



THE UNITED REPUBLIC OF TANZANIA

PERFORMANCE BUDGETING OPERATIONS MANUAL

DECEMBER, 1999

PRINTED BY THE GOVERNMENT PRINTER, DAR ES SALAAM—TANZANIA

**PERFORMANCE BUDGETING
OPERATIONS MANUAL**

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Preamble

1. Since 1996, the Government has been implementing reforms in public financial and budget management aimed at improving the management of revenue, expenditure and public debt. The overall objective of these reforms is to improve financial and economic management, accountability and transparency. These reforms have involved implementation of a fully computerised Integrated Financial Management and Accounting System (IFMS - PLATINUM software), budget reclassification and performance budgeting.

2. Introduction of performance budgeting started in phases in 1998 with seven pilot ministries. Experience of these ministries was reviewed, and a manual prepared. The manual supported all ministries and independent departments in preparing performance budgets for 1999/2000. Consequently, the manual was updated by incorporating new experience gained in preparing the 1999/2000 performance budgets of ministries and independent departments.

3. This updated version of the manual is to guide the process of performance budgeting. In essence, performance budgeting is a continuous process, which seeks to re-orient the annual resource allocation process from incremental (input-based) to output (target-based) budgeting. It involves formulation of strategic plan for the sector/ministry/department, which states the institution's vision and mission and identifies strategic outputs and resource allocation framework. Performance budgeting is the instrument for implementing performance management system being introduced under the Public Sector Reform Programme. The manual therefore, presents the processes and technical requirements for preparing the performance budgets. The framework for preparing the performance budgets is captured in each ministry and independent department's Annual Report and Service Improvement Plan (ARSIP) as well as each region's Annual Report and Capacity Building Plan (ARCBP). The estimates are contained in the supporting target tables.

4. Government intends to make this manual the basis for all Ministries, Independent Departments and the Regional Secretariat to prepare and submit performance budgets each year. The manual will be kept under review as and when needs arise.

**R.O.S Mollé,
Permanent Secretary,
Ministry of Finance,
December, 1999.**

INTRODUCTION

Background

The government, through the civil service reform programme, has taken several initiatives to improve efficiency and effectiveness in the public service. Issues of organisational reforms and improved efficiency in service delivery have been addressed. This is to be consolidated by a new system whereby each organisation prepares its annual report and service improvement plan. As a logical extension of this process, performance budgeting has been introduced. In January 1998, the Cabinet decided to introduce performance budgeting to the government's annual estimates. This was directed in the Budget Guidelines (BG) for 1998-99 to 2000-01. The government identified seven ministries to be the pilot group for introducing performance budgeting in 1998-99. That experience was reviewed, to allow all ministries and independent departments to prepare and submit performance budgets for 1999-2000.

Purpose of this manual

This manual is to guide the process of performance budgeting. Performance budgeting (PB) is a continuous process. It involves planning and budgeting; preparation and review. It therefore focuses on the strategic framework for the organisation and its detailed estimates. The framework is captured in each ministry's and independent department's annual report and service improvement plan (ARSIP) and each region's annual report and capacity building plan (ARCBP). The estimates are contained in each report's supporting target tables (TTs). This manual presents the processes and technical requirements for preparing the performance budget. It also presents the framework for monitoring and reviewing the PB.

Chapter 1

PERFORMANCE BUDGETING

1.1. Purpose of this chapter

This chapter introduces the structure and process of performance budgeting. It also outlines its key elements. Therefore, it guides the preparation of ARSIPs from ministries and independent departments and ARCBPs from the Regional Secretariat. It also guides the preparation of the resulting TTs.

1.2. Performance budgeting

Performance budgeting seeks to re-orient the resource allocation process from incremental (input-based) budgeting to output (target-based) budgeting. Such budgeting requires three key elements to be in place.

- * a strategic performance framework.
- * specific service delivery targets.
- * activities, inputs analysis and estimates.

Each of these is explained in this chapter

1.3 Context for performance budgeting

The context for performance budgeting is contained in each ministry and independent department's ARSIP and the region's ARCBP. The performance planning and budgeting core of the document is the:

- * Strategic performance framework - the 3 year perspective (chapter 4).
- * Performance last year (chapter 5).
- * Progress this year (chapter 6).
- * Proposals for next year (chapter 7).
- * Resource requirements for next year - the budget bid (chapter 8).

The other chapters are the executive summary (chapter 1), statement by the minister (chapter 2) and introduction by the permanent secretary (PS) (chapter 3). In the case of the regions, apart from the same executive summary (chapter 1), there are statement by the regional commissioner chapter 2 and the regional administrative secretary (RAS) (chapter 3). The core chapters are explained below.

1.4 Strategic performance framework

For ministries and independent departments, Chapter 4 incorporates the analysis and conclusion in two parts. First, is each ministry's main purpose, vision and mission, developed from its sector policy and analysis. Secondly, are each ministry's objectives (in ranked priority), policy/strategic and three-year service targets (again, in ranked priority).

For the regions, chapter 4 summaries the analysis and conclusions from each council's opportunities and obstacles to development (O&OD) report. This report is the basis for setting objectives, policies/strategies and three-year service targets. Developing the strategic performance framework is described more fully in chapter 2 of this manual.

1.5 Reviewing performance

Chapter 5 is designed to review performance in relation to the targets set for last year. Chapter 6 is intended to review the specific progress this year (to December), based on the service delivery targets set for the current year. Both the review for last year and the current year's midterm assessment are designed to highlight any adjustments that might be required. They are also meant to present a clearer review-based foundation to setting targets for next year. This is explained in more detail in chapter 3 of this manual.

1.6 Service delivery targets for next year

Chapter 7 presents the service delivery targets for next year. For ministries and independent departments, capacity building and capital investment targets support the service delivery targets. For the regions, the capacity building targets are two-fold: first, for regional interventions to support local authorities to deliver their local services; secondly, for regional offices to strengthen their own capacity to be able to provide their support (their "development" role) to local authorities. In ministries, these annual targets must flow directly from the 3 - year service targets,

declared in Chapter 4. For regions, these target will come from the 3 - year capacity building targets. The targets must also be influenced by the assessed performance last year (Chapter 5) and progress in the current year (Chapter 6). This is explained in detail in chapter 4 of this manual. The following example of a service target illustrates the thinking required.

1.7 Targets

A target is defined as goods or services produced over a given time by an MDA in order to achieve its objectives, and deliver its mission and vision. Targets should.

- > be specific and time-bound for the three year period*
- > include both new and ongoing services*
- > be related to both recurrent and development funded services and investment*
- > be related to both domestic and donor funded activities*

An example is the maintenance of 7,000 km. of trunk roads, associated culverts and bridges out of 21,000 km. of such roads by June, 2000. Where no physical end state can be identified, then particular time targets should be imposed. For example, monthly internal audit reports should be completed within five working days of the month end. In both examples, a tangible quantifiable time bound end product results, namely:

- * maintaining 7,000 km. of trunk roads, associated culverts and bridges out of a total of 21,000 km. by June, 2000.
- * a monthly internal audit report within 5 working days of the month end.

For regions, they will focus on annual targeted capacity building measures for councils, to strengthen councils' capabilities to deliver services.

The point is that once the targets have been set properly, their activities and inputs must be identified. This is the basis for preparing estimates.

1.8 Activity analysis

For every target, a series of activities will have to be performed. These *activities describe the actions involved in achieving the target*. For example, in the road maintenance example (above), one has to:

- * survey and prepare technical designs on 7,000 km. by August, 1999.
- * mobilise necessary labour and materials by October, 1999.
- * do the actual maintenance work by May, 2000.
- * carry out monthly work inspection.

The link and difference between a target and its resulting activities is explained in chapter 4 of this manual.

1.9 Input analysis

Each activity then generates a set of resource input requirements. *An input is a quantifiable resource requirement to implement an activity*. For example, in the activity of mobilisation, the inputs are obviously the labour, materials and equipment. Each is then quantified and given a cost estimate. Each activity then has a total OC (other charges) cost apportioned to it. Working examples are presented in chapter 5 of this manual.

1.10 Personal emolument (PE) costs

Personnel emolument (PE) costs will be "given" under the separate PE estimating process.

1.11 Wider issues

Performance budgeting (PB), as structured and practised, is to take account of two other financial management initiatives. First is government's new Integrated Financial Management System (IFMS). Secondly, is the new Government Financial Statistics (GFS) framework. The common link between all three is the new integrated financial management code structure. Performance budgeting is a six digit sub-set of the new code structure.

1.12 PB code structure

The performance budget code structure is made up of three parts:

XX (objective).

XX (3 - years target).

XX (annual target).

Each two-digit number will be sequenced in ranked priority, to present objectives, 3-year targets and annual targets. "01" will be the top priority and the last number (to a maximum of '99') will be the lowest priority. Thus, a performance budget will be a cascade of linked priorities setting. Also, every annual target will now have a unique code and be vertically integrated with its 3-years target and its objective. The pre-PB code sequence will concern its institutional location (e.g. sub-vote). The post-PB code sequence will concern the expenditure item classification. The PB code will be the concern of the ARSIP and ARCBP. The item code will be the concern of the supporting target tables (TTs). The code structure (and supporting computer systems!) will make it practical to trace how much has been spent to implement an objective, a 3-years target, or an annual target. The level of PB analysis required will determine the information to be generated.

1.13 Summary

In summary, this chapter has outlined the government's performance budgeting structure and process. It has also highlighted the background and offered some definitions that will be expanded upon in the operational chapters. Additionally, it has introduced the principle of the PB code structure and its relationship to priorities. The next chapter introduces strategic planning and three-year target setting.

Chapter 2

PLANNING AND THREE-YEARS TARGETS

2.1 Purpose of the chapter

The purpose of this chapter is to outline the elements of strategic planning in relation to target setting and resource allocation. The result is a strategic performance framework.

2.2 Strategic performance framework-ministries

In the context of each ministry's and independent department's annual report and service improvement plan (ARSIP), it is necessary to establish the structure of the strategic performance framework. This framework is made up of the following components:

- * Vision
- * Mission
- * Objectives - in ranked priority
- * Policies and strategies
- * Three year service delivery and supporting targets - in ranked priority (what is to be achieved by the end of the three year plan period).

Each of these is explained in turn.

2.3 Vision

The vision is normally a set of goals that govern the direction the organisation aspires to reach. Thus, for example, the Ministry of Health vision could be to aspire to be a dynamic Institution able to significantly improve the health status of all Tanzanians. From this flows the mission of the organisation.

2.4 Mission

The mission is a declaration of the type of organisation, its main purpose for existence, its stakeholders, core business and its values. It gives the organisation direction as to what its scope of work should be. For example the mission statement of the Ministry of Health could be:

- * To ensure that it is an accountable institution for the provision of high quality health services for all Tanzanians. It shall achieve this through the provision of promotive, preventive, curative and rehabilitative health services.

2.5 Objectives

Objectives should be formed as a logical outcome of the mission statement. *Objectives are broad statements of what is to be achieved and improvement to be made. Thus where possible objectives have to be specific, measurable, achievable, realistic and time-bound.* An objective is therefore a particular end-state to be achieved. An example of objectives is presented in the ARSIP of the Ministry of Health. The objectives are:

- * Reduce the maternal mortality ratio from the range of 200 - 700 per 100,000 live births (1997) to the range of 200 - 500 per 100,000 live births by the year 2002 (preventive).

- * Ensure the availability and accessibility of health services within 10 kilometres from 72% at 1984 to 90% by the year 2002 (promotive).
- * Reduce the infant mortality ratio from 88/1,000 live births in 1997 to 84/1,000 live births to the year 2002 and reduce the under 5 mortality rate from 137/1,000 in 1997 to 133/1,000 by the year 2002 (preventive).

2.6 Prioritising objectives

It is imperative that ministries are explicit about priorities because of the scarcity of resources. The simplest way to prioritise is to identify the objectives as a list; the first being the most important, the last being the least. Then, if resources are indeed limited, each ministry moves up its list until it reaches the point of affordability. Therefore, it is vital that all objectives are prioritised and that they are numbered in ranked order (see 1.12). The most important is the first objective '01'. This two digit number (01 to a maximum of 99) becomes the first part of the performance budget code. Thus, the first part of the performance budget code structure is XX (objective), or 'XX'.

Thus, with the health example, the PB code, representing ranked priority, is:

- **PB code '01'**: Reduce the maternal mortality ratio from the range of 200 - 700 per 100,000 live births (1997) to the range of 200 - 500 per 100,000 live births by the year 2002 (preventive).
- **BP code '02'**: Ensure the availability and accessibility of health services within 10 kilometres from 72% at 1984 to 90% by the year 2002 (promotive).
- **BP code '03'**: Reduce the infant mortality ration from 88/1,000 live births in 1997 to 84/1,000 live births to the year 2002 and reduce the under 5 mortality rate from 137/1,000 in 1997 to 133/1,000 by the year 2002 (preventive).

2.7 Policies and strategies

A policy presents a general principle or shows the direction to be taken to achieve an objective. An example is government's commitment to the 'targeting of resource allocation'. *A strategy is a specific action required to implement the policy and achieve the objective.* An example is the introduction of performance budgeting. The strategy therefore concerns the statement of the general process involved. Thus, in the Ministry of Finance's strategic framework, it has an objective "to accelerate the rate of private sector involvement in running government services from 15% to 25% by 2001". One of eight strategies to achieve this objective is "to divest from government ownership and control, all commercial parastatals; support the trading potential of any executive agency to the point of full divestment". The key verb or action involved is that of divestment. From that process comes the need to generate specific targets.

2.8 Three-year targets for each objective

The strategic performance framework for each annual report and service improvement plan is based on a three-year plan and budgeting cycle. Therefore, the service delivery, capacity building and capital investment targets, which are derived from the objectives, should be set at three years. This presents the bottom line of the organisation's strategic framework. Thus, for a finance ministry's example, it is possible to illustrate the essence of the presentation required, for each objective. At the same time, prioritising these targets must be included.

2.9 Prioritising 3 year targets

Thus, in the same way as objectives have to be prioritised (2.7), 3-year targets must also be prioritised and be numbered in ranked order. Again, the most important is the first 3-year target '01'. This two digit number (01 to a maximum of 99) becomes the second part of the 'performance budget' code. Thus, the second part of the performance budget code structure is XX (objective) and XX (3-year target), or 'XXXX'.

The example is as follows.

Objective - PB code '01': To accelerate the rate of private sector involvement in running government services from 15% to 25% by 2001.

Policies and strategies	3-year targets	Ranked priority	Sub-votes
Divest from government ownership and control, all commercial parastatals;	Restructure and privatise all commercial parastatal organisations by 2000-1	01	203
Support the trading potential of any executive agency to the point of full divestment.	Have 50% of executive agencies that are susceptible to trading activity to be self financing by 2000-1	03	203
Create opportunities for private sector involvement in any government service that could be susceptible to it (e.g. through contracting out).	Have at least 33% of Government services contracted out to private sector by 2000-1	02	201,203

What this table shows is the direct practical relationship between the objective, the required policies/strategies, the resulting targets, their ranked priorities and the sub-vote responsible for meeting each target.

2.10 Relating prioritised targets to sub-votes

More than one sub-vote might be involved in performing targets to satisfy an objective. Also, there is the need to rearrange all prioritised targets in a list for each sub-vote. Each sub-vote manager will then become clear about what 3-year targets (in ranked priority) he/she has to implement and which objectives they satisfy! If a target is shared between sub-votes, then it is shown for each sub-vote and the percentage for the share is also shown. Where no sharing occurs, 100% is entered, confirming that the sub-vote bears the full cost of implementing that target. The way to do this is simply to list all the targets identified in each sub-vote (as shown below).

Sub-vote	PB code	% share	3-year targets
201	0102	100	Have at least 33% of Government services contracted out to private sector by 2000-1.
	0103	40	Have 50% of executive agencies that are susceptible to trading activity to be self financing by 2000-1.
203	0101	100	Restructure and privatise all commercial parastatal organisations by 2000-1.
	0103	60	Have 50% of executive agencies that are susceptible to trading activity to be self financing by 2000-1.

2.11 Capacity building

To this point, the strategic framework has concerned itself with the proposed delivery of services. In many cases, it is necessary for organisations to build or enhance their capacity to be able to deliver the services. This can range from simply getting people appointed, getting existing and even new staff fully trained to perform their tasks and ensuring that their supporting systems are in place to allow the staff to perform to their fullest potential. Therefore, it is helpful for the strategic performance framework to include all capacity building proposals to be implemented for the next three years. The investment in people ought to be related to each sub-vote's set of targets. Therefore, managers should understand if more or better-trained personnel would be required to achieve the identified targets over the three-year plan period. Additionally, if there is a major investment in equipment required to permit the staff to perform to their fullest potential, that along with related training, should also be identified. This is the primary focus for the regional secretariat in its 'development' service to its councils!

2.12 Capital investment

Until now, the strategic performance framework has concerned itself with the proposed delivery of services and, where necessary, the supporting capacity building requirements. Yet, there is often the need to relate service delivery to required capital investment as well. *Capital investment is the formation of fixed assets to support service delivery.* For example, if it is intended to increase primary school enrolments and it cannot be done with existing staff numbers and accommodation, then clearly:

- Not only do more staff have to be recruited but also
- More schools have to be built.

Therefore, it is also vital for the strategic performance framework to identify the physical assets to be created over the next three years. The investment in construction ought to be related to each sub-vote's set of targets. Therefore, managers should understand if more or better premises are required to achieve the identified targets over the three-year plan period. If the premises are required by government itself, whether a ministry or a regional office, to help improve the delivery of its services (including the regions's new "development" or capacity building role), then that capital target must be included.

2.13 Strategic performance framework - regions

In the context of each region's annual report and capacity building plan (ARCBP), the regional secretariat is required to conduct the same stages of analysis as that described above, with one exception. Where ministries are concerned with a purpose, vision and mission, the regions are concerned with a purpose, vision and mission, the regions are concerned with their consolidated obstacles and opportunities to development (O&OD) report. This report, described in detail in the regional secretariat's operations manual (RS-OM), is to satisfy two intentions:

- Identify issues from which strategic service delivery targets will be set by councils, and
- Identify the supporting capacity building interventions for local authorities (LAs), required from the region (its new development role), to help the councils to meet their service targets.

Thus, the structure of the regional secretariat's strategic framework Chapter, in its ARCBP, is as follows:

- Consolidated opportunities and obstacles to development (O&OD) report.
- Issues arising from O&OD report.
- Objectives - in ranked priority.
- Policies and strategies.
- Three year capacity building targets - in ranked priority (what is to be achieved by the end of the three year plan period).

The essential point is that the process of performance budgeting, starting with objectives, is the same for the regional secretariat as it is for ministries and independent departments.

2.14 Summary

The chapter has reviewed the components of the strategic performance framework that all organisations must have in place as a basis for performance budgeting. It is necessary to stress that the strategic performance framework outlined above is offered as a base line. There may be other ways of defining the more abstract portions of an organisation's intention (than the current 'purpose, vision and mission'). What is important is that **the substance of performance budget analysis starts at the objective**. That substance is manifested in the performance budget code structure (1.12, 2.7, 2.10, 2.11). The next chapter outlines the review cycle, to complement this chapter's planning framework.

Chapter 3 REVIEWING PERFORMANCE

3.1 Purpose of the chapter

The purpose of this chapter is to explain how to review institutional performance in the context of performance budgeting. Any review is therefore undertaken in the context of a ministry's annual report and service improvement plan (ARSIP) and a region's annual report and capacity building plan (ARCBP).

3.2 Components of the review

In both ARSIP and ARCBP, chapter 4 contains the three - year strategic framework. The components of the review follow immediately, as:

- performance last year (chapter 5) and
- progress this year (chapter 6).

Both review items are outlined in turn.

3.3 Details of last year's performance

It is necessary to ask four questions when assessing the performance of each sub-vote. These are:

- have the service targets been achieved as planned?
- has the capacity building been achieved as planned?
- has the capital investment been achieved as planned?
- has the expenditure been incurred, as budgeted?

The best way to respond to these questions is to present a table for each sub-vote.

3.4 Review format per sub-vote

The review format is based on the following table, to be completed for each sub-vote. Thus, if an organisation has ten sub-votes, it will have ten tables in its review chapter. The review will include explicit reference to each of the sub-vote's prioritised targets. For this table, it is assumed that annual targets have also been set (i.e. beyond chapter 2 above), *though the process for setting annual targets is described in the next chapter*. A working example follows from the Ministry of Finance.

Sub-vote: 201 - Government budget

PB code	Annual targets (last year)	Budget TSh.m	Actual TSh.m	% var	Achievements/failures and remarks
020101	Prepare PB manual by Dec.				
020102	PB orientation workshop for all min/ind. depts by Oct.				
020103	Prepare and issue budget guidelines by Dec.				
020201	Internal orientation on PB.				
030203	Computer training for 6 people for 3 wks, by Sept.				
030301	Major refurbishment of office wing by June.				
030302	Construction of 2 new rooms by June.				
	Total costs				

The table above displays seven prioritised annual targets, within three prioritised 3-year targets, within two prioritised objectives. Therefore each target is uniquely numbered within the sub-vote and can be pursued according to its ranking. What this table does not do is display the characteristics of the annual target, whether service delivery, capacity building or capital investment. These characteristics are displayed in the annual target table for each sub-vote (described in chapter 4).

3.5 Assessing performance

After the performance review tables have been completed for each sub-vote, it is important to assess the information and to draw conclusions. These conclusions should help in assessing the organisation's performance for last year. That assessment should have a reflective bearing on the strategic performance framework (chapter 4).

3.6 Service delivery conclusions

It is essential that the organisation's management consider what has and has not been achieved by way of service targets. Resources have been consumed on the basis of activities being performed to achieve the targets. If achievement has been positive, according to budget, then the organisation has performed well. If all targets have not been achieved then management must establish the reason why. Is it an external factor (funds have not been granted to the correct amount at the proper time)? Is it an internal factor (management and supervision have been lax to the point that no one cares what is being delivered)? Either way, it is important to be frank when drawing these conclusions.

3.7 Capacity building conclusions

For ministries, some targets to be achieved may be dependent on a prior investment in capacity building. Was a target dependent on staff being employed and/or trained? Was the service target dependent on basic equipment being supplied or internal procedures being changed? It is therefore necessary to be clear about whether the capacity building has taken place and whether it has had the desired impact in terms of improving productivity, to allow the specific targets to be achieved. For the regional secretariat, this is the primary concern. RS is attempting to determine whether its support to the constituent local authorities *has improved the performance of those councils*.

3.8 Capital investment conclusions

In the same way that some service target achievements may be dependent on capacity building, others may (or may also) be dependent on capital investment. For example, if the service target, within the objective of increasing school enrolment, is to increase the provision of education in location X from A to B, then two things may be required. First will be the employment of trained teachers. Secondly, will be the construction of a school. As with capacity building, it is necessary to establish if the school is not constructed as planned, why not? Again, is it an external factor (no release of funds; general apathy). The reason for identifying the external or internal factor (or indeed, a combination of the two) is to isolate the possible strands of corrective or even remedial action to be taken.

3.9 Resources consumed

After reviewing the managerial performance, in terms of 'have the targets been achieved?', it is vital to relate the achievements or lack of them, to the resources consumed. A summary table, based on that used to assess each sub-vote, presents the information required. The point is to offer the opportunities for a simple inter-organisational comparison to be made. The table is illustrated below:

Vote: HEALTH

PB code	Objectives	Budget Tsh.m	Actual TSh.m	% var	Achievements/failures and remarks
01	Reduce the maternal mortality ratio from the range of 200 - 700 per 100,000 live births (1997) to the range of 200 - 500 per 100,000 live births by the year 2002 (preventive).				
02	Ensure the availability and accessibility of health services within 10 kilometres from 72% at 1984 to 90% by the year 2002 (promotive).				
03	Reduce the infant mortality ratio from 88/1,000 live births in 1997 to 84/1,000 live births to the year 2002 and reduce the under 5 mortality rate from 137/1,000 in 1997 to 133/1,000 by the year 2002 (preventive)				
Total costs					

3.10 Drawing conclusions from last year's performance

It is necessary to match the resources consumed against the targets achieved. If all targets are achieved and all budgeted resources have been consumed, then the organisation is performing as planned. If the organisation has not achieved a significant portion of its targets and yet, has consumed all its resources, then something is wrong; the organisation has consumed all its resources for doing only part of the planned job (resources have been incorrectly allocated or wasted). These sorts of questions are fundamental to performance budgeting. The issue rests on whether the resources consumed have generated the activities to achieve the planned targets. In the longer term, are these targets achieving the objective, specified in the strategic framework and illustrated in the review summary for the vote? The conclusions should therefore be fed into any updating required to the three-year strategic framework. Operational issues should also be signals to avoid a repetition in the current year's performance.

3.11 Progress in the current year

The performance budget submission due in February will include the review of the current year's first half progress. The format is precisely the same as that for last year's performance. However the conclusions drawn are more detailed. First the review looks at progress in achieving

targets set for the year. Secondly, it also looks at rates of expenditure in relation to the work programme for the year (the structure and purpose of the work programme is explained in chapter 6). Therefore, the same tabular presentations should be used for each sub-vote and in general summary, for the entire vote.

3.12 Resource deployment implications

The importance of this year's assessment of progress is to identify the corrective measures are to be taken for the rest of the year. These corrective measures are concerned with implementation and levels of expenditure. The centre may determine that even the modest funds promised are simply not available. The client organisation may determine that despite all its efforts, it does not have the capacity to consume the resources as planned. Either way, adjustments have to be made to the expenditure pattern for the rest of the year. That is the purpose of the current year's review of progress.

3.13 Summary

This chapter has outlined the performance review cycle. There are two parts to the review. First is last year's performance. Secondly, is the current year's progress. The conclusions to last year should offer both strategic and operational signals on how to improve or maintain performance. The current year's review is more concerned with practical implementation and rates of expenditure. However, these reviews have a bearing on what is being planned for next year.

Chapter 4 SETTING ANNUAL TARGETS AND ACTIVITIES

4.1 Purpose of the chapter

The purpose of this chapter is to outline the method and techniques for setting annual targets. Also it is to illustrate how to identify the activities necessary to achieve these targets.

4.2 Assumptions

In order to ensure a tangible connection between the review chapters and the chapter on proposals for next year, it is necessary for the organisation to establish certain assumptions from all the analysis to this point. Using the annual report structure, the assumptions should be as follows:

- overspill implications from this year's progress (chapter 6)
- implications from last year's performance (chapter 5)
- impact of any conclusions on the strategic framework's targets, if any (chapter 4)

Only when these assumptions and resulting conclusions have been stated, can the targets be set. Examples of assumptions could be:

- **From this year's progress:**

That targets not achieved this year are either (a) carried forward to next year or (b) are abandoned; that a tightening of resource allocations will continue into next year.

- **From last year's performance:**

It may be that there is need to re-assess the priorities for next year, particularly if the progress this year offers the same signals. Also, there may be a growing problem with organisational capacity, requiring a reduction in services to be offered.

- **Impact of any conclusion on the strategic framework:**

This involves a need to remain conscious of the strategy within which the organisation is working, to internalise any tentative conclusions, as a basis for the third year's major impact review. Also, if external policy takes a dramatic turn (e.g. the radical reduction in government ministries), then clearly, the remaining organisations' strategic frameworks will have to be reformulated.

4.3 Presentation of three year and annual targets

Each organisation's annual report has its strategic performance framework chapter. That chapter concludes with three-year service delivery and where appropriate targets for capacity building and capital investment (as explained in 2.8 to 2.11 above). The procedure is to translate these three-year targets into annual targets. Year 1, year 2 and year 3 targets are to be broken down into activities, inputs and costing (Appendix VI). An example below shows the three-year target and year 1 targets. The example is taken from the Ministry of Finance.

Sub-Vote: 301

PB Code	Three-years Strategic Targets (Ch. 4 of ARSIP)	All annual targets prioritised through ranked coding		
		Annual Service Delivery targets	Annual Capacity building targets	Annual Capital investment targets
0304	Increase the efficiency of financial management and accounting from 70 to 95% by 2001	01: Establish sub-treasuries in the remaining 10 regions.	03 X more staff transferred in; Y more staff recruited; all new staff 4 weeks training in sub-treasury management. Computer system per sub-treasury. Renting and refurbishing of premises.	10 Construction of new building for all these targets.
		02 Make operational commitment accounting	04 Training of X personnel for four weeks in commitment accounting. Computer systems.	
		05 Have an updated stock of public debts.		
		06 Install area network linking all ministries with the central payment office.	08 Training of X personnel for 4 weeks in network applications	
		07 Install a local area network, connecting pension, budget, computing and Accountant General and other key divisions in Treasury.	09 Training of Y personnel for 4 weeks in network applications.	

The service targets are self-evident. The capacity building targets are those measures required to ensure that the services are provided. The capital target is where, say, a new facility must be provided to allow the service to be delivered. These targets are presented in ranked order.

4.4 Prioritising annual targets

Thus the same way as 3-year targets have to be prioritised (2.10), annual targets are also prioritised and numbered by rank order. Again, the most important is the first 3-year target '01'. This two digit number (01 to a maximum of 99) becomes the third part of the 'performance budget' code. Thus, the total performance budget code structure is XX (objective) XX (3 year target) XX (annual target), or XXXXXX. This coding ensures the vertical integration of objective, 3-year and annual targets analysis. Therefore, it means that all expenditure can be traced to annual targets, what 3-year target the annual targets are satisfying and what objective both are contributing to.

4.5 Basic presentation of annual priorities

The importance of the table above, as part of chapter 7 of any annual report/plan, is that it converts into the basic presentation for both:

- Reviewing last year's performance and this year's progress (see Ch. 3 above) and
- The annual work programme and quarterly monitoring table (appendices III and IV of the manual).

In both cases, the left-hand columns contain the individual annual targets, according to the PB code ranking, as illustrated in the table below.

Sub-Vote:

<i>PB code</i>	<i>Ranked annual targets</i>	<i>(Remainder of Table's other columns; either for performance review (Ch 3 above) or expenditure planning and monitoring (App II and IV below), as appropriate)</i>			
030401	Establish sub-treasuries in the remaining 10 regions.				
030402	Make operational commitment accounting.				
030403	X more staff transferred in; Y more staff recruited; all new staff 4 weeks training in sub-treasury management. Computer system per sub-treasury. Renting and refurbishing of premises.				
030404	Training of X personnel for four weeks in commitment accounting. Computer systems.				
030405	Have an updated stock of public debts				
030406	Install area network linking all ministries with the central payment office.				
030407	Install a local area network, connecting pension, budget, computing and Accountant General and other key divisions in Treasury.				
030408	Training of X personnel for 4 weeks in network applications.				
030409	Training of Y personnel for 4 weeks in network applications				
030410	Construction of new building for all these targets.				

4.6 Clarity of target definition

From the annual targets table above, it should be clear how important the definition of a target is. It can take the form of a precise task to be achieved to contribute to a 3-year target. Alternatively, it can take the form of a proportion of the 3-year target to be achieved. Thus, if the relevant ministry states that it wants to ensure the provision of 90,000 serviced traditional housing plots, then, all else being equal, one-third of that number will be the target for year 1, the next third for year 2 and the final third for year 3. The important point is that the target to be achieved for the year is the operational foundation for the performance budget. It is the target that has resources assigned to it. The methodology for allocating resources comes later. Next is the challenge of activity analysis.

4.7 Activity analysis

Activities are actions to achieve the specific target. They should also be specific, measurable, achievable, realistic and time-bound (SMART). Activities are vital for two reasons. First, they allow for a clear differentiation between a target and its resulting of activities. Activities also offer the bridge between the target and the inputs required for each activity. This is the basis for estimating. Defining the process to achieve the target is therefore imperative.

4.8 Identifying activities

If the target is clearly stated, the list of activities should spring to mind. This is best illustrated by an example. The Ministry of Works has, under sub-vote 601, the target 'to conduct the routine maintenance of 7,000 km. of trunk roads by June, 2000'. The activities to achieve that target are identified as follows:

- survey and prepare technical designs on 7,000 km by August, 1999.
- mobilise necessary labour and materials by October, 1999.
- do the actual maintenance work by May, 2000.
- carry out monthly work inspection.

This is a clear and a simple set of actions to achieve the target of routine road maintenance.

4.9 A second working example

The Ministry of Agriculture, under sub-vote 301, has a target 'A recommendation report on soil fertility and development of natural resource conservation technologies for three districts produced by June, 2000'. The activities to achieve that target are as follows:

- conduct soil fertility surveys in all three districts by August, 1999.
- conduct nutrient flow analysis in all three districts by December, 1999.
- conduct fertiliser trials by May, 2000.
- conduct studies on improvement of traditional soil conservation techniques by May, 2000.
- Produce a recommendation reported by June, 2000.

4.10 A third working example

The Ministry of Science, Technology and Higher Education, under sub-vote 302, has a target 'a reviewed Government policy on technical education and training produced by June, 2000'. The activities to achieve that target are:

- conduct the review by December, 1999.
- produce the review report by May, 2000.

4.11 Summary

This chapter has outlined the process and modalities for setting annual service, capacity building and capital investment targets. It has also illustrated the method for identifying the activities to achieve those targets. The next chapter concentrates on the identification of inputs and the allocation of resources to those inputs, to implement the activities to achieve the targets.

**CHAPTER 5
INPUTS RESOURCES**

5.1 Purpose of the chapter

The purpose of this chapter is to explain the process for identifying inputs, as part of the performance budgeting technique. The allocation of resource then follows.

5.2 Identifying inputs

For every activity, there will be a set of inputs required. Using the roads maintenance example again, a table is used for every target, to present the activities, inputs required, estimated costs and total costs.

TARGET - PB code 010101: To conduct the routine maintenance of 7,000 km. of trunk roads by June, 2000.

<i>Activities to achieve the target</i>	<i>Inputs required for each activity</i>	<i>GFS Sub-Item code per input</i>	<i>Estimated cost per input TSh. m</i>	<i>Totals per activity TSh. m</i>
1. Survey and prepare technical designs on 7,000 km by August, 1999.	1. per diem for survey (x days x no. of people x rate).	250312		
	2. stationery (qty per item x unit cost) reams).	260608		
	3. equipment (no. x unit cost).	310603		
	4. fuel, oil and lubricants (no. of litres x unit cost).	270301		
2. Mobilise necessary labour and materials by October, 1999.	1. casual labour (no. of people x days x rate)	250209		
	2. materials (no. x unit cost).	310916		
	3. equipment (no. x unit cost)	310603		
	4. work camps/equipment & furnishings (x 5 x cost per camp)	311004		
3. Do the actual maintenance work by May, 2000	1. equipment maintenance (no. x unit cost).	270202		
	2. equipment running (no. x litres x unit cost).	270301		
	3. vehicle maintenance (no. x unit cost).	270302		
	4. vehicle running (no. x litres x unit cost).	270301		
	5. casual labour wages (no. of people x days x rate).	250209		
	6. per diem for supervision (x days x no. of people x rate).	250312		
4. Carry out monthly work inspection	1. Per diem (x days x no. of people x rate).	250312		
	2. Travelling (no. of people x fare).	260901		
	3. Stationery (qty per item x unit cost).	260608		
Total OC for Target 1				

The cost element will come in 5.6, below. What is important is the information that is being carried by the table. Two more working examples follow.

5.3 A second working example

TARGET—PB code 020201: A recommendation report on soil fertility and development of natural resource conservation technologies for three districts produced by June, 2000.

<i>Activities to achieve the target</i>	<i>Inputs required for each activity</i>	<i>GFS Sub-Item code per input</i>	<i>Estimated cost per input TSh. m</i>	<i>Totals per activity TSh. m</i>
Conduct soil fertility surveys in all three districts by August, 1999	1. Perdiem (3 people x 7 days x 7 zones x rate)	250312		
	2. Physical research materials (item x qty x unit cost).	261119		
	3. Stationery (qty per item x unit cost).	260608		
	4. Technical equipment (no. x unit cost).	310603		
	5. Vehicle running (no. of litres x unit cost x 7 zones.	270301		
Conduct nutrient flow analysis in all three districts by December, 1999.	1. Casual labour (50 x man-days x 200 people x 2 sites x 7 zones x rate).	250209		
	2. Perdiem (2 people x 7 zones x 5 days x rate).	250312		
	3. Physical research materials (qty per item x unit cost).	261119		
	4. Stationery (qty per item x unit cost).	260608		
	5. Technical equipment (no. x unit cost).	310603		
	6. Vehicle running (no. of litres x unit cost x zones).	270301		
Conduct fertilizer trials by May, 2000	1. Perdiem (3 people x 20 programs x 7 zones x 5 days x rate).	250312		
	2. Physical research materials (qty per item x unit cost).	361119		
	3. Stationery (qty per item x unit cost).	260608		
	4. Technical equipment (No. x unit cost).	310603		
	5. Vehicle running (No. of litres x unit cost x zones).	270301		

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<i>Activities to achieve the target</i>	<i>Inputs required for each activity</i>	<i>GFS Sub-Item code per input</i>	<i>Estimated cost per input TSh. m</i>	<i>Totals per activity TSh. m</i>
Conduct studies on improvement of traditional soil conservation techniques by May, 2000.	1. Casual labour (50 man-days x 200 people x 6 programs x 7 zones x rate)	250209		
	2. Perdiem (2 people x 6 programs 7 zones x 5 days x rate).	250312		
	3. Physical research materials (qty per item x unit cost).	261119		
	4. Stationery (qty per item x unit cost).	260608		
	5. Technical equipment (no. x unit cost).	310603		
	6. Vehicle running (no. of litres x unit cost x zones).	270301		
Produce a recommendation report by June, 2000	1. Stationery (qty per item x unit cost)	260608		
	2. Binding expenses (no. x unit cost)	260105		
	3. Perdiem (5 people x 10 days x rate)	250312		
Total OC for Target I				

5.4 A third working example

TARGET — PB code 030201: A reviewed Government policy on technical education and training produced by June, 2000.

<i>Activities to achieve the target</i>	<i>Inputs required for each activity</i>	<i>GFS Sub-Item code per input</i>	<i>Estimated cost per input TSh. m</i>	<i>Totals per activity TSh. m</i>
Conduct the review by December, 1999	1. Stationery (qty per item x unit cost).	260608		
	2. Perdiem (10 people x 28 days x rate).	250312		
	3. Premises (rental cost per day x no. of days).	260702		
	4. Office supplies (qty per item x unit cost).	260609		
	5. Transport expenses (fare per person x no. of people)	260901		
Produce the review report by May, 2000	4. Stationery (qty per item x unit cost).	260608		
	5. Binding expenses (no. x unit cost).	260105		
	6. Perdiem (4 people x 10 days x rate).	250312		
	7. Transport expenses (fare per person x no. of people.	260901		
Total OC for Target I				

5.5 GFS Sub-item codes

The GFS sub-item code becomes that next sub-set of the financial management system code structure (of institution/performance budget/sub-item code). The sub-item code are reflected in the Chart of Accounts. This establishes the crucial link between expenditure and targets (i.e. tracking of expenditure against targets).

5.6 Quantifying and costing the inputs

It is important that inputs are quantified. This helps to give each estimate a logical basis. The method of quantification per input is illustrated in the three working examples above. The principle is that all inputs should be quantified and costed, according to the activity to be performed. A blank version of the table for doing this work, illustrated above, is presented in Appendix I.

5.7 Relating estimates to key strategic areas

When the Budget Guidelines are issued, strategic expenditure areas are identified. It is therefore important to recognise that the estimates being put forward should relate to government's strategic intentions.

5.8 Relating estimates to ceilings

The Budget Guidelines also declare budget or expenditure ceilings for every organisation. These cannot be exceeded because these ceilings are derived from macro-economic analysis and resulting policy intentions and strategic outcomes. Over-estimating is simply a waste of time. It wastes the time of the organisation because its personnel are producing work that is automatically redundant. It also wastes the time of the personnel who are charged with scrutinising budgets because they must take the trouble to read and reject what should already have been rejected by the organisation's senior management. The way out of this is to adhere to priorities.

5.9 Relating estimates to priorities

Every sub-vote's annual targets will be listed in priority; the first being the most important. Therefore, estimating will follow the priorities. So, when the budgets are being prepared, an organisation that is moving well beyond its ceiling, simply does not enter an estimate for the least important targets (the bottom of the list). The organisation should then move up the list until the break-even point, where the proposed expenditure matches the budget ceiling.

5.10 Summary

This chapter has outlined the process for identifying inputs generated from the activities to achieve identified targets. These inputs are the basis for financial estimating. The **input code** is particularly important now because it builds the bridge between estimating and performance budgeting. This concludes the technical requirements for preparing the performance budget. What comes next is the submission and review process.

CHAPTER 6 SUBMISSION AND REVIEW

6.1 Purpose of the chapter

This chapter describes the process for submitting an organisation's performance budget. The documents required are also made clear. It goes on to outline the review and reporting requirements. These concern reports prepared within the annual cycle, with a more strategic assessment in every third year. The review, preparation, submission and reporting requirements are summarised in the annual planning and budgeting cycle in Appendix V.

6.2 Budget guidelines

The budget guidelines present the macro-economic assumptions and forecasts, procedures for preparing the budget, institutional responsibilities and the budget frame. These include the budget ceiling for each organisation and the policy priorities to be pursued next year. Finally, they outline the information required and the timetable for submission. Each organisation's budget must be submitted in accordance with these guidelines. The budget guidelines should be with the client organisations in January.

6.3 Budget preparation

Performance budgeting (PB) is a continuous process. It involves planning and budgeting; preparation and review. By the time the Budget Guidelines (BG) are issued (by January), the review portion of the process, on both the planning and budgeting side should be complete. BG outline the macro-economic frame and declares expenditure ceilings for each organisation. These guidelines and the review portion of PB are the basis for detailed planning and budgeting.

By the time the BG are issued, the following stages in the PB should already be complete:

REVIEW

1. **July:** start implementing the work programme for the current year. *Also, prepare the 4th quarter's expenditure review report, for last year.*
2. **August:** prepare last year's performance report (Ch 5 of the Annual Report and Service Improvement Plan (ARSIP) or Annual Report Capacity Building Plan (ARCBP)).
3. **September:** start updating the 3 year performance framework (Ch 4 of ARSIP / ARCBP) in the light of last year's performance (Ch 5) and any new strategic thinking from government (e.g. from the policy framework paper: PFP).
4. **October:** finalise any adjustments to the strategic performance framework, in terms of objectives, policies/strategies and 3 year targets (Ch 4). *Also, prepare the 1st quarter's expenditure review report.*
5. **November:** start developing annual targets for next year (Ch 7 of ARSIP/ARCBP).
6. **December:** prepare current year's progress (mid-year) review (Ch 6 of ARSIP/ARCBP) and finalise next year's targets (Ch 7)

All this work is supposed to be COMPLETED BEFORE the Budget Guidelines are issued.

For practical budgeting purposes, the Budget Guidelines declare the expenditure ceilings. These ceilings shall be adhered to in order to conform with the macro-economic frame. The second half of the performance budgeting cycle is therefore as follows.

PREPARATION

7. **January:** prepare target tables (TTs) for each target; with the supporting activity, input, item code and expenditure presentations complete. Ensure that the total expenditure from these tables does not exceed the ceiling declared in the BG. *Also, prepare the 2nd quarter's expenditure review report.*
8. **February:** submit the Performance Budget (ARSIP/ARCBP and TTs) to Treasury.
9. **March:** negotiate with Treasury on budget allocations for the year.
10. **April:** finalise annual service delivery, capacity building and capital investment targets (Ch 7) and adjust the TTs, in the light of the negotiations. *Also, prepare the 3rd quarter's expenditure review report.*

11. **May:** submit Budget Memorandum for the Finance and Economic Committee of Parliament.

12. **June:** submit the work programme for the next year.

6.4 Performance budget documents (Annual report..... & FIs)

The information required from each organisation is as follows:

- the strategic framework.
- performance last year.
 - progress this year
 - targeted proposal for next year
 - estimates for those targets.

The estimates must include a table for each annual target to be achieved for the next year. The strategic information required is contained in each organisation's Annual Report / Plan. Additionally, each target must have an estimate table completed. These tables make up the second part of the performance budget submission. Details of the performance budget submission requirements are in Appendix II.

6.5 Technical budget scrutiny

Every organisation's budget is scrutinised by the Ministry of Finance. This is a technical exercise to ensure that the estimates submitted conform with:

- the strategic concerns of the budget guidelines (5.7 above)
- the estimate ceilings for the organisation (5.8 above)
- the strategic priorities for the organisations (5.9 above).

6.6 National budget committee review

After technical scrutiny, the National Budget Committee may convene a meeting with any accounting officer. This is done where unresolved questions have to be addressed arising from the detailed scrutiny. The Ministry of Finance then consolidates all the organisations' budget proposals into national budget proposals. These are then submitted to the inter-ministerial technical committee (IMTC).

6.7 IMTC and Cabinet approval

The permanent secretary (PS), Ministry of Finance submits the national budget proposals to IMTC, in the form of a draft Cabinet paper. IMTC considers the proposals, makes any necessary adjustments and advises the cabinet accordingly. In turn, the Minister of Finance submits the resulting budget proposals to the Cabinet for discussion and approval. The Cabinet satisfies itself that the budget conforms to government policies. Cabinet then approves the budget, with or without further amendment.

6.8 Final adjustments to the organisation's budget

If the Cabinet approves the budget with amendments, the organisations are required to make final adjustments to their estimates as well as their budget memorandum. The Ministry of Finance receives the proposed changes in the item allocations and prepares printouts of the budget books. The printouts are then sent to the government printer, for full production.

6.9 Parliamentary scrutiny

The Budget Memorandum to parliament is a summary of the full performance budget submission. It is in Kiswahili. It is submitted to the Economic and Finance Committee of Parliament, along with the annual estimates books (Vols II to IV), for detailed scrutiny. In essence, the committee gives prior approval to the estimates before they are submitted to the National Assembly for debate and authorisation. Parliament then approves the Appropriation and Finance Bills for that year. The president then assents to the bills, becoming the Appropriation and Finance Acts for that year.

6.10 Work programme

Cabinet approval of the budget is only the start of organisational spending. That spending has to be reviewed in relation to the total expenditure and the targets set for the year. The basis for that review is the work programme. As soon as the organisation is informed by MoF of its approved budget, it must submit a work programme for the year. That programme must be in the form of planned expenditure for each month. A format for that work programme is attached as Appendix III.

6.11 Quarterly review of service delivery and expenditure

The basic review of service delivery is done quarterly, within a month of the quarter ending. The format for the quarterly expenditure-to-targets review is presented in Appendix IV.

6.12 Mid-year review

The mid-year review consists of the second quarterly report, based on the annual work programme. Additionally, it must include a more explicit assessment of performance by way of plotting the achievement of targets against the planned expenditure. The format for this is contained in chapter 6 of each organisation's annual report and service improvement plan; 'progress this year'. This mid-year review satisfies both a budgetary reporting requirement and a performance management requirement. The first is self-evident. The second concerns the required adjustments to current spending and the implications for next year's proposals (chapter 7 of the annual report / plan). In fact, the mid-year report also coincides with the availability of the organisation's annual report and service improvement plan - submitted, as part of the budget memorandum, for next year's budget proposals.

6.13 End-of-year review

It is also important to prepare an end-of-year review of performance. The structure for that review is contained in chapter 5 of the annual report and service improvement plan. The main purpose of this review is to assess:

- Whether the annual targets were achieved
- The expenditure incurred to achieve the targets
- The expenditure in relation to the approved budget
- Factors for success and failure.

This review should be issued from each spending organisation by the end of August.

6.14 Three-year strategic review

At the beginning of every third year, each organisation has to embark on a major assessment of its strategic performance framework. This is when the three-year targets are tested against actual performance; have they been achieved in whole, in part or not at all. The review of the three-year targets should lead to a reconsideration of the objectives and their supporting strategies. It is at this time that the organisation must, not merely up-date but re-write its strategic performance framework chapter 4 of its annual report and service improvement plan. The organisation then moves into its next three-year strategic plan period, with its associated quarterly and mid-yearly performance reviews and annual performance planning and budget submissions.

6.15 Assessing impact

The three-year strategic review is meant to present a cumulative assessment of the targets that have been achieved, as a contribution to the three-year targets and their over-riding objectives. That review carries little practical meaning if the impact of all the targets is not part of the review exercise. **Impact assessment is the measure of benefit arising from the targets (outputs) achieved.** Each organisation's performance is centred on three dimensions:

- Service delivery
- Capacity building to support service delivery
- Capital investment to support service delivery.

The impact assessment framework to allow for this review to be started is already in place as appendices I to III of each annual report and service improvement plan. Service impact is built around an 'impact assessment to reach 100% citizen or client satisfaction' (Appendix I). Clearly, citizen and / or stakeholder reviews must be conducted in the course of this third year. Capacity building concerns personnel, their training and their supporting equipment and systems. The test here is to assess whether the sub-vote is fully equipped to be able to perform (Appendix II). Finally comes the impact of capital investment. Is the demand fully satisfied, is the asset fully used and so on (Appendix III). All three appendices' right hand column has quantifiably presented assessment frameworks. The point here is that this is a fundamental component to the strategic (i.e. three years) dimension to organisational performance assessment as part of its performance budgeting system. The challenge of developing impact criteria will be met through the next stage of development work on performance budgeting.

6.16 Client ownership

In order for this performance budgeting process to work successfully, it is imperative that each Accounting Officer and his/her management team be fully involved. This involvement means initiating actions according to the annual planning and budgeting cycle (6.3), described in detail in this manual. It also requires active participation from these key players in order to encourage sound thinking from the technical personnel involved. If this can be achieved then the process should yield the required results. The evaluation of the process (August 1999) confirmed this to be the case - e.g. in PMO and Health.

6.17 Annual planning and budgetary cycle

This review and planning process and indeed, the entire contents of this Performance Budgeting - Operations Manual, is summarised in the annual planning and budgeting cycle, presented as Appendix V.

6.18 Summary

This chapter has outlined the preparation, submission, approval and review process for performance budgeting. It has also made clear the documents required to support this process. These documents are explained in detail in their respective appendices.

MINISTRY OF FINANCE,

December, 1999.

Appendix I

Target Table: activity, input and estimate analysis.

PERFORMANCE BUDGETING per TARGET TABLE ¹

Vote and ministry:

Sub-vote and function (division / unit):

TARGET - PB code XXXXXX

Activities to achieve the target	Inputs required for each activity	GFS Sub-item code per input	Estimated cost per input TSh. 000s	TOTALS per activity
Total OC cost per target (summarised to Ch 8 of ARSIP / ARCBP)				

¹ This is the basic format for a target table. Information must be completed for each target. Examples of the target and activities presentation for the generic sub-votes, 101 to 103, follow overleaf.

Appendix I - continued; example of generic targets for sub-votes 101 to 103

Target Tables: activity, input and estimate analysis.

Sub-vote 101: administration and general

TARGET - PB code 050101: Provide efficient administration services to the Institution throughout the year

Activities to achieve the target	Inputs required for each activity	GFS Sub-item code per input	Estimated cost per input TSh. 000s	TOTALS per activity
Provide and maintain office premises				
Provide working facilities				
Provide all working materials				
Ensure timely availability of utilities				
Prepare PE estimates according to timetable				
Co-ordinate all parliamentary issues				
Provision of appropriate training to all staff				
Provide transport				
Total OC cost per target (summarised to Ch 8 of ARSIP / ARCBP)				

Sub-vote 101: administration and general

TARGET - PB code 050102: Provide timely and efficient personnel services to all staff of the Institution

Activities to achieve the target	Inputs required for each activity	GFS Sub-item code per input	Estimated cost per input TSh. 000s	TOTALS per activity
Fill all vacant posts				
Implement all entitled promotions				
Complete all annual appraisals				
Maintain all staff records				
Conduct quarterly manpower audits				
Total OC cost per target (summarised to Ch 8 of ARSIP / ARCBP)				

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Appendix I - continued; example of generic targets for sub-votes 101 to 103

Sub-vote 102: finance and accounts

TARGET - PB code 050201: Provide accurate and timely accounting services.

Activities to achieve the target	Inputs required for each activity	GFS Sub-item code per input	Estimated cost per input TSh. 000s	TOTALS per activity
Make timely payments				
Prepare accurate and timely financial reports				
Co-ordinate audit issues				
Total OC cost per target (summarised to Ch 8 of ARSIP / ARCBP)				

Sub-vote 103: policy and planning

TARGET - PB code 050301: Co-ordinate the preparation of timely and quality budgets

Activities to achieve the target	Inputs required for each activity	GFS Sub-item code per input	Estimated cost per input TSh. 000s	TOTALS per activity
Co-ordinate the preparation of ARSIP / ARCBP				
Total OC cost per target (summarised to Ch 8 of ARSIP / ARCBP)				

Sub-vote 103: policy and planning

TARGET - PB code 050302: Prepare and update the medium term policy framework for the Institution

Activities to achieve the target	Inputs required for each activity	GFS Sub-item code per input	Estimated cost per input TSh. 000s	TOTALS per activity
Conduct appropriate and timely research and analysis				
Prepare and disseminate policy report				
Total OC cost per target (summarised to Ch 8 of ARSIP / ARCBP)				

Sub-vote 103: policy and planning

TARGET - PB code 050303: Make timely monitoring and evaluation of relevant plans and budgets.

Activities to achieve the target	Inputs required for each activity	GFS Sub-item code per input	Estimated cost per input TSh. 000s	TOTALS per activity
Follow up and reporting on performance				
Review and evaluate performance				
Total OC cost per target (summarised to Ch 8 of ARSIP / ARCBP)				

Performance Budget: information to be submitted to Treasury
(The Budget Memorandum information for Parliament is identified separately below.)

To: PS, Ministry of Finance
From: Submitting Ministry / Independent Department / Region

PERFORMANCE BUDGET SUBMISSION TO TREASURY

I have pleasure in submitting the estimates for (insert organisation and vote) for the next financial year. The submission is summarised in Chapter 1; the Executive Summary. The Honourable Minister Regional Commissioner has written a formal statement, in Chapter 2. I have presented an overview in Chapter 3.

The submission is in two parts. First is the Annual Report and Service Improvement Plans (ARSIP) (or for the regions), the Annual Report and Capacity Building Plan (ARCBP); this contains the summary of the estimates for each target. Secondly are the Target Tables (TTs); these contain details of the estimates for each target.

I look forward to the technical scrutiny meetings.

Signed, PS / Head / RAS

Details of information submitted

1. From ministries and independent departments:

The 3 year strategic performance framework (Ch 4 of ARSIP).

- Vision
- Mission
- Objectives - in ranked priority
- Policies and strategies
- Three year service delivery and supporting targets - in ranked priority (what is to be achieved by the end of the three year plan period)

From the Regional Secretariat:

- The 3 year strategic performance framework (Ch 4 of ARCBP).
- Consolidated opportunities and obstacles to development (O&OD) report
 - Issues arising from O&OD report
 - Objectives - in ranked priority
 - Policies and strategies
 - Three year capacity building targets - in ranked priority (what is to be achieved by the end of the three year plan period)
2. Review of last year's performance / this year's progress (Chs 5 & 6 of ARSIP / ARCBP).
 - Review performance last year for each sub-vote on targets achieved in relation to recurrent expenditure incurred (Ch 5)
 - Review performance last year for the vote, on revenue generated and development expenditure (as specified in the budget guidelines).
 - Review progress this year for each sub-vote on targets achieved in relation to recurrent expenditure incurred (Ch 6)
 - Review progress this year for the vote, on revenue generated and development expenditure (as specified in the budget guidelines)
 3. Rationale for allocating funds and target setting for next year (Chs 7 & 8 of ARSIP / ARCBP).
 4. Assumptions for the annual targets (Ch 7)
 - Annual targets, against the three year targets, per sub-vote (Ch 7)
 - Summary of expenditure per target per sub-vote (Ch 8)
 5. Detailed annual estimates (TTs)
 - Target for recurrent expenditure (prioritised by sequence)
 - Activities to achieve the target
 - Inputs for each activity (the cost items)
 - GFS sub-item code
 - Estimate for each input
 - Total recurrent expenditure required
 - Total revenue estimate (will be submitted as specified in the budget guidelines)
 - Total development estimate (will be submitted as specified in the budget guidelines)
 6. Budget forms to be used will be specified in the annual Budget Guidelines.

An outline of the required content of the Budget Memorandum for Parliament is presented overleaf.

BUDGET MEMORANDUM TO PARLIAMENT

The budget memorandum requires the following information to be submitted, in *Kiswahili*:

Last year

1. Directives from the Finance and Economic Committee
2. Review of revenue last year
3. Review of implementation, for recurrent and development

Current year

4. Review of revenue this year
5. Review of implementation, for recurrent and development

Next year

6. Strategic framework
7. Revenue estimates
8. Recurrent estimates
9. Development estimates

The technical and format details for this Memorandum will be issued with the annual Budget Guidelines.

Appendix III

Work programme: planned expenditure for the year format.

Note:

PLANNED EXPENDITURE FOR THE YEAR												Balance 1-1-1	
	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	
1. Operating													
2. Capital													
3. Transfer													
4. Total													
5. Planned													
6. Actual													
7. Balance													
8. Total													
9. Planned													
10. Actual													
11. Balance													
12. Total													
13. Planned													
14. Actual													
15. Balance													
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92. Total													
93. Planned													
94. Actual													
95. Balance													
96. Total													
97. Planned													
98. Actual													
99. Balance													
100. Total													

Performance Budgeting — Operations Manual

PLANNED TARGETS	VARIANCE ANALYSIS PER QUARTER												Remarks	
	1st quarter			2nd quarter			3rd quarter			4th quarter				Expend balance
Approved budget	Plan	Act	Var	Plan	Act	Var	Plan	Act	Var	Plan	Act	Var		
Operating Expenses														
Administrative														
Maintenance														
Materials														
Miscellaneous														
Travel														
Utilities														
Wages														
Depreciation														
Interest														
Taxes														
Insurance														
Rent														
Telephone														
Postage														
Printing														
Supplies														
Fuel														
Lighting														
Security														
Other														
Capital Expenditures														
Equipment														
Buildings														
Improvements														
Land														
Other														
Subtotal														
Grand Total														

Appendix V

PERFORMANCE BUDGETING: ANNUAL PLANNING AND BUDGETING CYCLE.

ACTIVITY	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	June
Ministries, Independent Departments and Regions.	Start implementing the programs for the current year.	Prepare last year's review of performance chapter 5.	Start updating the 3 year plan (Ch. 4) in the light of last year's performance (Ch. 5) and new strategic thinking from government, through e.g. PPP.	Finalise any adjustments to the strategic performance framework chapter, 4.	Start developing annual targets for next year, chapter 7.	Prepare current year's progress (mid-year) review, chapter 6 and finalise next year's targets, chapter 7.	Prepare target tables (TTs).	Submit the performance budget (Annual Report/ Plan and TTs) to Treasury.	Negotiation with Treasury on budget allocation for next year.	Finalise targets for next year, based on the approved funding levels.	Submission of budget memorandum from each vote holder to the Finance and Economic Committee of Parliament.	Submit work prog. for next year.
Government budgeting cycle.	Submit quarter expenditure review report (for last year). Parliament approves the budget.	Parliament approves the		PC issues strategic medium term plan. Submit 1 st quarter expenditure review report.		PC & Treasury issue budget guidelines.	Submit 2 nd quarter expenditure review report.		Cabinet approves the budget framework.	Submit 3 rd quarter expenditure review report.	Printing of budget estimate volumes.	Budget speech and debates.

