



Session 4

Budget Call Letter - a Critical Beginning



Objectives

By The End Of The Session, Participants Will Be Able To.....

- Specify the critical processes involved in generating an effective Budget Call Letter;
- List the key components of a Budget Call Letter;
- Identify ways to make the Budget Call Letter a more meaningful exercise at the Local Government Level.



Duration

1.5 hours



Timing

1530 to 1700 hours



Methodology

Group Work; Individual Exercise; Plenary Discussion; Presentation



Material

Equipment **FLIP CHARTS
TRAINER'S NOTES
POSTERS
REFERENCE READING**

| Slides | Handouts (HO) | Worksheets (WS) | Reference Material (Ref) |
|--|---|--|---|
| 4-01 Functions of a Call Letter 4-02 Review and Consultation for Call Letter 4-03 Component of a Call Letter | 4-01 Why Budget Call Letter 4-02 Functions of a Call Letter 4-03 Review & Consultation for Call Letter 4-04 Components of a Budget Call Letter 4-05 Sample Budget Call Letter | 4-01 Quick Quiz on Budget Call Letter 4-02 Checklist for Reviewing Budget Call Letter 4-03 Review of District Malpur's Budget Call Letter - Group Work Instructions. | 4-01 Budget Call Letter - A Brief Description 4-02 Effective Budget Call Letter 4-03 Responding to Budget Call Letter |
| Other: • | | | |

**STEPS:**

1. Ask participants how they would define a Budget Call Letter. Encourage participants' responses, and note them on a flip chart. Referring to participants' responses, emphasize that the Budget Call essentially sets out the timing of events in the planning and budgeting process, the inputs required from other stakeholders by the budget desk to enable the desk to compile the local government Budget Framework and the information required by stakeholders to enable them prepare their input. The budget call is circulated to all the stakeholders involved in budget preparation. Ask participants to refer to *HO 4-01 (Why Budget Call Letter)*.
2. Use *Slide 4-01 (Functions of a Call Letter)* to highlight the functions served by a call letter. Ask participants to refer to *HO 4-02 (Functions of a Call Letter)* to highlight that a Call Letter:
 - Informs departments of the timing of key events in the planning and budgeting process and deadlines for submission of inputs to the process
 - Informs the stakeholders of any new elements in the budgeting process
 - Gives indicative sector ceilings and indicative planning figures on the basis of resource projections, draft recurrent and development transfer budgets
 - Provides minimum sector recurrent and development grant allocations to departments
 - Provides the percentage flexibility, cuts and cost savings as indicated in the policy
3. Tell participants that you would like to obtain some sense of what they already know about Budget Call Letter. Refer to *WS 4-01 (Quick Quiz on Budget Call Letter)*. Tell participants that this is a short 10-minute exercise Explain that the participants should carefully consider each statement, and rate it as either true or false based on certain logic. Tell them they have 10 minutes to complete the task.
4. Encourage participants to quickly complete the task. Once finished, process the exercise as follows, using the pretest Answer Sheet as guide:
 - Call out the statement and ask for the answer, i.e. true or false?
 - If there is no controversy among the participants as to how the statement has been rated, just ask one of them to reiterate the logic of their response.
 - If a statement has been rated as both true and false, generate a discussion amongst the participants, and be ready to present a logical argument for the suggested rating.

Hand out to participants *TN 4-01 (Answers to Quick Quiz - Budget Call Letter)*.

5. Remind the participants of the discussions in Session 2 where it was highlighted that the Budget Call Letter is based on extensive reviews and consultations. Highlight once again the consultative process for development of a Budget Call Letter by showing *Slide 4-02 (Review & Consultations for Call Letter)* and referring participants to *HO-03 (Review & Consultations for Call Letter)* explain:



- the way the provincial, local government and other stakeholders priorities are collated;
 - how the vision and priorities of the nazim is incorporated;
 - the kinds of stakeholders that are consulted during the process;
 - how one Budget Call Letter is developed and issued to all.
6. Using *Slide 4-03 (Components of a Budget Call Letter)*, highlight the four major sections of a Budget Call Letter. Refer participants to *HO 4-04 (Components of a Budget Call Letter)*. Explain each of the major components as follows:
- **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:** 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.
7. Tell the participants that there has been much reference about a Budget Call Letter. It is time to now interact with a sample of this document. Refer participants to *HO 4-05 (Sample Budget Call Letter - District Malpur)*. Tell them that they will have a chance to review the effectiveness of District Government Malpur's Budget Call Letter issued by EDO Finance & Planning (after approval from District Nazim). For this purpose they may use *WS 4-02 (Checklist for Reviewing Budget Call Letter)*.
8. Refer participants' to *WS-03 (Review of District Malpur's Budget Call Letter-Group Work Instructions)*. Briefly explain the task and divide participants into four groups. To avoid confusion and to expedite the process, form the groups in advance ensuring that balance in terms of district and TMAs representation, gender, subject matter knowledge and experience.
9. After 30 minutes, ask participants to return to the plenary. First ask each group to declare their verdict, noting it on a flip chart. An ideal situation that would elicit interesting debate and discussion is if two groups found the document



comprehensive, and two found it wanting. However, if all four groups declare a common verdict, the facilitator must play the devil's advocate.

10. Ask the groups to one-by-one present their arguments. Ensure that the presentations do not exceed the stipulated 5 minutes. To capture participants' comments, pre-prepare two flip charts, one titled: 'strengths of District Malpur's BCL' and the other titled 'limitations of District Malpur's BCL'. Note the groups' comments on the relevant chart. Ask participants whether they noticed any difference with regard to the policy guidelines for Agriculture and Education. Highlight that for these two sectors the current problems have been identified as well as the objectives and possible actions.
11. Ask the participants how many of them have seen the Call Letter issued this year by their respective local government? Ask them how they would rate that Call Letter, and why? Emphasize that the participants now have a Checklist that can assist them in creating or contributing to the development of a BCL, as well as in rating the effectiveness of those that they receive.
12. Remind participants of the significance of the BCL. Reiterate that a weak 'Call Letter', developed through a defective or inadequate process, can compromise the entire budgeting process. Tell the participants that they, as clients of the Call Letter, must demand more quality, thus making more accountable those responsible for its development.



Why Budget Call Letter?

The Budget Call Letter heralds the formal beginning of the Budget Cycle

Budget Call essentially sets out the timing of events in the planning and budgeting process, the inputs required from other stakeholders by the budget desk to enable the desk to compile the local government Budget Framework and the information required by stakeholders to enable them prepare their input. The budget call is circulated to all the stakeholders involved in budget preparation.

Additionally:

1. The BCL is a legal requirement as per Budget Rules 2003.
2. It provides a vision and direction and a macro perspective that would be common to all key players, thereby anchoring everyone to the same "STAR".
3. It provides specific information for some of the critical steps of the budget cycle.

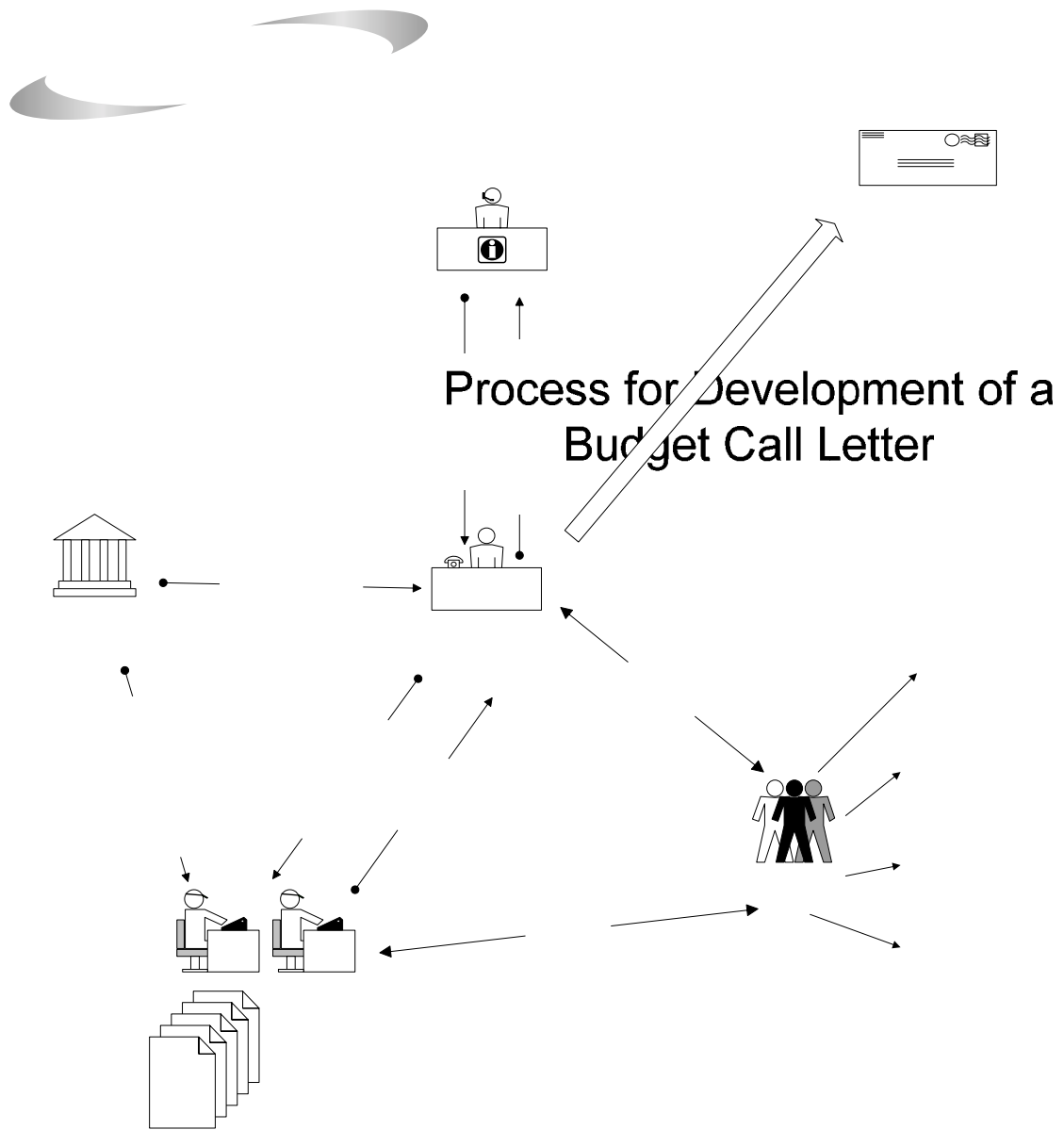


Functions of a Call Letter

- Informs departments of the timing of key events in the planning and budgeting process and deadlines for submission of inputs to the process
- Informs the stakeholders of any new elements in the budgeting process
- Gives indicative sector ceilings and indicative planning figures on the basis of resource projections, draft recurrent and development transfer budgets
- Provides minimum sector recurrent and development grant allocations to departments
- Provides the percentage flexibility, cuts and cost savings as indicated in the policy



Review and Consultation for Call Letter



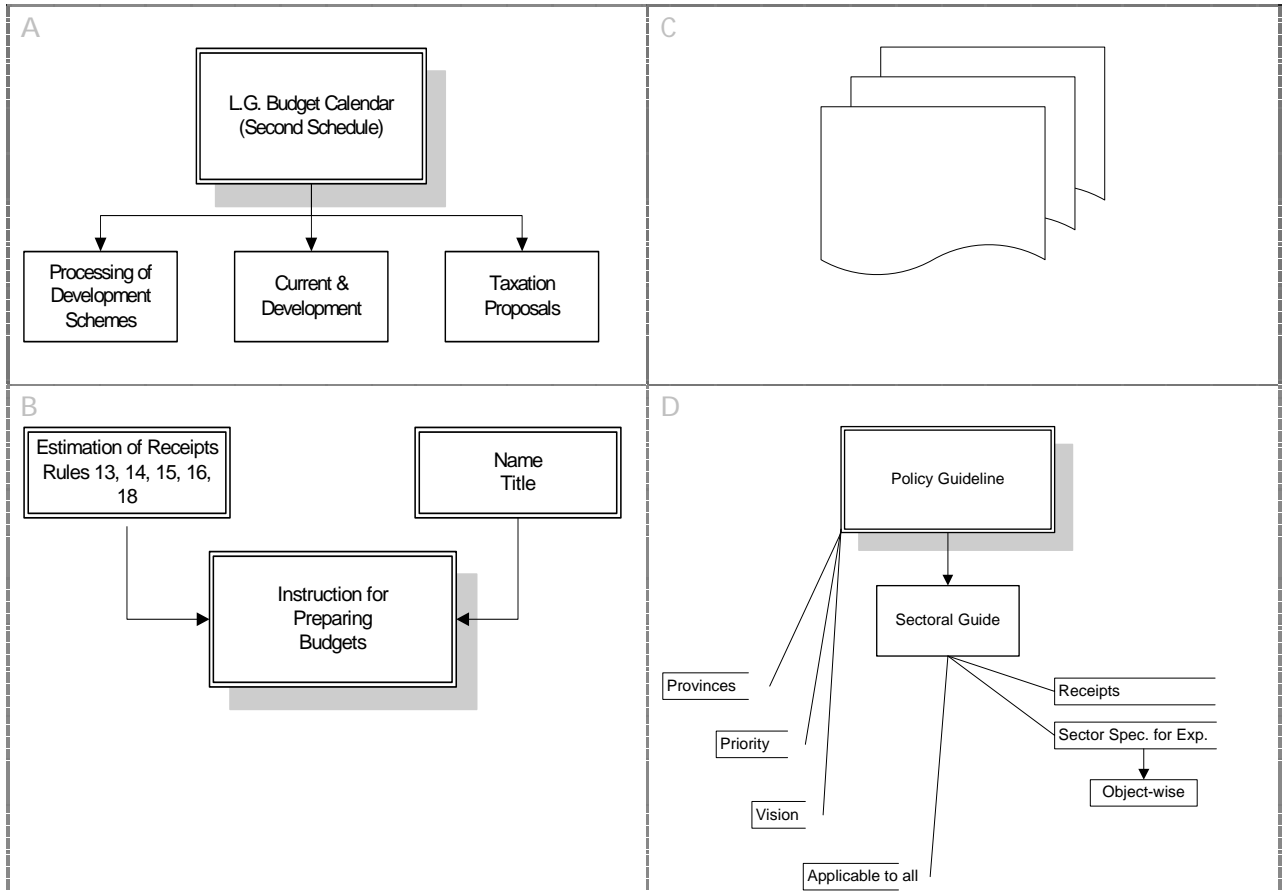
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Provincial Government

Resource Availability



Components of Budget Call Letter





From

The Executive District Officer,
Finance and Planning,
Malpur

To

All Executive District Officers,
District Government, Malpur

Memo No.EDO(F&P)/ _____

Dated. _____

Subject:- **BUDGET CALL LETTER.**

I am to state here that the Zila Nazim has approved the policy guide lines for the Budget estimates 2004-2005, keeping in view the suggestions and proposals received during the consultative process with Zila Council, CCBs, NGOs, and District Mushavirat Committee etc. All the Executive District Officers are required to submit their budgetary proposals as per Budget calendar (second schedule- Budget Rules).

2. All the Executive District Officers should clearly demonstrate a tangible relationship of budgetary demands with the policies and guide lines of the Zila Nazim and the mission statement of the District Government Malpur. For ready reference it is being re-produced here as under:-

“Establishment of an efficient, effective and accountable District Government which is responsive towards people’s needs, committed to poverty reduction and capable of meeting challenges of 21st century”.

3. Each Executive District Officer is also required to be fully cognizant of the priorities and programmes of the Provincial government in his sector and he must envisage all expected financial cost and likely receipts for such operations.

**Executive District Officer(F&P)
District Government Malpur**



General Guidelines for Heads of Offices

Head of Offices should consider the following points when preparing budget estimates:

1. Does the base budget allow the department to continue providing services at the current level?
2. Is there adequate funding for the service level proposed?
3. Have price changes, inflation, salary increases, etc., been taken into account?
4. Does the proposed service level justify the budget request?
5. Are resources being put to the best use, or can money be used better in another program?
6. Can costs be reduced by performing existing services in more efficient ways?
7. Is the department organized so as to prevent duplication of work?
8. If there isn't enough money to fund all services, which should be eliminated first?
9. Is the budget underestimated or overestimated?
10. Is there an opportunity to raise additional revenues, change user fees or introduce new revenue sources?
11. Do the proposed capital outlay requests coincide with the long range objectives of the local government?



Policy Guidelines

Receipts

District Government Malpur is heavily dependent on transfers from provincial government; almost 80% of the total resources are being met from this source. Sustainability of local government system to a great extent depends on availability of fiscal resources to local governments to fulfill their obligations and deliver basic services to local population.

Although Provincial Finance Commission has ensured that resources are transferred to local governments in a transparent manner, the transfers however, for a district government which has multiple needs, like Malpur, are not sufficient to meet all service delivery requirements.

This necessitates that the district government should raise its own revenues to meet its current and development expenditures. Under the LGO 2001 a number of items have been provided to local governments for generating revenues. The important thing is to fully utilize the existing sources of revenues.

District Government Malpur can increase its own source revenues for providing additional allocations for its development program by:

- Carefully reviewing the revenue bases for all taxes and checking if:
 - Untapped sources of revenues have been fully explored
 - Existing sources of revenues have been fully exploited either by changes in existing rates or extending the revenue net.

Specific Guidelines

1. All the EDOs are required to nominate collecting officers for estimation of all kinds of receipts due to the District Government under section 107 of Local Government Ordinance.
2. Receipts estimates should be updated by timely and accurate revenue base surveys.
3. Each EDO should strictly follow the time schedule and formats provided in the budget rules (second schedule) for finalization of revenue mobilization proposals.
4. All the legal and codal formalities under taxation rules, collection of auctioning rights rules, must be completed well before the start of the financial year so that receipt targets of the year may be fully achieved.
5. Receipt estimation forms under the budget rules [BDR 1-5, BDO (1-2 & 5) BM(3 & 4), BMP(2)] must be carefully scrutinized by all the controlling officers / EDOs.
6. Instructions contained in rule 13 of budget rules must be followed by all the collecting officers.



Expenditure

The expenditures of district government are heavily tied up in establishment costs of its various departments. In estimating current expenditure for ensuing year, the normal practice has been to provide increments over current year's allocations. This, though necessary in some cases where salary payments to permanent establishment are made, is not the most effective of ways to estimate expenditure. This not only results in overestimation of expenditures but also causes waste of resources. Effective expenditure estimation requires each department to formulate policy parameters for efficient consumption of available economic resources.

Head of Offices should estimate expenditure effectively and efficiently through proper Action Plan, envisaged in Local Government Budget Rules, 2003 to allocate additional funds made available as a result, development program.

Specific Guidelines

- Estimation of expenditure may be made only for the functions assigned to the District Government under the Punjab District Government Rules of Business, 2001;
- Provisions may be made to liquidate validly accrued liabilities of the previous years;
- The posts proposed to be abolished may be identified and the procedural formalities may be completed for their abolishment.
- While preparing estimates of expenditure, every drawing and disbursing officers and all others connected with the process of review and consolidation of the budget proposals may exercise such measure of economy and carefulness as they would exercise in respect of budgeting their own money;
- The officers responsible for field inspections may be given allocations to ensure that they are able to move with as much frequency as is required under the relevant rules or policy instructions. Likewise allocations for logistics of the officers having no or little field duties may be revised accordingly;
- The increases in pay and allowances / pension announced by the Provincial Government may be followed while preparing the budget estimates;
- Provision may be made for leave-salary.
- Many areas of economic activities (i.e functions performed by offices) and the nature of expenditure (i.e. Object heads) are not presently governed by any approved Bye-laws and policy. The EDOs may endeavor to formulate policies in this regard and get them approved from Zila Council.
- Instructions contained in Rule 20, 22, and 29 should be strictly followed while framing estimates of recurrent and new expenditures.
- Charged expenditure as defined in section 110 of PLGO 2001 be estimated by respective DDOs separately, and provided in budgetary allocations.
- Proposed expenditure for conditional grants may be estimated in accordance with the agreed terms and conditions and no deviations should be estimated from the express purpose and authorization of expenditure.
- Chart of classification of receipts as prescribed in the Local Government Accounts Manual should be adhered.



Development

Specific Guidelines

1. Elected representatives must be consulted in the process of identification of development projects. Schemes / projects identified / approved by council members should be given priority over other projects.
2. No multi-year development proposal may be made except a proposal involving expenditure in not more than two budget years.
3. The Directives received from the President, the Prime Minister, the Governor, the Chief Minister regarding developmental and non-developmental activities must be given due consideration while formulation of budget proposals if these are technically and financially viable.
4. Necessary proposals may be prepared to up-date and enhance the skills of the employees working under the District Government;
5. Buildings may be constructed for all offices presently housed in rented buildings during the budget year;
6. Inventory of capital assets be prepared and assets management plan be prepared by each EDO as a source of revenue mobilization.
7. While formulating development proposals, adequate data should be compiled to show several criteria, including.
 - Degree of urgency of project.
 - Benefits derived from the project.
 - Cost and financial impact of the project.
 - Acceptability to the local constituency.
8. Preparation of Development Budget Estimates (ADP or multi year planning) will be carried in accordance with provisions contained in Rules 39,40,41,42, 43,44,45,46 of Budget Rules. Proformas and formats to be used are (BDD1-4) BM(6-7,8,9) and BMD(3,4).



Guidelines Specific to Group of Offices

Coordination

- a) Arrangements may be made for issuance of the official gazette of the District in the budget year 2004-05 and its regular publication in the subsequent years. For this purpose, necessary procedural formalities may be completed and byelaws framed and get approved to ensure its compilation, printing and distribution on regular basis.
- b) An electronic database of the employees working under the District Government may be prepared and identity cards be issued to the employees working under the District Government. This exercise may be completed in the budget year 2004-05.
- c) Adequate resources may be placed at the disposal of the Civil Defence Department to enable it to discharge its duties in emergencies.
- d) Adequate funding arrangements shall be ensured for smooth and efficient working Zila Nazim's Office.
- e) Adequate resources may be provided to complaint cell established at Zila Nazim's office.

Agriculture

Recent researches, conducted in the district, on agricultural practices point towards considerable land degradation. Human activities contributing to such degradation include unsuitable agricultural land use, poor soil and water management practices, dwindling practices of agro-forestation, frequent use of heavy machinery, improper crop rotation, and inappropriate - to some extent reckless use of agricultural chemicals. As a result, the livelihood options for local farmers are rapidly vanishing. This has caused several social problems such as migration of workforce to either cities or faraway places creating misbalance in the socio-culture web of the community. In addition, an alarming trend, observed as a recent phenomenon are the cases of suicides committed by those who were desperate in terms of ensuring the livelihood security for their families.

Objectives:

In order to address the above, following immediate objectives have been identified by the district government:

- o to halt and reverse the land degradation at a sustainable basis
 - o to assist local farmers in improvement of agricultural practices
 - o to ensure the livelihood security for local farmers
- a. Adequate number of laser land levelers may be procured and be made available to the farmers of the District on payment of such reasonable fee as may be determined by the Zila Council;
 - b. The EDO agriculture should ensure that expenditure estimation contains provisions for:



- renovation/rehabilitation of watercourses
 - promotion of Irrigation Agronomy activities i.e. LASER technology, Furrow-Bed Irrigation system, Zero Tillage technology
- c. Provisions may be made for strengthen of extension wing in order to devise and monitor a comprehensive plan for training of local farmers:
- for environmentally sound management of irrigation schemes available in the district
 - environmental impacts of extensively used pesticides and fertilizers;
 - use of organic pest control techniques

Community Development

- a. Institutionalized arrangements be made to functionalize as many Citizen Community Boards as may be possible so as to make possible utilization of allocations for the Citizen Community Boards during the budget year;
- b. Adequate organizational capability be developed to ensure that the practice of under-measuring and under-weighting is reduced to the extent possible;
- c. Schemes be prepared for procurement and distribution of sewing machines to the widows and poor women to be identified by women members of the Zila Council during the budget year.
- d. Feasibility study be carried out in one model village to bring all cultivated land under one co-operative to get optimum production through modern agriculture means.
- e. Skill development schemes of poor women may be conceived and financed for socio-economic uplift of women,

Education

Like all rural districts of Pakistan, District Malpur also lags behind in terms of education quality and enrolment rates of school age children. A predominant issue is that of girls' education. The shocking realities are that the literacy rate for women in the district is only 24.8%, and the drop out rate of school age girls' is 74.3% (at primary and elementary level).

Objectives:

In order to address the above, the district has identified following objectives:

- a. to enhance the opportunity for girls to access primary education;
- b. to provide conducive school environment for girls
- c. to undertake financially enabling measures to encourage parents for girls' education

Guidelines:

- d. provisions should be made to increase the number of primary schools in the districts from 15 to 22 during the forthcoming year;
- e. EdO Education should ensure that the expenditure estimation should include the improvements in existing infrastructure of girls' schools (e.g. Toilets & Sanitation, Boundary Wall, Furniture, additional Classrooms, Major Repair



- (Dilapidated Buildings), Science Demonstration Kits for Primary & Middle Level, Science Rooms for General Science for Class 6,7 & 8, Library Rooms with Furniture and Books, Up-Gradation of Primary Schools to Middle School
- f. In accordance with the policy adopted by the Government of Punjab, it should be ensured that provisions are made to financially supplement the needy students
 - g. In accordance with the provincial education policy, all new development projects should apply the policy of positive reinforcements towards schemes related to improvement of girls' education

Finance and Planning

- a. Schemes be prepared for capacity-building of the concerned officers of the District Government in accounting, budgeting, auditing, development planning, financial management etc;
- b. A software be got developed to facilitate the concerned officers of the District Government in accounting, budgeting, auditing, development planning, financial management etc;
- c. A plan be prepared for organizing a big industrial exhibition each year in the District;
- d. Provision be made for printing and distribution of annual accounting reports and other reports and it be ensured that these reports are accessible to the citizens;
- e. Provisions be made for printing of District Development directory.
- f. Provisions be made to carry out base line surveys for poverty assessment.

Health

- a. Residential accommodations for the staff may be got built where required;
- b. Medicines and other surgical goods required for use in emergencies may be made available in the health care facilities maintained by the District Government in such quantity that no patient is required to purchase medicines and surgical goods within 24 hours of his / her admittance in the health care facility;
- c. Necessary diagnostic and other instruments may be kept in operational form and where not available, the same may be procured and installed;
- d. Special campaigns be planned during the budget year to check adulteration of food stuff and medicines;
- e. At least five maternity and child health centers be established in the budget year.
- f. Budget provisions may be made for polio and other health related campaigns.

Information Technology

- g. A core team of trainers may be trained in computer skills in all departments of the District Government;
- h. A scheme may be prepared to launch official web site of the District Government and develop standing operating procedures for its continuous updation and put in place the requisite infrastructure.
- i. Scheme be prepared for net working of Zila Nazim – DCO and EDOs offices.



- j. Scheme be prepared to up date Zila Council Computer Center.

Law

- a) A compendium of byelaws framed by the Zila Council, Malpur may be prepared, got printed and circulated during the budget year;
- b) The byelaws required to be made by the Zila Council, Malpur to give effect to the Punjab Local Government Ordinance, 2001 or rules framed under it but not yet prepared or approved by the Zila Council may be got prepared and approved during the budget year.

Literacy

- a) Special literacy campaigns may be launched in Kachi Abadies during the budget year. Food, books and uniforms may be provided to the students participating in the campaigns;
- b) Special audio-visual aids may either be procured or got prepared to promote adult literacy.
- c) Five union councils with lowest literacy rates be targeted this year to achieve 100% literacy rate in the area.
- d) District plan of action for "Education for all" be prepared and approved by Zila Council, and adequate recourses be allocated to achieve the desired targets of net primary enrolment during the next financial year.

Revenue

- a) Provision be made to improve the revenue record rooms, if found necessary, schemes be prepared for construction of new record rooms on modern lines.
- b) 100% recovery of all previous arrears of district fund (including local rate) be ensured.
- c) Timely execution of all contracts be ensured to realize full potential of all district government receipts.
- d) Adequate resources be reserved for timely completion of revenue base surveys to have an exact estimation of district receipts.
- e) Adequate funding be ensured to meet law charges for disputed state land cases pending in different courts.

Works and Services

- a. Special repairs of educational and health facilities may be undertaken wherever required;
- b. The existing road infrastructure may be maintained properly to prevent its deterioration:
- c. It may be ensured that every village in the District has a road. For this purpose, a comprehensive survey of the District may be undertaken and a phased master plan may be prepared.
- d. Sufficient funds be allocated to repair government residences including rest houses.
- e. Provisions be made for an effective district testing laboratory for works.
- f. Adequate funds be allocated for repair and purchase of machinery, stores and capital goods for the district government.



- g. Budget provisions be made to launch awareness campaigns for environmental protection and preservation.

Council Officer

- a. Council officer should prepare budgetary estimates for providing support to the offices of district monitoring committees.
- b. Provisions be made for honoraria and TA/DA of council members.



Forms To Be Used For Estimation of Expenditure

The forms prescribed in the Punjab District Government and Tehsil Municipal Administration (Budget) Rules, 2003 shall be used to prepare estimates of expenditure in accordance with the directions contained in the said rules and the guidelines given above.

Plain papers will be used if any information is intended to be given but no space or appropriate column exists in the prescribed forms.

Chart of Classification

The chart of classification prescribed in the Local Government Accounts Manual circulated by the Controller General of Accounts in October 2003 will be followed in preparation of estimates of expenditure / receipts.



Specific Instructions for Object-Wise Estimation of Expenditure

| # | Item of expenditure | Guidance for preparation of budget estimates |
|---|--|---|
| 1 | <p><u>Establishment Charges</u> <u>PAY</u> Major Object 00000-Establishment Charges Minor Object 01000-Pay Detailed Object 01100-Pay of Officers 01101-Basic Pay of Officers 01102-Personal Pay of Officers 01103-Special Pay of Officers 01104-Technical Pay of Officers 01105-Indexed Pay of Officers 01107-Pay of Contract Employees 01199-Others 01200-Pay of other staff 01201-Basic Pay of other staff 01202-Personal Pay of other staff 01203-Special Pay of other staff 01204-Good conduct Pay of other staff 01205-Indexed Pay of other staff 01207-Pay of Contract Employees 01299-Others</p> | <ol style="list-style-type: none"> 1. Nominal rolls may be prepared and provision may be made for all sanctioned posts; 2. The rules regarding pay applicable to the employees of the Government of the Punjab shall also be applicable to the employees getting pay from the District Fund; 3. For calculation of actuals, the following may be given due consideration: <ul style="list-style-type: none"> ❖ Actual of first four months of current year; ❖ Actual of last eight months of last year; ❖ Twelve months' actual of last three year; and ❖ Orders issued or proposed to be issued regarding appropriation or re-appropriation within the grant, new items of expenditure sanctioned through supplementary grant and surrenders within the grant. |
| 2 | <p><u>REGULAR ALLOWANCES</u> Major Object 00000-Establishment Charges Minor Object 02000-Regular Allowances Detailed Object 02100-Senior Post Allowance 02200-House Rent Allowance 02300-Conveyance Allowance 02500-Dearness Allowance 02700-Washing Allowance 02800-Dress Allowance 02900-Other Regular Allowances 02906-Qualification Allowance 02907-Medical Allowance 02908-Fixed contingent / Stationery Allowance 02912-Hardship Allowance 02914-Entertainment Allowance 02936-Special Additional Allowance 02939-Risk Allowance.</p> | <p>The expenditure on allowances may be estimated keeping in view the rates of allowances, entitlement of the employees to receive the allowances and any other conditions applicable in respect of each allowance. The restrictions and prohibitions, if any, imposed by the Provincial Government may be followed strictly.</p> |
| 3 | <p><u>OTHER ALLOWANCES</u> Major Object 00000-Establishment Charges Minor Object 03000-Other Allowances (Excluding T.A)</p> | <p>In addition to following instructions given against serial number 2, the following instructions may be kept in view:</p> |



| # | Item of expenditure | Guidance for preparation of budget estimates |
|---|---|---|
| | Detailed Object 03100-Overtime Allowance 03200-Night -duty Allowance 03300-Honouriara 03400-Medical Charges 03500-Rest and Recreation Allowance 03600-Outfit Allowance 03700-Contingent-paid staff 03800-Leave Salary 03900-Other Allowances 03910-Extra duty Allowance | <ul style="list-style-type: none"> ❖ Provision of honoraria may be made and an objective criteria be devised for award of honoraria; ❖ Provision may be made for leave salary; ❖ Adequate provision may be made for medical charges. ❖ Proposals for contingent-paid staff may be reviewed with particular jealousy and may be approved in very rare case. |
| 4 | <u>PURCHASE OF DURABLE GOODS</u> Major Object 10000-Purchase of Durable Goods Minor Object 11000-Transport 12000-Machinery and equipment 13000-Furniture and Fixtures 14000-Livestock 19000-Others | Durable goods may be purchased only if these are necessarily required to achieve the objectives of the entity. No proposal for purchase of staff cars may be processed without prior approval of the Nazim. However, proposals for purchase of ambulances, machinery and equipment and furniture may be prepared keeping in view the merits of each case. Proposals for purchase of computers will be given preference. |
| 5 | <u>FEASIBILITY STUDIES</u> Major Object 20000-Pre-investment Project Analysis Minor Object 21000-Feasibilitiy Studies | Feasibility studies must be undertaken for all projects costing five million rupees or more. The studies will be conducted by officers working under the District. Assistance from others can be sought only if permitted by the Government of the Punjab. |
| 6 | <u>CONSTRUCTION OF WORKS</u> Major Object 30000-Construction of Works Minor Object 31000-Roads, Highways and Bridges Detailed Object 31100-National Highways 31200-Other Highways / Roads 31300-Bridges of national importance 31400-Other bridges Major Object 30000-Construction of Works Minor Object 34000-Buildings and structures Detailed Object 34100-Office Buildings 34200-Residential Buildings 34300-Other Buildings 34400-Structures 34900-Others 36300-Consultants Services and Training | Composite Schedule of Rates as applicable at the time of preparation of PC-I or the rough cost estimates along with premiums allowed on different items from time to time may be taken as basis of formulation of budget proposals of expenditure. In formulation of proposals for construction of works, policy guidelines of the Zila Nazim may be kept in view. |
| 7 | <u>REPAIR AND MAINTENANCE OF DURABLE GOODS AND WORKS</u> Major Object 40000-Repair & Maintenance of Durable Goods and Works Minor Object 41000-Transort 42000-Machinery & Equipment | In addition to the guidelines contained against serial number 6, the following may be kept in view: <ul style="list-style-type: none"> ➤ Adequate provision may be made to protect existing assets and infrastructure from deterioration: ➤ Health care facilities, educational |



| # | Item of expenditure | Guidance for preparation of budget estimates |
|----|---|---|
| | 43000-Furniture and Fixtures 44000-Buildings and Structures Detailed Object 34100-Office Buildings 44200-Residential Buildings 444000-Structures 44900-Others Minor Object 47000-Roads, Highways and Bridges Detailed Object 47100-National Highways 47200-Other Highways / Roads 47300-Bridges of National Importance 47900-Other Bridges | institutions and roads may be given preferential treatment in allocation of resources for special repairs. |
| 8 | <p><u>COMMODITIES AND SERVICES----</u> <u>TRANSPORTATION</u></p> Major Object 50000-Commidities and Services Minor Object 51000-Transportation Detailed Object 51100-Travelling Allowances 51101-Travelling Allowances-Government Servants 51102-Travelling Allowances-Other than Government Servants 51200-Transportation of Goods (Freight, cartage and coolly charges 51300-POL charges, Aero planes, Helicopters, staff cars, motor cycles etc. 51400-Conyeance Charges 51900-Others | While formulation of budget proposals regarding POL and traveling allowance, the rates of POL, the nature of duties of the officers and officials, frequency of field visits, number of vehicles, fuel consumption efficiency of the vehicles, frequency of transfers of employees requiring payment of transfer TA, fares of buses, rail and aircraft, rates of traveling allowance, actuals of previous years may be given due consideration. |
| 9 | <p><u>COMMODITIES AND SERVICES----</u> <u>COMMUNICATION</u></p> Major Object 50000-Commidities and Services Minor Object 52000-Communication Detailed Object 52100-Postage and Telegraph 52200-Telephone and trunk calls 52300-Telex and Teleprinter 52400-Courier and Pilot Services 52900-Others | While preparing budget estimates, the quantity of letters etc to be issued by the drawing and disbursing officer, rates of service stamps, number and frequency of contacts to be made through telephone and other relevant factors may be taken into consideration. |
| 10 | <p><u>COMMODITIES AND SERVICES----</u> <u>UTILITIES</u></p> Major Object 50000-Commidities and Services Minor Object 53000-Utilities Detailed Object 53100-Gas 53200-Water 53300-Electicity 53400-Hot and cold weather charges | The rates of utilities, annual consumption of electricity and gas based on the use of appliances, actuals of past years, and trend of increase / decrease in prices of utilities may be kept in view. Since economy in consumption of electricity can result into substantial savings, therefore, officers must scrutinize estimates of expenditure for electricity with utmost care and must also |



| # | Item of expenditure | Guidance for preparation of budget estimates |
|----|---|---|
| | 53900-Others | economize on the consumption of electricity. |
| 11 | <p><u>COMMODITIES AND SERVICES----</u> OTHERS</p> <p>Minor Object 54000-Office stationery Minor Object 55000-Printing and Publication Minor Object 56000-Newspapers, Periodicals and Books Minor Object 57000-Uniform and Liveries Minor Object 58000-Rent, Royalties, Rates and Taxes Detailed Object 58100-Rent for Office Buildings 58200-Rent for Residential Buildings 58300-Rent for Other Buildings 58400-Rent other than Buildings 58500-Royalties 58600-Rates and Taxes 58900-Others 58901-Rent of machine/equipment Major Object 50000-Commodities and Services Minor Object 59000-Other expenditure on commodities and services Detailed Object 59100-Payments to Government Departments for services rendered 59300-Law Charges 59400-Fairs, Exhibitions and Other National Celebrations 59500-Publicity and Advertisement Charges 59600-Payments to others for services rendered 59800-Cost of other stores 59802-Unforseen expenditure for disaster preparedness and relief 59804-Expenditure on security of VIPs 59808-Purchase of Drugs and Medicines 59900-Others 59977-Foreign/Inland Training Course Fee</p> | <p>Budget estimates of expenditure on other items falling within the category of Commodities and Services may be prepared keeping in view the requirements of the drawing and disbursing officers ascertained on the basis of an objective and scientific criteria. Liberal provisions may be made for purchase of newspapers, periodicals and books for educational institutions. Rent of buildings may be estimated in accordance with the rates given in the contracts under which buildings have been acquired. The estimates for purchase of other stores may be prepared in accordance with the policy guidelines of the Zila Nazim with respect to provision of medicines and surgical goods to patients in emergencies. The DCO may estimate expenditure on the visit of the VIPs. The Civil Defence Department may prepare estimates of unforeseen expenditure for disaster preparedness and relief.</p> |
| 12 | <p><u>TRANSFER PAYMENTS</u></p> <p>Major Object 60000-Transfer Payments Minor Object 61000-Interest Detailed Object 61100-Permanent Debt (Domestic)</p> | <p>In respect of merit scholarships and awards, the policy guidelines of the Zila Nazim may be followed. Provision may be made for award of "Performance Incentive Bonuses".</p> |



Quick Quiz on Budget Call Letter

Rate the following statements as true or false:

| Sr. | Statements | True | False |
|------------|--|------|-------|
| I | Components of a Call Letter | | |
| 1 | Budget Calendar is not sent with the budget call letter | | |
| 2 | Forms for preparing budget estimates are enclosed with the budget call letter | | |
| 3 | The policy of a local government is communicated through general guidelines included in the budget call letter | | |
| 4 | Instructions for preparing budget is conveyed to head of offices after the issuance of budget call letter | | |
| 5 | Instructions for preparing budget are given in budget call letter | | |
| II | Process of developing a budget call letter | | |
| 6 | Local needs are not completely disregarded while formulating a budget call letter | | |
| 7 | Consultations with stakeholders is not required in preparing a budget call letter | | |
| 8 | EDO(Health) and TO(I &S) issue budget call letter for their respective local governments | | |
| 9 | District Muhavirat Committee, Women's organizations should be consulted by EDOs while formulating sector specific plans | | |
| 10 | Nazim's policy and priorities are not given any place in budget call letter | | |
| 11 | Budget call letter is issued by EDO(F&P) in January every year | | |
| 12 | Budget Cycle commences with the issuance of Budget Call letter by Finance & Budget Officer | | |
| 13 | Nazim's approval is not required before sending the budget call letter | | |
| III | Significance of Budget Call letter | | |
| 14 | An effective call letter does not reflect the priorities of Provincial, Local Government and other stakeholders | | |
| 15 | Receipts and expenditure can be estimated with greater accuracy if sectoral policies for ensuing year are included in Budget Call Letter | | |
| 16 | Budget call letter results in timely preparation of budget by local governments. | | |
| 17 | Policy of local government is not communicated through budget call letter | | |



Answers to Quick Quiz - Budget Call Letter

| Sr. | Statements | True | False |
|------------|--|------|-------|
| I | Components of a Call Letter | | |
| 1 | Budget Calendar is not sent with the budget call letter | | F |
| 2 | Forms for preparing budget estimates are enclosed with the budget call letter | T | |
| 3 | The policy of a local government is communicated through general guidelines included in the budget call letter | T | |
| 4 | Instructions for preparing budget is conveyed to head of offices after the issuance of budget call letter | | F |
| 5 | Instructions for preparing budget are given in budget call letter | T | |
| II | Process of developing a budget call letter | | |
| 6 | Local needs are not completely disregarded while formulating a budget call letter | T | |
| 7 | Consultations with stakeholders is not required in preparing a budget call letter | | F |
| 8 | EDO(Health) and TO(I&S) issue budget call letter for their respective local governments | | F |
| 9 | District Muhavirat Committee, Women's organizations should be consulted by EDOs while formulating sector specific plans | T | |
| 10 | Nazim's policy and priorities are not given any place in budget call letter | | F |
| 11 | Budget call letter is issued by EDO(F&P) in January every year | | F |
| 12 | Budget Cycle commences with the issuance of Budget Call letter by Finance & Budget Officer | | F |
| 13 | Nazim's approval is not required before sending the budget call letter | | F |
| III | Significance of Budget Call letter | | |
| 14 | An effective call letter does not reflect the priorities of Provincial, Local Government and other stakeholders | | F |
| 15 | Receipts and expenditure can be estimated with greater accuracy if sectoral policies for ensuing year are included in Budget Call Letter | T | |
| 16 | Budget call letter results in timely preparation of budget by local governments. | T | |



Checklist for Reviewing Effectiveness of a Budget Call Letter

| Strategic | Yes | No |
|---|-----|----|
| Does the Budget Call letter contain the following? | | |
| ▪ Vision and Mission Statement of the Local Government | | |
| ▪ Provincial Policies in different sectors | | |
| ▪ Nazim's policy and priorities for ensuing financial year for the following: | | |
| a) Receipts | | |
| b) Expenditures | | |
| c) Development Program | | |
| CCB and Non-CCB Program | | |
| ▪ Indication of resources available for ensuring year | | |
| ▪ Need for resource mobilization | | |

| Receipts | Yes | No |
|---|-----|----|
| Does the Budget Call letter provide information on the following? | | |
| ▪ Nomination of Collecting Officer for receipts | | |
| ▪ Review of performance in receipt collection | | |
| ▪ Proposals for resource generation | | |
| a) New Tax Proposals | | |
| b) Change in existing Taxes / Rates / Fees | | |
| c) Revenue Base Survey | | |
| ▪ Estimation of receipts on prescribed forms | | |

| Expenditure : Current Expenditure | Yes | No |
|---|-----|----|
| ▪ Have the instructions regarding the following included in the letter | | |
| o Nomination of DDOs for all expenditure functions and objects | | |
| o Estimation for functions / departments devolved to the Local Government through Rules of Business | | |
| o Estimates to achieve the objectives and targets set and approved by Nazim / | | |



| | | |
|--|--|--|
| Council | | |
| o Estimation on the parameters of efficiency, economy and effectiveness instead of incremental budgeting | | |
| o Instructions on recurrent and new expenditures contained in Budget Rules | | |
| o Estimation of pending liabilities and of charged expenditures | | |
| o Estimation of procurements | | |
| o Estimates of recurring expenditure from a completed development project included in the SNE | | |

| Expenditure: Development Expenditure | Yes | No |
|--|------------|-----------|
| Does the Call letter mention the following: | | |
| ▪ Projects be identified through bottom up planning | | |
| ▪ Instruction given to include following parameters for identification of projects? | | |
| ▪ Have the instruction to prepare Estimates on the basis of Composite Schedule of Rates included? | | |
| ▪ Have the instruction to get the estimates of development schemes approved by DDC before inclusion in ADP included? | | |

Classification

| | | |
|--|--|--|
| Instruction that estimation of receipts and expenditures should be done in accordance with the chart of classification given in the Accounts Manual circulated by Controller General of Accounts | | |
|--|--|--|

Forms

| | | |
|--|--|--|
| Forms given in First Schedule of Budget Rules have been attached | | |
|--|--|--|



Time: 30 minutes

Review of District Malpur's Budget Call Letter Group Work Instructions

In your groups, with the assistance of the given 'Checklist', identify whether District Malpur's Budget Call Letter is a comprehensive document comprising of all required components and desired guidelines (policy and administrative) and instructions.

Before beginning the group task, identify one member as team facilitator, another as a scribe, and a third for making the presentation in the plenary.

The facilitator must encourage every member of the group to refer to his or her own copy of the sample Budget Call Letter and Checklist, and make copious notes for each statement on the Checklist.

By the end of the group task, the groups must pass a verdict as to whether the given Budget Call Letter can be considered to be a comprehensive document or not, and offer valid arguments as to why they judge it so.

Each group will have maximum 5 minutes to present their verdict and argument in the plenary.



Budget Call Letter - A Brief Description

The concept of a Budget Call Circular (B.C.C.) has been visualized in order to collect information right from Drawing & Disbursing Officers (DDOs)/Collecting Officers (COs) levels and line Head of Offices for preparing timely and accurate Budget Estimates for the next year based on reliable/verifiable data.

Besides communicating the forms for recording estimates of receipts and expenditure, the B.C.C. also envisages the collection of other fiscal data like investments, recoveries of arrears, loans payable/recoverable etc but top of all it communicates the vision/policies/priorities and targets fixed under various sectors programmes/investments etc. As such the B.C.C. disseminates the information available in a common pool to each DDO/CO.

Under Budget Rules 2003, the Finance & Budget Officer of Local Government is required to ensure the timely circulation of B.C.C. among Head of Offices/DDO/CO, containing the following:

1. Budget Calendar

The Budget Calendar is circulated with B.C.C. to facilitate each DDO/Head of Offices to follow the time frame fixed for each activity involved in budget preparation. By following the target dates, as provided in the Budget Calendar, every concerned unit contribute in the timely preparation of consolidated budget estimates, which provides ample time to the planners/policy maker to set the proposed allocations/investment according to the policy and priorities of Local Government.

2. Proformas for Estimates of Receipts

In order to record entries about estimated receipts for the ensuing financial year and Revised Estimates of current financial year, a series of B.D.R. forms has been prescribed in Budget Rules 2003. There are five different forms prescribed in order to fetch complete information from Collecting Officer(s).

3. Proformas for Estimates of Expenditure

In case of Budget Estimates of Expenditure, total eight forms (BDC-1 to 8) have been prescribed under Budget Rules 2003, which help the Finance & Budget Officer to consolidate the estimates of expenditure anticipated for next financial year and are instrumental in generating various statements carrying different type of information e.g. total number of posts department-wise, grant-wise, estimated establishment charges, grant-wise, estimates for commodities & services/repair & maintenance of durable goods etc.

4. Proformas for Estimates Development Expenditure Implementation:

The information for estimates of development expenditure is generated on the BDD forms, four in number, to be filled in by D.D.O.s, where applicable. The information generated through these forms issued by the Finance & Budget Officer for finalizing the ADP / Development Budget Estimates of the next financial year, keeping in view the priorities and policies of a Local Government.



5. Proformas for Budget Salient Features

Each D.D.O., while generating the data of estimates for receipts/expenditure, is also required to provide the salient features in respect of receipts/expenditure of his department for information of the Finance & Budget Officer, with the help of which, the consolidated features of the Budget estimates are finalized and published for the information of the general public and also helpful for generating information for the Budget Speech.



Effective Budget Call Letter

1. The success of efficient and accurate budget estimation process rests with an effective Budget Call Letter, which should contain the Mission/Goals adopted by a local government under the vision of its Nazim.
2. The Finance & Budget Officer (F&BO) of a local government, in terms of Rule 11(4) of Budget Rules, 2003, shall issue to each Head of Office a Budget Call Letter as per time frame fixed under Budget Calendar, which should include priorities/policies etc. framed by the Nazim in consultation with of various stakeholders; and include:

The requirements of the respective Council of the concerned local government;

- In case of District Government, the requirements of Tehsil Councils/Union Councils relating to district function;
 - In case of Tehsil Municipal Administration, the requirements of Zila Council/Union Councils relating to Tehsil function; and
 - The Zila Council and Tehsil Council may provide their requirements to Union Nazims relating to union functions.
3. The Budget Call Letter should also contain the priority areas for enhanced investment, in Social Sector areas and poverty reduction adopted as a policy announced by the Federal/Provincial Governments.
 4. While sending Budget Call Letter to the Head of Offices, a F&BO should enclose the following documents with the letter:
 - Budget Calendar;
 - Forms for estimation of receipts;
 - Forms for estimation of current/new expenditure;
 - Forms for estimation of Development expenditure;
 - Forms for investment, liabilities and loans;
 - Forms for Budget Salient Features;
 - Policy statement of Nazim containing the priorities fixed for that financial year;
 - Guidelines for filling up the forms correctly.



Responding To Budget Call Letter

- While making a budget all DDOs should ensure that the relevant stakeholders be consulted so that the resulting budget reflects the needs and priorities of the majority. The following steps will need to be followed while responding to a budget call letter:
- The call letter should be very clear as to the requirements that are being solicited. It should have a bulleted step wise explanation along with timelines and roles and responsibilities regarding the various steps involved in responding to the call letter.
- The Mushavirat committee members will need to be informed at all stages in making a budget.
- Collation of all relevant data that may be required to make a fair and accurate budget from all relevant sources.
- Validation of collated data.
- Prior notice of ____ Days to be given to all concerned with the budget making process, this intimation includes the time of arrival of the budget call letter.
- Prior supply of the previous years budget documents to the stakeholders
- Discussion meetings with all relevant stakeholders during the budget making process.
- Draft budgets to be shared with all concerned
- Budget to be debated in council session and approved by a majority of the members (as the case and rule already under practice may be.
- All activities / projects for which provision is made in the budget will have to be the demand of the majority and prioritised according to the need of the UA.TMA.DG.