



# Session 3

## Budget Cycle - an Overview



Objectives

**By The end of The Session, Participants will be able to.....**

- create a visual image of the component & logic of the budget cycle;
- understand the significance and contribution of each step to an effective budgeting process, and the role of key players involved;
- recognize the categories and variety of forms to be used at relevant steps of the budget cycle.



Duration

1.5 hours



Timing

1400 to 1515 hours



Methodology

**Individual exercise, Group Work, plenary discussion**



Material

**3-5 prizes for participants;**

Slides	Handouts (HO)	Worksheets (WS)	Reference Material (Ref)
III-01 Six Blind Men III-02 Sequenced Scrambled Budget Cycle III-03 Inst. for Review of Budget Cycle III-04 Bujho-to-Jaane (Answer Sheet)	III-01 Sequenced Budget Cycle III-02 Link of Forms with Cycle	III-01 Scrambled Budget Cycle III-02 Inst. for Review of Budget Cycle III-03 Matrix - Improving Steps III-04 Bujho-to-Jaane	III-01 Budget Cycle
Other: <ul style="list-style-type: none"> <li>•</li> </ul>			



### STEPS:

1. Introduce this Session as an anchor for subsequent sessions. Highlight that budget related activities revolve around the Budget Cycle. Hence it is critically important for the participants to understand the overall cycle, and the sub-cycles that surround it.
2. Ask participants what they understand by the term 'Budget Cycle'. Encourage a couple of responses before reinforcing that it is the chain or sequence of events that must take place for the formulation and management of the budgeting process at local government level.
3. Ask participants why it is important for all related players to have an overall sense of the components, sequence and logic of the budget cycle? Note a few of the responses, which may include: enhanced empathy for others work and contribution; improved coordination amongst various players; improved planning and issues anticipation. Summarize the discussion with *Slide 3-01 (Six Blind Men)*, simultaneously relating the following story:

Six blind men wanted to 'see' an elephant. Because they were blind, they needed to touch in order to 'see'. All six touched different parts of the elephant. When they returned, each swore that the elephant was as follows:

- He who had touched the tusk said that the elephant was like a spear!
- He who touched the tail said that the elephant was like a rope!
- He who touched the leg said the elephant was like a tree trunk!
- He who touched the ear said the elephant was like a fan!
- He who touched the body said that the elephant was like a wall!
- He who touched the trunk said that the elephant was like a snake!

Highlight that each of the blind man was right in his individual assessment, but the overall assessment was completely off the mark! In order to have a coordinated picture of local government's potential for resource mobilization and allocation, all involved in that process must work as a team.

4. Tell the participants that they will now have an opportunity to become better acquainted with the 16 steps of the Budget Cycle, as detailed in the Budget Rules 2003. Tell them that they will do an individual exercise titled 'Unscramble the Jumbled Cycle'. Ask them to use *WS 3-01 (Scrambled Budget Cycle)* for this individual task. Give participants 10 minutes to logically order the scrambled budget cycle.
5. Once everyone has completed their task, facilitate a discussion to arrive at a consensus of the steps as ordered in the Budget Rules. Use *Slide 3-02 (Sequenced Budget Cycle)* for this purpose. Explain that some steps are undertaken simultaneously. Do not go into details on what the steps aim to achieve, as this will be undertaken in the subsequent group task. Refer participants to *HO 3-01 (Sequenced Budget Cycle)*.
6. Tell the participants that you would now like for them to have a more detailed understanding of individual steps. For this purpose you will divide them into four groups (to avoid confusion, form the groups in advance ensuring that groups are



balanced in terms of district and TMAs representation, gender, subject matter knowledge and experience).

7. Show *Slide 3-03 (Instructions for Review of Budget Cycle)*, and ask participants to refer to *WS 3-02 (Instructions for Review of Budget Cycle)*. Reiterate group task as follows:

In your group, through a discussion that ensures participation of all members, complete the following 2 tasks on *WS 3-03 (Matrix - Improving Steps)*:

- **Task-1:** Refer to the Sequenced Budget Cycle. List the rationale or logic for the steps (in column a), and given field realities, identify how these steps can be made more effective (in column b). Groups 1 & 2 to work on Steps 1-8; Groups 3 & 4 to work on Steps 8-16.
  - **Task-2:** List the categories of forms (in column c) required at specific steps of the budget cycle.
8. Inform the participants that they have 45 minutes for the group task. Tell them that the groups would share their responses through a large group discussion in the plenary.
  9. Ensure that participants have a comfortable space for their group work. Monitor the groups to confirm that each group has clearly understood the task, that every member of the group is effectively participating, and that adequate notes are being taken by the group members for eventual discussion. Refrain from providing direct inputs or answers. Allow group members to debate, discuss and experiment.
  10. While the groups are at work, set-up the stage for the processing. With the help of 3" x 5" VI PP cards, set up on a pin board or wall the Sequenced Budget Cycle. Also have ready on different color cards the 8-categories of forms.
  11. Starting from Step 1 of the Budget Cycle, generate a discussion as to the significance of the Step, and the current ground realities. For Step 1 of the cycle, refer to Session 2 and emphasize that this Step in fact leads to the development of the Budget Policy. Constantly emphasize that to implement the new Budget Rules 2003 in the spirit in which they were intended requires an understanding of not only why each step is important, but to recognize its current limitations and identifying how it can be improved.
  12. Ask groups to identify where they see a link between a step in the Budget Cycle and the new budget forms. Some category of forms will be easily linked to the obvious Steps in the Cycle, such as BDR, BDC, BDD, ABS. Other categories, such as BSF, BM, BMP and BDO, will have to be more carefully explained. Encourage those participants who are more familiar with the forms to explain how the Forms are linked with the Budget Cycle. Refer participants to *HO 3-02 (Link of Form with Cycle)*. Tell the participants that in subsequent sessions there will be opportunities to review each category of forms in considerable detail.
  13. Tell the participants that thus far the session has focused on the "what, why and how" of the budget cycle. The next step is to find out who is responsible for managing the various tasks related to the budget cycle. Emphasize that since they are posted in the field, they probably know the answer to this. They will therefore have an opportunity to undertake a quick quiz titled 'Bujho to Jaane'.



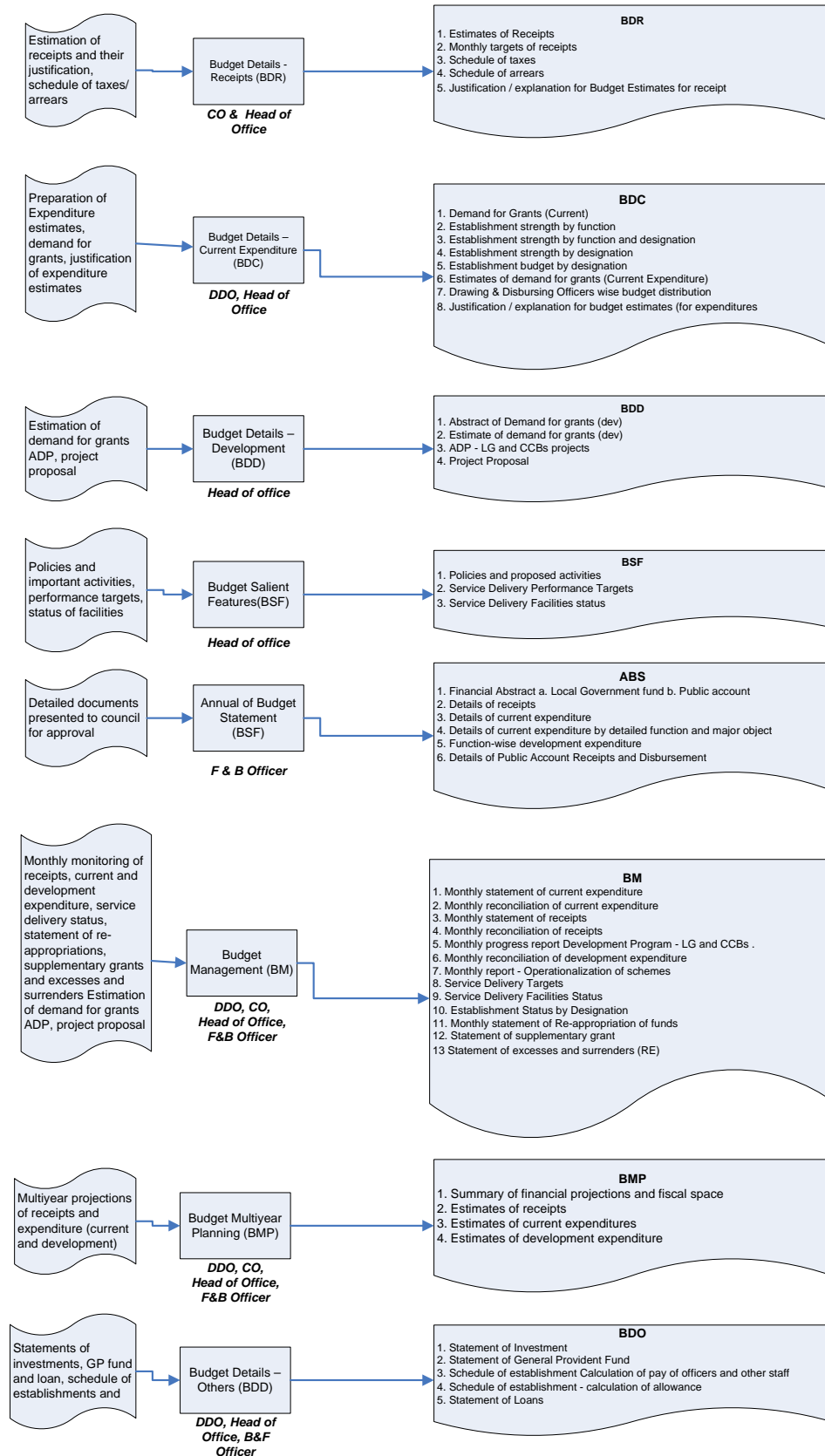
Refer participants to *WS 3-04 (Bujho to Jaane)*. Highlight that the exercise is one where various task descriptions are given. Participants are to identify the category of official that undertakes these tasks. The participant who completes this task first, with maximum correct answers, will receive a prize.

14. Give participants 10 minutes to complete the task. Identify those participants who complete the task first. Using *Slide 3-04 (Bujho-to-Jaane - Answer Sheet)*, discuss participants' responses for each cluster of responsibilities. Identify three participants who completed the task before others, and have maximum correct responses. Create some fun by awarding the prizes amidst participants' applause.
15. Conclude the session by reiterating the session objectives and asking for participants' feedback.



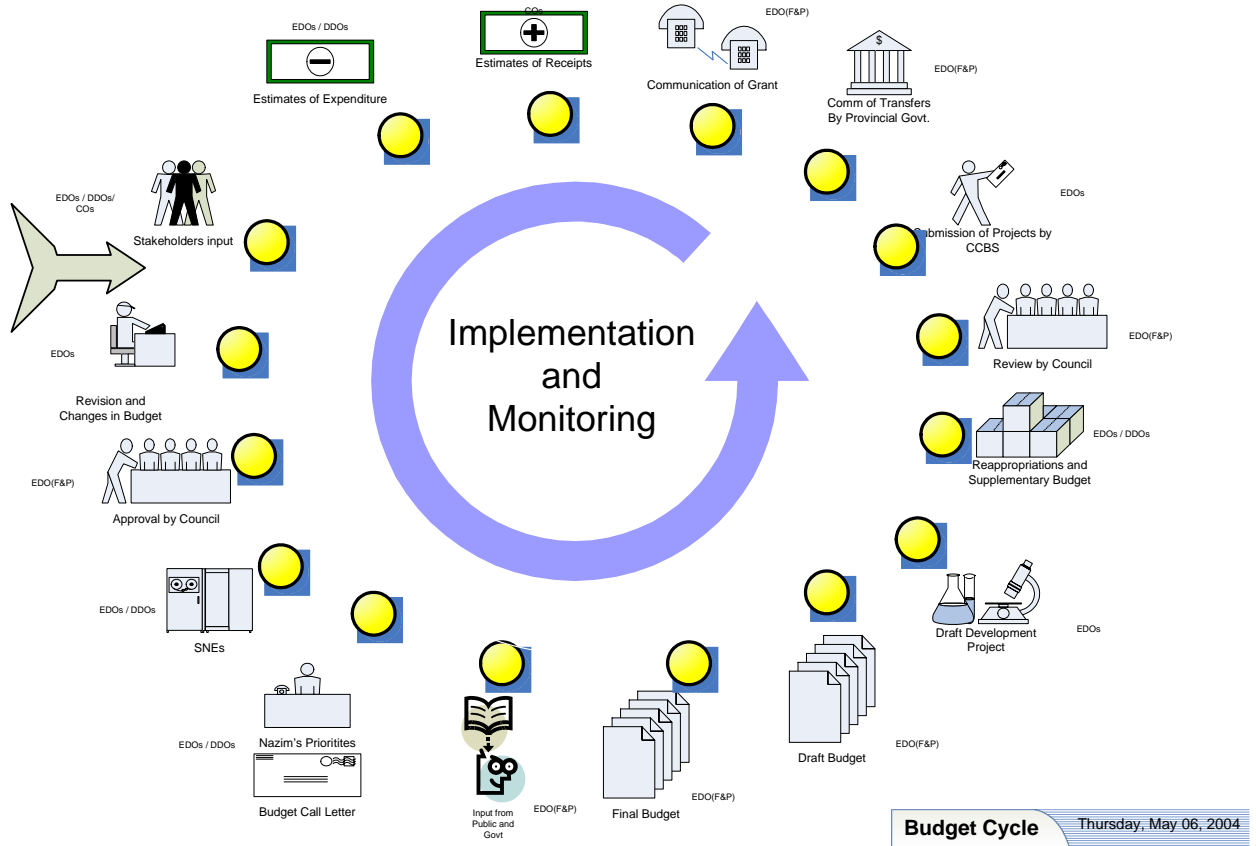


## Link of Form with Cycle





Scrambled Budget Cycle





WS 3-02

Time - 1 hour

## Group Instructions for Review of Budget Cycle

In your group, through a discussion that ensures participation of all members, complete the following 2 tasks on WS-03 (Matrix - Improving Steps):

- Task-1: Refer to the Sequenced Budget Cycle. List the rationale or logic for the steps (in column a), and given field realities, identify how these steps can be made more effective (in column b). Groups 1 & 2 to work on Steps 1-8; Groups 3 & 4 to work on Steps 8-16.
- Task-2: List the categories of forms (in column c) required at specific steps of the budget cycle.



WS 3-03

### Improving Steps of the Budget Cycle

		(a)	(b)	(c)
	Steps	Why this Step?	How to it More Effective?	Category of Forms
1	Insert steps from HO-01			
2				
3				
4				
5				
6				
7				
8				
9				
10				
11				
12				
13				
14				
15				
16				



## Bujho-to-Jaane

### 1. Function of \_\_\_\_\_

1. coordinate budgetary process for consolidation and preparation of the budget documents;
2. issue budget call letter after approval of the Nazim, which shall include-
3. examine and scrutinize the budget proposals;
4. compile and consolidate the Budget;
5. monitor receipts and expenditure.

### 2. Function of \_\_\_\_\_

1. ensure strict financial control;
2. ensure that funds allotted are spent on activities for which money was provided;
3. explain instance of excess or financial irregularity;
4. ensure internal controls are effectively applied;
5. coordinate with the Finance and Budget Officer.

### 3. Function of \_\_\_\_\_

1. prepare the estimates of receipts under his/her jurisdiction;
2. all matters relating to estimation, realization, and deposits of receipts;
3. reconciliation of receipts;
4. coordination with the concerned higher level officials.

### 4. Function of \_\_\_\_\_

1. prepares estimates of expenditure for the offices under his jurisdiction;
2. manage the incurring of expenditure as per rules;
3. coordinate with the concerned higher level officials;
4. monitor budget.



5. Function of \_\_\_\_\_

1. undertakes overall planning of development works;
2. monitor development projects;
3. consolidates Annual Development Programme.

6. Function of \_\_\_\_\_

1. responsible for resolving the audit paras relating to receipts and expenditure

7. Function of \_\_\_\_\_

1. monitor the budget during the financial year;
2. review the monthly financial reports including the accounts report submitted by Accounts Officer.
3. focus on the reconciliation of expenditure;
4. Hold head of offices responsible for issues relating to expenditure and receipts;
5. monitor receipts during the financial year.
6. focus on the reconciliation of receipts and realization of monthly targets.

8. Function of \_\_\_\_\_

1. approval of budget call letter
2. delivery of budget speech
3. authentication of authorized schedule of expenditures
4. interaction with stakeholders to assess their priorities
5. to provide the vision and set the development priorities
6. over see the preparation of development project proposals



## Budget cycle

Budget cycle starts with the issuance of call letter by Finance and Budget Officer on 1<sup>st</sup> September each year. This letter is finalized in consultation with relevant stakeholders which include councils, elected representatives, general public, women's organization, private sector, CCBs, District Mushavirat Committee, NGOs, CBOs, and other organizations.

The letter includes

- date-wise budget calendar;
  - instructions for preparing the budget;
  - forms to be used in the preparation of the budget; and
  - budget guidelines
1. On receipt of budget call letter, the COs review the Revenue Base prepare estimates of receipts expected to be collected in the ensuing year. These estimates are submitted to EDO (F&P) / TO(F).
  2. Similarly the DDOs prepare estimates of expenditures which are also submitted to EDO(F&P) / TO(F). The date for submission of estimate of receipts and expenditure to EDO (F&P) / TO(F) is 1st March.
  3. Simultaneous to estimation of receipts and expenditure, CCBs submit their schemes and prioritized list of development schemes by different offices is also submitted for inclusion in ADP.
  4. Also in the month of March, the statement of excesses and surrenders, revised estimate and supplementary budget is finalized.
  5. In the same month, the Statement of New Expenditure is finalized and the draft budget for the next year is finalized by Budget and Development Committee
  6. The draft budget prepared on receipt of estimates of transfers from provincial government is submitted to the Council on 1st of April.
  7. The proposals for current and development expenditure and receipts approved by the council are sent to provincial government for its input. Similarly the input of general public on these proposals is obtained. This process is completed in one month i.e. from 1st May to 1st June.
  8. Based on the input received from provincial government and general public, necessary amendments/revisions are made in the draft budget by the Budget and Development Committee in May and June.



9. Final budget is submitted to the council on the basis of final estimates of transfer from the provincial government in June.
10. The budget is discussed in the council and approved.
11. On approval of budget, the current budget grants are communicated to the concerned offices and the accounts offices.
12. The release of current budget to offices starts. Development releases are also made.

Sr. #	Activity	Target Date
1	Issue Call letter and guidelines to concerned offices.	September
2	i) Submission of Schemes by CCBs (Copy to Evaluation Committee of Council). ii) Submission of prioritized list of schemes by concerned offices along with Administrative Approval /technical sanction to Development Committee for inclusion in ADP.	1 <sup>st</sup> March
3	i) Excesses and Surrenders Statement ii) Revised Estimates and Supplementary Budget if required. iii) Statement of New Expenditure iv) Consolidation of draft Budget (current and Development) for next financial year. Finalization by Budget and Development Committee.	March
4	Submission of draft Budget to Council based on initial estimates provided by the Provincial Government.	1 <sup>st</sup> April
5	Review of Draft Budget by Council.	April
6	Input from Government and Public on the proposals agreed by the Council.	1 <sup>st</sup> May to 1 <sup>st</sup> June
7	Revisions and Changes by Head of Offices and Finalization by Budget and Development Committee.	May - June
8	Submission of final Budget to Council based on final estimates provided by the Provincial Government.	June
9	Approval of Final Budget by Council.	June
10	Communications of Current Budget Grants to concerned Offices and Accounts Offices.	July
11	Final Accounts previous year.	October



Budget calendar

The schedule of key dates or deadlines provided in Budget Rules 2003, which a local government follows in the preparation, approval and implementation of the annual budget

Instructions for preparing the budget

These are procedural guidelines conveyed to head of offices in the budget call letter for preparing estimates of receipts and expenditures(current and development). These are of technical nature and are mandatory for LG officials to follow for estimation of receipts and expenditures.

Forms to be used in the preparation of the budget; and

There are forty three forms which have been included in Budget Rules 2003 for providing information of receipts, expenditures, investments, salient features of budget, development schemes, budget management, ABS and multiyear planning. These forms are sent to different officers involved in budget making with the budget call letter

Budget guidelines

These are general guidelines included in the budget call letter. The policy of the local government, its vision, mission and priorities for different sectors are reflected in these guidelines.