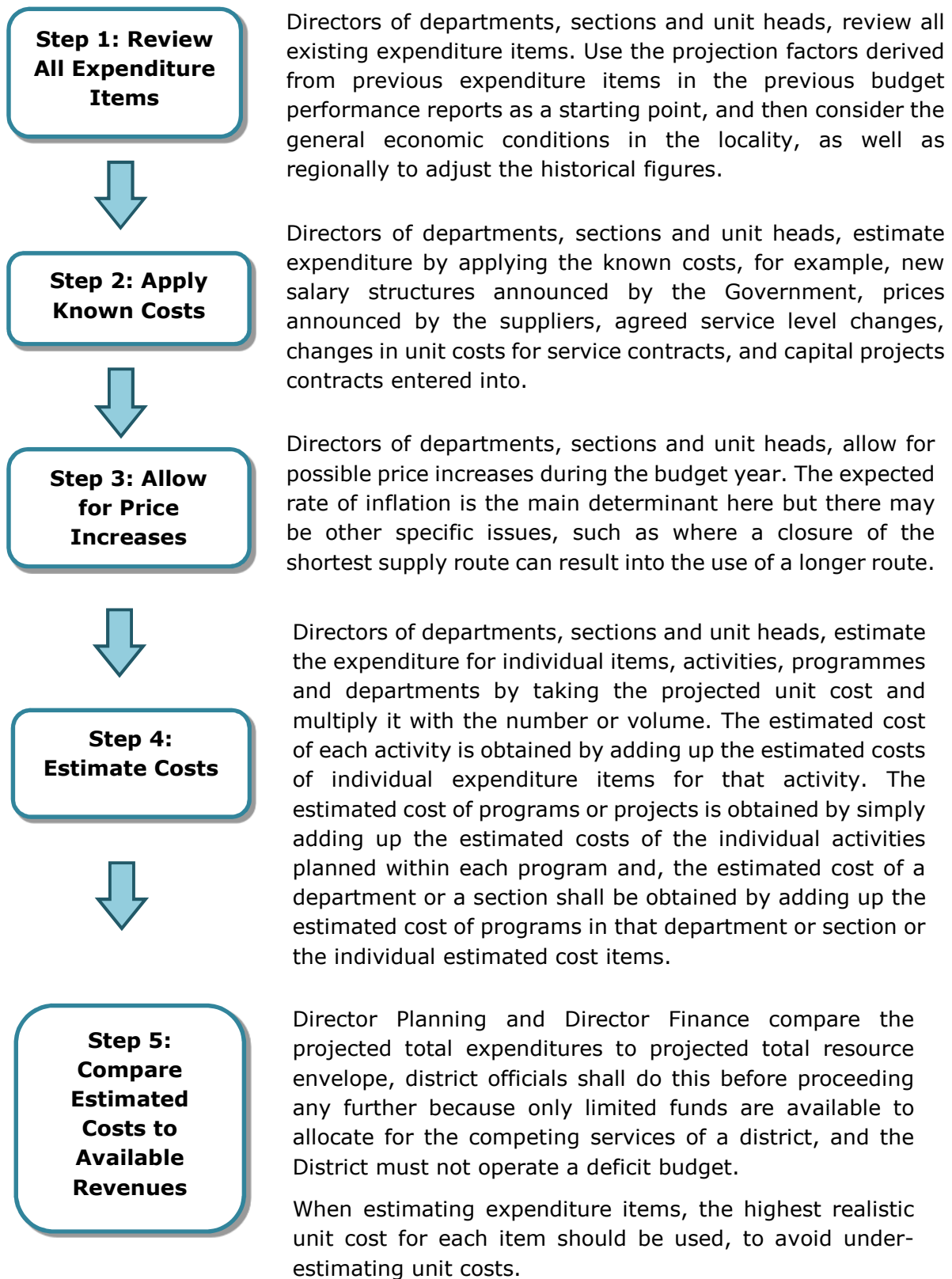
Example:

- Delay of fiscal transfers.
- Inefficient revenue collection and accounting practices for district own revenue.

Conclusion

Write a brief concluding paragraph which summarises the main points from the forecast, including where the majority of revenue is sourced from and the likelihood of the actual budget being similar to the forecast figures.

Diagram 8. Steps in Preparing the Expenditure Forecast

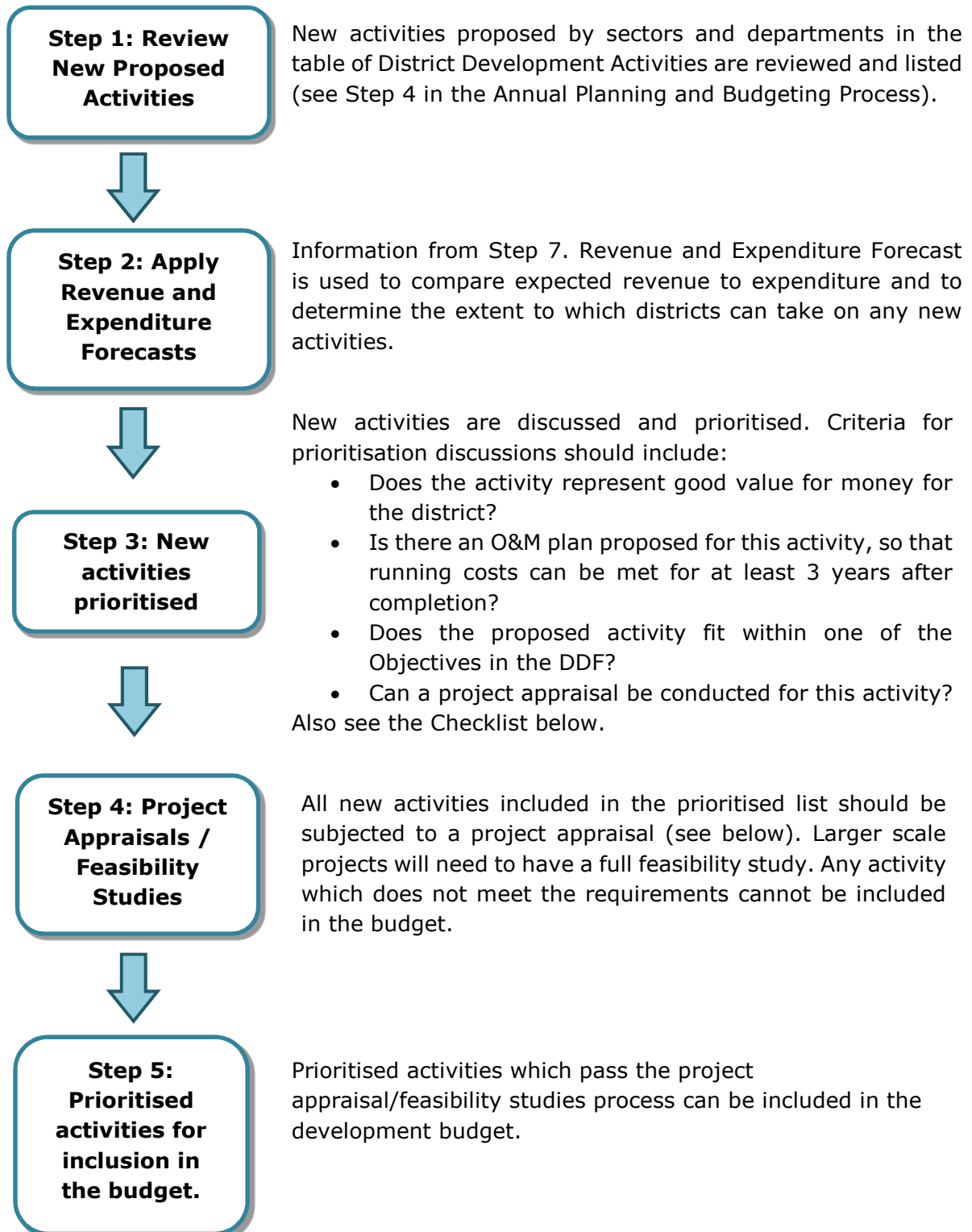


Source: PL LG Finance Manual, Section 4.5.6 Forecast of Expenditure

Table 15. Summary—Step 8: Prioritising Development Activities

When:	September (Annually)	
Purpose:	New activities proposed by the sectors and district departments are listed and prioritised, based on information gathered during Step 4. 'District Development Activities' and Step 7. Forecast of Revenue and Expenditure . Activities are for the coming year and for the following two where possible.	
Output:	<ul style="list-style-type: none"> • A list of prioritised new activities with costings, for inclusion in the draft budget for the coming year. Note: it is anticipated that in each year's budget, districts will have some activities continuing from the previous year, so this prioritisation process is for new activities only. • Appraisals/Feasibility Studies should be conducted for the prioritised projects, to check whether they are viable, prior to including them in the district budget. 	
Who:	District Department Directors	Participate in the prioritising of activities.
	Planning Sub-Committee	Participate in the prioritising of activities.
	Mayor / Executive Secretary	Facilitate the process of activity prioritisation.
	Department of Planning	Provides relevant information from the DDF to inform the activity prioritisation process.
	Department of Public Works	Conducts the appraisal/feasibility studies process for works projects.
	Department of Social Affairs	Provides relevant information on decentralised service delivery activities (SDMs), to ensure they are included as part of the prioritised activities, and to confirm that any recurrent cost implications from proposed investment projects can be met. Conduct the appraisal/feasibility studies for service delivery projects.

Diagram 9. Steps in Activity Prioritisation



Checklist for prioritising new activities for inclusion in the budget

<p>Are there enough funds available according to the revenue and expenditure forecast to implement this activity?</p>	<p><input checked="" type="checkbox"/> If yes—the activity can be considered for inclusion in the budget and annual work plans. It will be necessary to identify how much of the capital cost will be paid for from the different revenue lines available, including from fiscal transfers, own resources, and contributions from different donors, for example.</p> <p><input checked="" type="checkbox"/> If no—the activity may have to be delayed until the next budget cycle.</p>
<p>Are there enough funds available to fund the operating costs for this activity, at least for the next 3 years?</p>	<p><input checked="" type="checkbox"/> If yes—the activity can be considered for inclusion in the budget and annual work plans.</p> <p><input checked="" type="checkbox"/> If no—the activity may have to be delayed unless there is some other way of meeting the operating costs.</p>
<p>Will this activity be implemented in 1 year?</p>	<p><input checked="" type="checkbox"/> If yes—you need to ensure that there are enough funds to cover the costs of the activity in its entirety.</p> <p><input checked="" type="checkbox"/> If no—the activity may be implemented across more than 1 year. This means that the cost of the activity can be spread across more than 1 year as well, which might make it possible to start up the activity in the coming year. This would be reflected in the budget and annual work plans.</p>
<p>Is this activity likely to need a long preparation process (for example, if it is a technically complex project and requires a feasibility study)?</p>	<p><input checked="" type="checkbox"/> If yes—the preparation process only might be carried out in the coming year and the actual implementation of the activity will be in the following 1 or 2 years. This means that the full cost of the activity does not need to be met entirely in the coming year, but there should be enough funds available in the following 1 or 2 years to make sure it can be afforded. This should be reflected in the budget estimates for the coming two years.</p> <p><input checked="" type="checkbox"/> If no—the activity may be implemented in 1 year, which means the full cost must be met in the coming year.</p>
<p>Will the district get better value for money with 2 or 3 less expensive activities, rather than 1 top priority activity?</p>	<p><input checked="" type="checkbox"/> If yes – it may be more efficient for the district to spend its money on 2 or 3 projects that are not quite the top priority, rather than on 1 big project that will use up all the money for that year.</p> <p><input checked="" type="checkbox"/> If no – usually the top priority project is implemented.</p>

What is a Project Appraisal/Feasibility Study?

The project appraisal process provides the following information about a project to determine whether it should be considered for inclusion in the district budget:

- Project Name and Location
- Type of project (includes objectives, outcomes, brief description, benefits, estimated cost)
- Compliance with DDF objectives
- Social, Economic and Environmental Impacts
- Technical Complexity and Institutional Capacity
- Cost-Benefit Analysis
- Operations & Maintenance Plan
- Sustainability
- Land Ownership/Availability

The difference between Project Appraisal and Feasibility Studies is the level of detail they achieve and the time, finances and skills to conduct them.

- **Project Appraisal:** Rapid evaluation for straightforward projects of a small scale, for example, a small irrigation system.
- **Feasibility Study:** A rigorous assessment for more complex and expensive investments, for example, construction of a large dam.

Project Appraisals/Feasibility Studies will be conducted by the responsible department, depending on the type of project. For example, the Public Works Department would conduct the project appraisals for works projects, while the Social Affairs Department would be responsible in the case of service delivery projects.

Example: Abyan District MCH Project

A Maternal and Child Health Centre (MCH) construction project was included Abyan District's 2016 Budget and Annual Work Plan, but it was still not functional a year after completion. This is because the Ministry of Health was not involved in the early stage negotiations about the Operations and Maintenance of the MCH, as part of the **project appraisal/feasibility studies** process. Therefore, there is no budget for staff, or equipment.

The project was identified as a priority for the district and as was implemented, but time and money were wasted on infrastructure which is not being utilised. Abyan District Council is now making efforts to talk with the Ministry of Health to determine if it will contribute to funding the operational costs of the centre.



Questions for Discussion

Read the above example and then discuss:

- Can you identify what Abyan District should have done prior to implementing this project, to ensure they did not have the problems described in the story?

Example Project Appraisal Form (for Works Project)

Project Appraisal for Road Access Project

Background:

Give some information about the location of the proposed project.

Briefly describe the project and what it aims to achieve.

For example:

Through surface upgrading and road widening, the road will facilitate the access of transportation from the entering point of Abyan District up to the centre of the district. It will also assist economic development and reduce the financial burden of travel on the existing road (1.25 Km).

Project Design:

Here include a design picture of the proposed project.

Environmental Screening and Mitigation:

Here include some specific information about the possible environmental impact of the investment and outline some proposed mitigation measures that would need to be put in place if the project goes ahead.

Project Information:

Abyan District Access Tarmac Road Appraisal

Road title/Code: Abyan District Tarmac Road			
Date: 21 March 2018			
GPS Position:	Start Point: <i>N X° Y' .Z / E X° Y'Z'</i>	End Point <i>N X° Y' .Z/ E X° Y'Z'</i>	Elevation: 22M
Location:	Region:	District: Abyan	Commune: Airport community
Road Dimension:	1250M x 7m		
Road Type:	Clay soil and rocky surface		
Road classification:	Tarmac		
Road Condition (current):	Rocky area, 500m rocky		
Network priority:	Access entrance road to town		
Road connection:	Access		
Road Traffic	Very Low		
Road upgrade (future):	Tarmac, New construction road formation, Tarmac surfacing		
Road maintenance:	Periodic		
Cause of most road damage:	Floods		

In order to determine whether to proceed with implementation, the project was judged against the following criteria:

- Compliance with the District Development Framework
- Community / Social impact
- Economic impact
- Technical viability and institutional capacity
- Risk
- Environmental impact (see above)
- Sustainability of the intervention

The project's performance against criteria was then rated on a simple scale of 0-3:

0	Unsatisfactory, large improvement required
1	Poor, much improvement required
2	Good, some room for improvement
3	Ideal situation, little room for improvement

Evaluation Criteria	Score	Comment
Compliance with the District Development Framework	1	Abyan District Development Framework includes infrastructure such as roads and drains as a priority area. However, this project does not fit under a specific DDF Objective, so it is unclear how the project would contribute to achieving the DDF Objectives.
Community / social impact	2	The project generates considerable socio-economic gains and reduces the expenditure of spares for vehicles.
Economic Impact	2	Mini operators will operate and customer transport will improve.
Technical viability and institutional capacity	0	The District has not allocated the required budget and technical capability for the implementation of this project since is needed a lot of drifts, rock excavation and culverts.
Risk	0	Existing Access Road is crossing at heavy flood area with high risk of damage in wet season.
Environment	1	The stagnant water of wet season affects the road users
Sustainability	0	Due to the road vulnerability for floods the district is not in a position to provide the required budget of operation and maintenance.
Concluding Remarks		
It is not appropriate to proceed with the implementation of this project.		



For more detail...

Detailed information on conducting a full feasibility study can be found in:
Conducting Project Appraisals and Feasibility Studies: A User Guide (2011).

Table 16. Summary—Steps 9&10: Preparing draft budget and annual work plans

When:	October (Annually)	
Purpose:	<ul style="list-style-type: none"> To compile the individual department estimates prepared as part of the forecast of revenue and expenditure, into one draft budget document, showing both recurrent and capital/development budgets. To prepare capital/development and recurrent work plans, annexed to the district budget. 	
Output:	<ul style="list-style-type: none"> Draft district budget (Recurrent and Capital/Development) prepared for review. A draft Capital/Development expenditure annual work plan. A draft Recurrent expenditure annual work plan. 	
Who:	Mayor	<p>Oversee the budget compilation process.</p> <p>Provides comments which recommend priority areas for development spending in the budget.</p> <p>Facilitate preparation of the Annual Work Plans</p>
	Executive Secretary	<p>Issue the Expenditure Budget Estimation form to department directors.</p> <p>Facilitate preparation of the Annual Work Plans</p>
	Department Directors	<p>Complete the Expenditure Budget Estimation form</p> <p>Assist with preparation of the Annual Work Plans</p>
	Department of Administration and Finance and Budget Committee	<p>Compile the Revenue Budget forecast form.</p> <p>Compile the overall budget using data from the Revenue Budget and Expenditure Budget forms.</p> <p>Prepare the draft Annual Work Plans (capital and recurrent).</p>
	Sub-Committees	<p>Oversee the process of preparing the Annual Work Plans.</p>
	Department of Planning	<p>Provide support to the budget compilation process.</p> <p>Assist with preparation of the Annual Work Plans</p>



For more detail...

Information about District Budget Policies can be found in:

Puntland Local Government Finance Policy, Section 5. District Council Budgeting and Expenditure Planning (see 5.2.1 to 5.2.16)

Principles of the District Budget

Budget Principles

District Budget development should be guided by the following principles:

- **Realistic**—The budget provides a realistic description of the District's capacity to execute activities and projects considering its human resources, local revenue base and support from central government.
- **Use of all information**—All available information is used to compile the budget, for example developments in the district's revenues and expenditure in the current and recent years, expected raises in expenditures, expectations for central government grants, consequences of new initiatives, and expected demographic and urban development.
- **Inclusive**—All district revenues and expenditures should be included in the budget including donor funding, loans and central government transfers.
- **Output focused**—The budget focuses on the delivery and development of district services.
- **Balanced**—A balance exists between all expenditures and all revenues including loans and savings from earlier years.
- **Participative**—The citizens have a real say on the budget's preparation and are able to express their views in the budget process.
- **Democratic**—The District Council has an active role in the preparation and in particular in the prioritisation between different activities.
- **Bottom-up process**—The departments/sections/units heads present their needs. Based on analyses and discussions, adjustments take place to ensure that allocations are appropriate, in this way ownership is created among all heads of departments/sections/units.

Source: Puntland LG Finance Policy, 5.2 District Budget Policies

Table 17. Structure of the District Budget

District Budget Structure

	Section A: Recurrent Revenue	Section B: Recurrent Expenditure
Recurrent Budget	<p>Own Revenue Sources: taxes, fees, licenses, permits, user charges, fines and penalties.</p> <p>Transfers from central government for recurrent budget</p> <p>Loans for emergencies</p>	<p>Payroll</p> <p>Operations and maintenance</p> <p>Service delivery</p> <p>Deficit carried forward (if any)</p> <p>Operating surplus (if any) transferred to Capital revenue</p>
	Section C: Capital/Development Revenues	Section D: Capital/Development Expenses
Capital / Development Budget	<p>Surplus from current budget</p> <p>Transfers from central government for capital budget</p> <p>Sale of Assets</p> <p>Grants for capital budget</p> <p>Loans for emergencies for capital investments.</p>	<p>Civil works</p> <p>Investments in Services</p> <p>Purchase of Assets e.g. property, land etc.</p> <p>Repayment of loan principal</p>

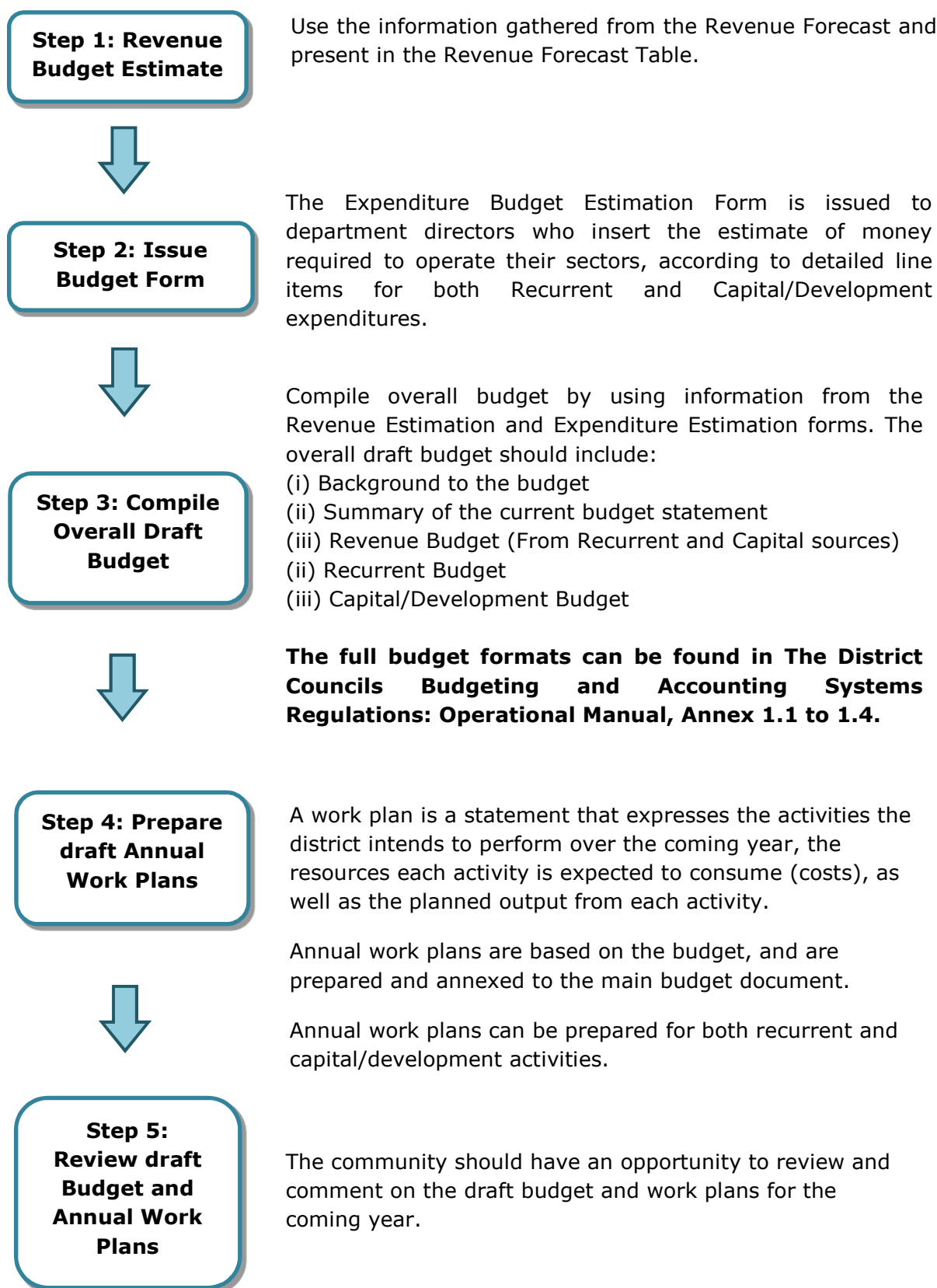
The format of District budget may be line item or any other method approved by the Accountant General. 'Line item' refers to the one-line entries for each revenue and expenditure item, such as salaries in a budget document. A line-item budget is cash based.

Most governments organisations use a line item budget because it focuses on control of cash in aggregate (total expenditure balanced against total revenues), by council (the legal authority).

Source: Puntland LG Finance Policy, 5.3.1



Diagram 11. Steps in drafting and compiling the district budget



**Table 18. Expenditure Budget Estimation Form
(Recurrent & Capital/Development)**

Item Code	Description	Budgeted Amount	
		Recurrent	Development
	Administration and Finance Department/Sector/ Unit.....		
	Public Works and Land Department/Sector/ Unit.....		
	Tax		
	Social Affairs		
	Planning		
	Internal Audit		

Information to be included in this form:

- (i) Enter data on salaries and wages directly by using the payroll data and any other information provided in the budget call circular.
- (ii) Enter data for supplies including office supplies, operation supplies, repairs and maintenance.
- (iii) Enter data for other services and charges required to run the sector.
- (iv) Enter data for capital outlays such as purchase of land, buildings, motor vehicles, machinery and equipment.

Table 19. Revenue Budget Form

Budget Code (1)	Description (2)	Executed Previous Year X-1 (3)	Approved budget Current Year X+1 (4)	Executed Current Year approved budget FY X (5)
	REVENUE			
	Own Revenue Sources			
	1. Taxes:			
	1.1 Livestock Taxes			
	1.2 Property Taxes			
	1.3 Agricultural Production / Cultivation Taxes			
	1.4 Utility Taxes			
	1.5 Other Taxes (from 1.5.1 to 1.5.N)			
	Sub-Total Taxes			
	2. Licenses, Fees, and Permits:			
	2.1 Business Licenses			

Information to be included in this form:

Column (1): Account Code, from Chart of Accounts (CoA)

Column (2): Account Description/Name

Column (3): The actual amount collected for the previous year, derived from the previous year's end of FY accounts statements.

Column (4): The approved budget for the current FY, derived from the completed revenue estimation table.

Column (5) The executed current year budget, derived from current year budget.

Table 20. Recurrent Budget Example

Budget Code (1)	Description (2)	Executed Previous Year FY X-1 (3)	Approved Current Year FY X+1 (4) '000 (Sh So)	Executed Current Year FY X (5)
RECURRENT REVENUE				
	Central Government Transfers and Grants for Recurrent Budget		2,000,000	
	Own Source Revenue for Recurrent Budget		1,000,000	
	Other Revenue for Recurrent Budget (Donor & NGO)		1,750,000	
	TOTAL FROM RECURRENT REVENUE SOURCES		4,750,000	
	Surplus from Previous Fiscal Year (Savings)		00	
	TOTAL RECURRENT REVENUE		4,750,000	
RECURRENT EXPENDITURE				
Administration and Finance				
	Fuel for project inspection		50,000	
	Reams of Paper for office use		50,000	
	Staff Inspection allowance		1,000,000	
	Workshops and Seminar costs		500,000	
	Sub-Total Recurrent Budget		1,600,000	

Information to be included in this form:

Column (1): Account Code from CoA

Column (2): Account description/name

Column (3): The actual amount spent for the previous year, derived from previous year's end of FY accounts statements

Column (4): The approved budget for the current financial year, derived from the completed expenditure estimation form.

Column (5) The executed current year budget, derived from current year budget.

Table 21. Capital / Development Budget Example

Budget Code (1)	Description (2)	Executed Previous Year FY X-1 (3)	Approved Current Year FY X+1 '000 (4)	Executed Current Year FY X (5)
CAPITAL REVENUE				
	CG Transfers and Grants for Capital Budget		5,500,000	
	Own Source Revenue for Capital Budget		500,000	
	Other Revenue for Capital Budget (Donors and NGO)		1,000,000	
	TOTAL FROM CAPITAL REVENUE SOURCES		7,000,000	
	Surplus from Previous Fiscal Year (Savings)		00	
	TOTAL CAPITAL REVENUE		7,000,000	
INVESTMENTS IN SERVICES				
Water Supply/ Reservoirs				
	Constructing 94 boreholes		1,000,000	
Urban Roads and Sidewalks				
	Opening 25 kms of roads		3,000,000	
Health Services				
	Building 8 Health Centres		3,000,000	
	TOTAL INVESTMENTS IN SERVICES		7,000,000	

Information to be included in this form:

Column (1): Account Code from CoA

Column (2): Account description/name

Column (3): The actual amount spent for the previous year, derived from previous year's financial statements

Column (4): The approved capital budget for the current financial year, derived from the completed expenditure estimation form.

Column (5) The executed current year budget, derived from current year budget.

Table 22. Recurrent Expenditure Annual Work Plan Example

Department	Objective/ Expenditure Item	Responsibility	Implementation period	Activity Outputs /Unit Costs			
				Description/Output	Planned output (Units)	Unit Cost Sh. So	Budget Sh. So '000
Administration and Finance	Fuel			Fuel (litres)to travel to inspect projects			50,000
	Stationery			Reams of papers for office use			50,000
	Allowance			Project inspection days			1,000,000
	Workshops and seminars			Financial management staff workshop and seminars			500,000
Total for Administration and Finance							1,600,000

Note: The recurrent expenditure work plan is particularly useful when it comes to budget implementation and later on providing accountability after the implementation stage.

Table 23. Capital/Development Annual Work Plan

a) District
 b) For the period (month and year)..... to (month and year).....

Sector / Program	Activity Description (Quantifiable)	Code (as per Chart of Accounts)	Budgeted	Planned Expenditure by instalment				Expected start and finish dates		Source of funds
			Activity cost	Jan-Jun		Jul-Dec		DD/MM /YY	DD/MM /YY	
Example: Works	Example: Construction of XXkm of road at XX place, XXX									
Project Development Costs (for clarity, itemise each activity and attach a budget)	Example: Consultant for designing xxx project Contracting in of XXX consultants for project supervision									
Total										

Signed (name & signature).....
 Executive Secretary

Signed (name & signature).....
 Mayor

Date and Stamp.....

Date.....

Instructions for filling the Annual Work Plan for Capital/Development Activities

Sector/Program: In which sector is the activity? For example: Roads, Water, Health. If the activity falls under a specific program, indicate the name of the program.

Activity description: This should be descriptive, quantifiable and should indicate the activity location (name of the xxxx, Village etc.) and/or user department. Do not describe projects in general terms such as construction of roads.

Code: The Accounting Code should include the name and code of the departments and sector, and activity code as per the Chart of Accounts. This should be unique for each project.

Activity cost: This is what the project or activity is budgeted to cost.

Planned Expenditure by instalment: Amount of funds planned to be spent by instalment.

Expected start and finish dates: Include the expected start and finish dates of the activity.

Sources of funds: This should include all sources of funds, whether it is LDF, other donors or the LG itself.

Table 24. Summary—Step 11: Review Budget and Annual Work Plans

When:	October (Annually)	
Purpose:	To provide an opportunity through a community forum, for community stakeholders to review and make comment on the draft budget and annual work plans, in advance of approval and adoption by the District Council.	
Output:	A revised draft budget and annual work plans	
Who:	General Public - Community members	Invited to comment on the draft budget and annual work plans in advance of a community forum (allow 2 weeks for feedback).
	Village Councils / Committees	Attend a community forum on the draft budget and annual work plans (after feedback period), which also updates the community on DDF achievements made in the district over the previous year.
	NGOs/Civil Society Organisations	Attend a community forum on the draft budget and annual work plans (after feedback period), which also updates the community on DDF achievements made in the district over the previous year.
	Mayor	Facilitate the community forum on the draft budget and annual work plans and present the draft budget and annual work plans.
	Executive Secretary	Attend the community forum on the draft budget and annual work plans.
	Finance Sub-Committee	Attend the community forum on the draft budget and annual work plans and provide input on behalf of the District Council.
	District Departments	Comment on the draft budget and work plans.
	Department of Administration and Finance	<ul style="list-style-type: none"> Publicise draft budget and work plans on public noticeboards and via other means where possible, such as internet. Attend the community forum. Gather feedback from the 2-week comments period and from the community forum and make any necessary adjustments to the draft budget and annual work plans.
	Department of Planning	Attend the community forum and present on the DDF achievements of the previous year.

Community Forum on Draft Budget and DDF Achievements

- An important aspect of transparent and accountable budgeting is providing an opportunity for community members to comment on the draft budget for the district, through a community forum.
- The community forum also provides an opportunity for the district local government to present to the community about the achievements made on its DDF in the previous year.
- Below is an example of the types of questions that might be asked about the budget, both from a local government and community perspective.

Local government questions

- What does the budget provide for? To whom? And why?
- Do the outputs and activities relate to the DDF objectives?
- Are unit costs realistic? What are the key drivers of the costs?
- Are all revenue sources included?

Community Questions

- How have the funds been allocated to achieve the highest benefit for the whole district (including both men and women).
- Do the planned activities reflect what was suggested by the community at the planning stage, via the DDF?
- Can the local government explain the reasoning behind the priority projects included in the budget and work plans?
- Does the budget result in increased tariffs and taxes? In which areas and what are the reasons for the increases?

Source: Adapted from *Manual for Budget Demystification: A step by step guide*.



Questions for Discussion

What type of feedback do you think should be sought from communities on the budget and work plans? For example:

- Is it useful to seek feedback on both recurrent and capital/development budgets? Why?/Why not?
- What might be some of the benefits of having community comment on the draft budget and work plans?
- To what extent should the district take on board the community comments? In other words, what types of revisions are likely and realistic to be made to the budget and work plans as a result of community feedback?

Table 25. Summary—Step 12: Finalise Budget and AWP

When:	October (Annually)	
Purpose:	<ul style="list-style-type: none"> • There is an official process that must be followed for the District Council to formally approve and adopt the draft budget and annual work plans. • Districts should submit their approved budgets and work plans to MOI by mid-November at the latest. 	
Output:	<ul style="list-style-type: none"> • Final approved budget and annual work plans submitted to MOI. 	
Who:	Permanent Committee	Meets to consider the budget and give temporary approval prior to approval by the full District Council.
	District Council	Meets to consider and accepts a motion for approval of the budget and work plans and adopts on a majority vote.
	MOI	The approved budget is sent to MOI for review, and endorsement by mid-November.
	Administration & Finance Department	Input details of the budget and work plans into AIMS.
	Mayor / Executive Secretary	Advise department directors of the budget allocations and specific budget lines for their department's expenditure authority.

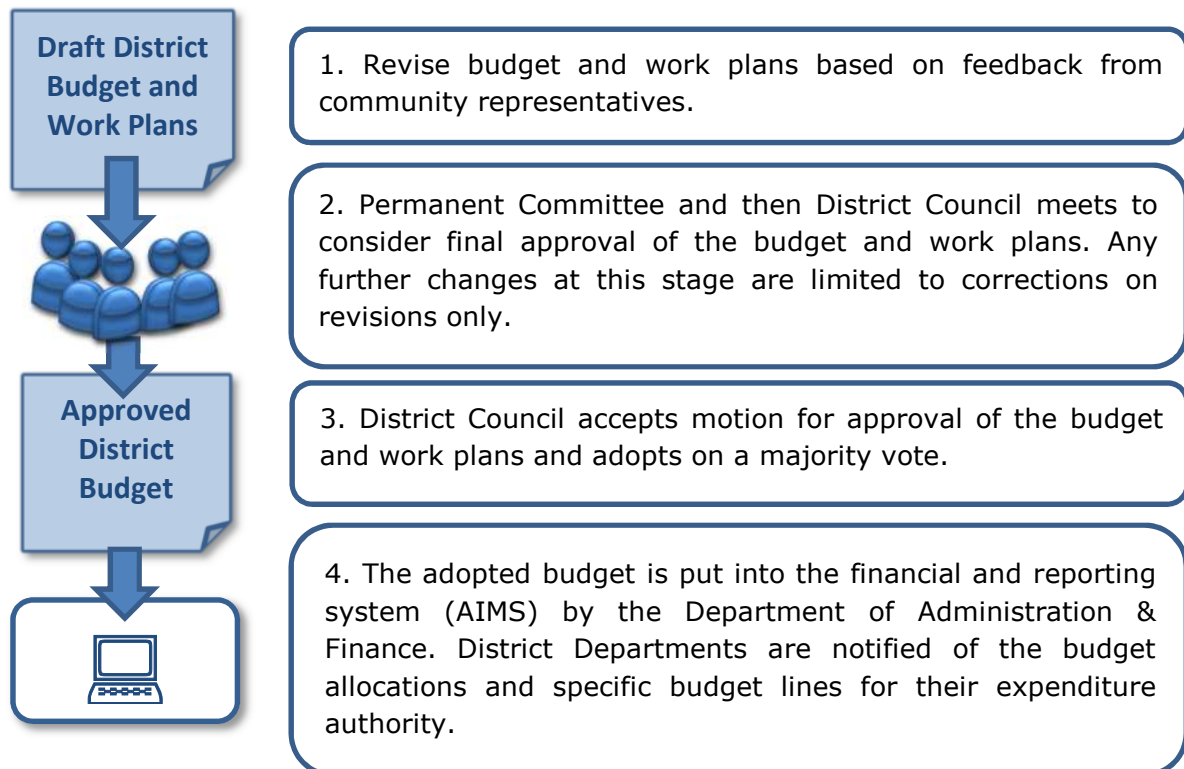
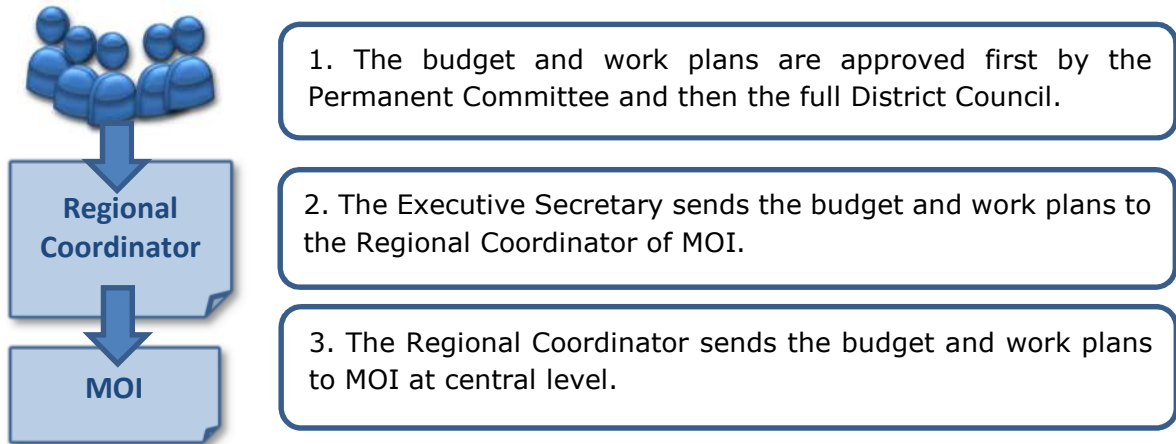
Diagram 12a. Budget and Annual Work Plans Approval Process

Diagram 12b. Budget and Annual Work Plans After Approval



Session 5: Planning & Budgeting Steps 13-15

Session Objectives:
 By the end of this session participants will be able to:

- Carry out Steps 13-15 in the annual planning and budgeting process according to the information presented in this session.

What are the Steps?

The steps covered in this Session are as follows:

- **Step 13. Publicise Budget and AWP**
- **Step 14. Finalise DBFP**
- **Step 15. Prepare Procurement Plans**



Diagram 13. Planning & Budgeting Calendar—Steps 13-15

! According to the Planning and Budgeting Calendar, these steps should take place in **November-December**.

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
13. Publicise Budget and AWP & 14. Finalise DBFP (Ch 4-5)											Annually	
15. Prepare Procurement Plans												Annually

Table 26. Summary—Step 13: Publicise Budget and AWP

When:	November (Annually)	
Purpose:	<ul style="list-style-type: none"> Districts must clearly and widely publicise the approved budget and annual work plans to the community. 	
Output:	<ul style="list-style-type: none"> A range of communication methods to publicise the district budget and annual work plans. 	
Who:	Department of Administration and Finance / Social Affairs Department	Publicise the approved budget and annual work plans through the following means: <ul style="list-style-type: none"> public noticeboards radio announcements internet distribute hard copy documents to VCs

Table 27. Summary—Step 14: Finalise District Budget Framework Paper

When:	November (Annually)	
Purpose:	<ul style="list-style-type: none"> Districts should finalise the DBFP by adding Chapters 4 and 5 of the District Budget Framework Paper. Chapter 4: This chapter presents the annual budget for all sectors/departments for the coming financial year. Chapter 5: This chapter presents the annual work plans for the sectors/departments for the coming financial year. 	
Output:	<ul style="list-style-type: none"> A finalised District Budget Framework Paper (Chs 1-5). 	
Who:	Department of Administration and Finance	Finalise the DBFP by adding Chapters 4 and 5.

Table 28. Summary—Step 15: Prepare Procurement Plans

When:	December (Annually)	
Purpose:	Prepare procurement plans for all procurement that will be required to execute the budget and work plans, including procurement of all goods, works and services.	
Output:	Approved Procurement Plans for each district department for: <ul style="list-style-type: none"> Goods Works Services 	
Who:	District Department Directors	Prepare procurement plans for their departments, based on the budget and annual work plans.

Table 29. Procurement Plan and Procurement Implementation Report (Works)

District:
 Department:
 Financial Year:

! Note: The numbers in the table columns below are to assist you in using the guidance notes on the following page.

No.	Description of Works	Unit	Quantity	Proc. method	Funding Source	Est Cost	Time process	Advertise pre-qualification	Invite/ Advertise tender	Open Tender	Evaluate Tender	Committee Award Approval	Notification of Award	Contract Signing	Time to contract signing	Time for completion of contract
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
							Planned Dates									
							Planned Days									
							Actual Days									
							Planned Dates									
							Planned Days									
							Actual Days									
Total																

Prepared by: (Department Director) (Sign) (Date)

(Supported by Department of Public Works for Works Projects)

Approved by: (Executive Secretary / Mayor) (Sign) (Date)

Guidance notes on preparing Procurement Plan (Works) as per column

1. Represents a number at the Procuring Entity's discretion.
 2. Description of the works being procured. This should be comprehensive but not go to the level of specifications.
 3. Unit of purchase or issue.
 4. Quantity should be expressed in universally acceptable terms, for instance, number (No.), kilogrammes (Kg), tonnes. etc.
 5. Procurement method—the methods are limited to only open tender, direct, restricted, request for quotation and low value.
 6. Source of funds—could be from LDF, a donor, or the LG itself.
 7. Estimated cost—represents the total cost at which the works are estimated to be procured. The cost should be established through market surveys.
 8. Time process—represents the planned dates for execution of the various activities, planned days those activities are expected to take and actual dates taken in each specified activity. The actual dates should be filled after the activities are concluded.
 9. Advertise for prequalification of bidders (if pre-qualification applicable).
 10. Invite/advertise tender—this is the date when tenders are advertised in the newspapers or when bidders are invited to collect tender documents under the restricted procurement method.
- Clarification of Tender Documents by Department of Public Works.
11. Tender opening—this is the date when tender documents are opened.
 12. Tender evaluation—is the process used to identify the most preferred bidder technically and financially.
 13. Committee approval to award—this is the date that either the tender or procurement committee awards the subject procurement.
 14. Notification of award—this is the date that notification of award letter is sent to the preferred bidder.
 15. Signing of contract—this is the date on which the contract is signed between the Procuring Entity and the supplier/contractor.
 16. Total time to contract signature—this is the number of days taken between issuance of notification of award and signing of the contract.
 17. Time for completion of contract—this is the time in days to be taken before the contract is completed.

Table 30. Procurement Plan and Procurement Implementation Report (Services)

District:
 Department:
 Financial Year:

No.	Description of Services	Unit	Quantity	Proc. method	Funding Source	Est Cost	Time process	Adv EOI	Issue RFP	Open Technical Proposals	Evaluate Proposals	Open Financial Proposals	Negotiation	Notification of award	Contract signing	Total time to contract signature	Time for completion of contract
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18
							Planned Dates										
							Planned Days										
							Actual Days										
							Planned Dates										
							Planned Days										
							Actual Days										
Total																	

Prepared by: (Department Director) (Sign) (Date)

Approved by: (Executive Secretary / Mayor) (Sign) (Date)

Guidance notes on preparing Procurement Plan (Services) as per column

1. Represents a number at the Procuring Entity's discretion.
2. Description of the services being procured. This should be comprehensive enough.
3. Unit of purchase or issue.
4. Quantity should be expressed in universally acceptable terms, for instance, number (No.), kilogrammes (Kg), tonnes. etc.
5. Procurement method—the methods are limited to only open tender, direct, restricted, request for quotation and low value.
6. Source of funds—could be from LDF, a donor, or the LG itself.
7. Estimated cost—represents the total cost at which the services are estimated to be procured. The cost should be established through market surveys.
8. Time process—represents the planned dates for execution of the various activities, planned days those activities are expected to take and actual dates taken in each specified activity. The actual dates should be filled after the activities are concluded.
9. Advertise Expressions of Interest.
10. Issue Request for Proposal documents to those shortlisted from the Expressions of Interest.
11. Technical Proposal opening—this is the date when proposal documents are opened.
12. Technical proposal evaluation—is the process used to identify the most preferred bidder technically.
13. Open financial proposals of those who have passed technical evaluation.
14. Negotiation with the most preferred bidder technically and financially.
15. Notification of award—this is the date that notification of award letter is sent to the preferred bidder.
16. Signing of contract—this is the date on which the contract is signed between the Procuring Entity and the supplier/contractor.
17. Total time to contract signature—this is the number of days taken between issuance of notification of award and signing of the contract.
18. Time for completion of contract—this is the time in days to be taken before the contract is completed.

Table 31. Procurement Plan and Procurement Implementation Report (Goods)

District:
 Department:
 Financial Year:

No.	Description of Goods	Unit	Quantity	Proc. method	Funding Source	Est Cost	Time process	Invite/ Advertise tender	Open Tender	Evaluate Tender	Committee Award Approval	Notification of Award	Contract Signing	Time to contract signing	Time for completion of contract
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
							Planned Dates								
							Planned Days								
							Actual Days								
							Planned Dates								
							Planned Days								
							Actual Days								
Total															

Prepared by: (Department Director) (Sign) (Date)

Approved by: (Executive Secretary / Mayor) (Sign) (Date)

Guidance notes on preparing Procurement Plan (Goods) as per column

1. Represents a number at the Procuring Entity's discretion.
2. Description of the goods being procured. This should be comprehensive but not go to the level of specifications.
3. Unit of purchase or issue.
4. Quantity should be expressed in universally acceptable terms, for instance, number (No.), kilogrammes (Kg), tonnes. etc.
5. Procurement method—the methods are limited to only open tender, direct, restricted, request for quotation and low value.
6. Source of funds—could be from LDF, a donor, or the LG itself.
7. Estimated cost—represents the total cost at which the goods are estimated to be procured. The cost should be established through market surveys.
8. Time process—represents the planned dates for execution of the various activities, planned days those activities are expected to take and actual dates taken in each specified activity. The actual dates should be filled after the activities are concluded.
9. Invite/advertise tender—this is the date when tenders are advertised in the newspapers or when bidders are invited to collect tender documents under the restricted procurement method.
10. Tender opening—this is the date when tender documents are opened.
11. Tender evaluation—is the process used to identify the most preferred bidder technically and financially.
12. Committee approval to award—this is the date that either the tender or procurement committee awards the subject procurement.
13. Notification of award—this is the date that notification of award letter is sent to the preferred bidder.
14. Signing of contract—this is the date on which the contract is signed between the Procuring Entity and the supplier/contractor.
15. Total time to contract signature—this is the number of days taken between issuance of notification of award and signing of the contract.
16. Time for completion of contract—this is the time in days to be taken before the contract is completed.

Session 6: Conclusion

Session Objectives:

By the end of this session participants will be able to:

- Summarise the main topics covered in the Annual Planning and Budgeting Module.
- Demonstrate understanding of the content of the module, through a short assessment task.
- Evaluate the module, by providing feedback on their reaction to the training they have just completed, through a short questionnaire.

Module Summary

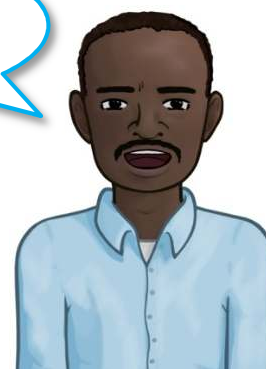
In this Annual Planning & Budgeting Module we have learned about the following:

- The 15 steps involved in the annual planning and budgeting process for districts.
- Important preliminary activities such as community awareness raising, and reviewing of the previous year's DDF.
- How to prepare a District Budget Framework Paper.
- How to conduct a Public Expenditure Review.
- How to estimate the revenue and expenditure for the coming financial year.
- How to prepare the District Budget and Annual Work Plans.
- The steps to review, finalise, and publicise the District Budget and Annual Work Plans.

Assessment & Evaluation

- You will be asked to complete a short assessment task, to gauge your understanding of what was covered in the Annual Planning & Budgeting Module.
- You will also be asked to complete a questionnaire, to gather information on participant reactions to the Annual Planning & Budgeting Module, which can be used to make improvements to the module for the future.

Thanks for your participation!



Annex 1. Overview of Annual Planning and Budgeting Documents

This diagram aims to illustrate how the different documents that are prepared as part of the annual planning and budgeting process relate to each other, and also how they relate to the detailed steps in the process.

