

Understanding the Budget process

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Budget process

- **Budgeting is done through a series of meetings and events usually called the budget cycle.**

Budget process, Cycle or Calendar – defines the formal steps and procedures the Government undertakes to prepare and have the budget approved prior to implementation.

- The Budget cycle includes stages in making decisions about the budget, implementing and assessing those decisions

The steps are categorised in 4 levels:

Level 1: This involves all Government line Ministries, other Spending Agencies, Sector Working Groups, and Donors, Civil Society organizations - determine specific spending needs and associated allocations and outputs;

Level 2: Central Coordination Level at MFPED that brings together resources i.e domestic revenues, development assistance, debt and broad expenditure allocations in a consistent Fiscal Framework

Level 3: Executive Policy Formulation and Approval by Cabinet

Level 4: Legislative Approval Level at Parliament

Budget process

The Budget cycle involves four stages:

a. Drafting/ Design by technocrats

b. Legislation/ Approval by councilors

c. Execution/ Implementation by sectors e.g.
education

d. Audit / Evaluation by auditors

Drafting-October-April

Key activities

- Issue the 1st Draft Budget Call Circular (BCC) 15th Oct
- Consultations with Local Governments (LGs) Oct - Nov
- Sector Working Group (SWG) Consultations Sept - Nov
- Submission of Sectoral Budget Framework Papers (SBFPs) and detailed Budget Estimates by Accounting Officers to MFPED 15th Nov
- Submission of the National Budget Framework Paper (NBFP) to Cabinet End of Dec
- Submission of the National Budget Framework Paper (NBFP) with the Preliminary detailed Estimates to Parliament 15th Jan
- Submission of Semi-Annual Performance Reports by MDAs to MFPED End of Jan
- Approval of the NBFP by Parliament 20th Feb
- Submission of Final Detailed Budget Estimates by MDAs to MFPED End of Feb
- Appointment of Accounting Officers -June

Legislative phase-April-May

- Discussion and Approval of the budget by:
Committee on Budget
- Scrutiny of Ministerial Policy Statements by Parliamentary committees (see next slide for committees)
- Compilation of report by the Committee on Budget
- Presentation of Budget Committee report to the August house
- Approval by the entire house by 31st May
- **Activity** **Deadlines**
- Submission of the detailed Draft Estimates to Parliament 15th March
- Submission of Ministerial Policy Statements (MPS) to Parliament 1st April
- Finance Bill and Budget Appropriation under the Budget Act 31st May
- Consideration and Approval of the Budget by Parliament 31st May
- **Presentation of the Budget Speech in Parliament** **15th June**

Legislative phase-ctd

- Parliamentary committees (<http://www.parliament.go.ug>)
- Committee on National Economy
- Committee on Commissions, Statutory Authorities and State Enterprises
- The Committee on Science and Technology
- Committee on Defence and Internal Affairs
- Committee on Physical Infrastructure
- Committee on Gender, Labour and Social Development
- Committee on Finance, Planning and Economic Development
- Committee on Social Services
- Committee on Foreign Affairs
- Committee on Presidential Affairs
- Committee on Public Service and Local Government
- Committee on Agriculture, Animal Industry and Fisheries
- Committee on Natural Resources
- Committee on Tourism, Trade and Industry

3.Implementation June-July

- MDA implement the budget
- MFPED releases funds
- **Activity Deadlines**
 - ❖ Budget comes in operation - 1st July
 - ❖ Repayment of uncommitted funds from the previous financial year into the Consolidated Fund -5th July
 - ❖ Re-voting of unspent funds from the previous financial year by Parliament -31st Aug
 - ❖ Submission of Annual Budget Performance Reports by MDAs to MFPED -End of July

Release process

- a. MoFPED sets cash limits – Government operates a cash budget;
- b. Release based on the work plan – submitted by spending agencies (LGs, Central Government votes)
- c. Release at a vote level – (appears in the print media)
- d. Vote disburses to the spending agencies (cost centres) – Heads of Departments, Projects etc;
- e. HoDs, projects releases to the final user or service delivery units.

Auditing July-June

- Done by the Office of Auditor General (<http://www.oag.go.ug>)
 - ❖ Audits expenditure for all MDAs & LGs
 - ❖ Produced reports to Parliament
 - ❖ Parliament committee discuss and provide recommendations to the Executive for action
- Types of Audits:
 - ❖ Financial Audits
 - ❖ Special Audits
 - ❖ Value for Money Audits

Key Stages for CSOs

Process

Sectors consult LGs and communicate budget issues to consider during budget

Sector working group consultations

Approval of National Budget Framework Paper (NBFPs) by Parliament

Submission of Ministerial Policy Statements (MPSs) to Parliament

Consideration and Approval of the Budget by Parliament

Opportunity for CSOs

Influencing the LG budgeting which starts at this stage

This is a critical stage where CSOs can influence intrasectoral budget allocations. CSOs can engage parliamentary committees on the BFPs to ensure that sectors address critical concerns of the population.

Engage parliamentary committees on the MPs.

CSOs can influence parliament especially on tax proposals and allocations

Public Finance Management Reforms

- *Integrated Finance Management System (IFMS)*
IFMS was introduced in 2004 mainly to:
 - ❖ improve oversight and internal controls;
 - ❖ improve cash management;
 - ❖ better commitment & expenditure control; and
 - ❖ ensure more efficient and timely transaction processing

Reforms-ctd

1. Straight Through Processing of Salaries and Pensions (STP) and Electronic Funds Transfer (EFT)

- ❖ STP and EFT system of payment of pension and salaries was introduced to replace the use of cheques in a bid to:
 - ❑ eliminate fraudulent behavior;
 - ❑ improve liquidity management; and
 - ❑ reduce the transaction costs.
- ❖ STP was extended to Schools – UPE/USE, and PHC (Health Units

Reforms -ctd

2. Output Budgeting Tool (OBT)

- ❖ Effective FY 2008/09, Gov't introduced – Output Oriented Budgeting – led to OBT.
- ❖ This reform is intended to :
 - ❑ strengthen the link between the budget, results and policy objectives of Government; and
 - ❑ to improve allocation and operational efficiency of public expenditure through focusing allocation on sectors that have greatest impact in achieving government policy objectives.
 - ❑ Linking Financial allocations with Outputs

Reforms -ctd

4. Quarterly Cash limits and Release/Procurement

- ❖ In 2009/10, MFPED moved to quarterly cash limits and releases are linked to the performance
- ❖ Linking of procurement plans, Work plans and cash limit projections (OBT)

5. Information on Notice Boards

- ❖ Enrolment at school level and staff lists;
- ❖ Releases to various institutions on the notice Boards (Schools, Health Units, District Headquarters);
- ❖ List of Key interventions that will be undertaken in a given FY;
- ❖ Procurement plan

Continuation-ctd

5. Decentralization of the payroll

- ❖ Min. of Public Service – responsible for processing payrolls before MoFPED effects salary payment;
- ❖ Concern: Accounting Officers (CAOs, TCs, Heads of Institutions at CG) not involved in clearance – Ghost staff.
- ❖ Decentralization of payroll and payment:
 - MoPS – process the payment;
 - Acc. Officers – validate the payroll and clear for payment.
 - MoFPED effects payment. AOs are accountable.