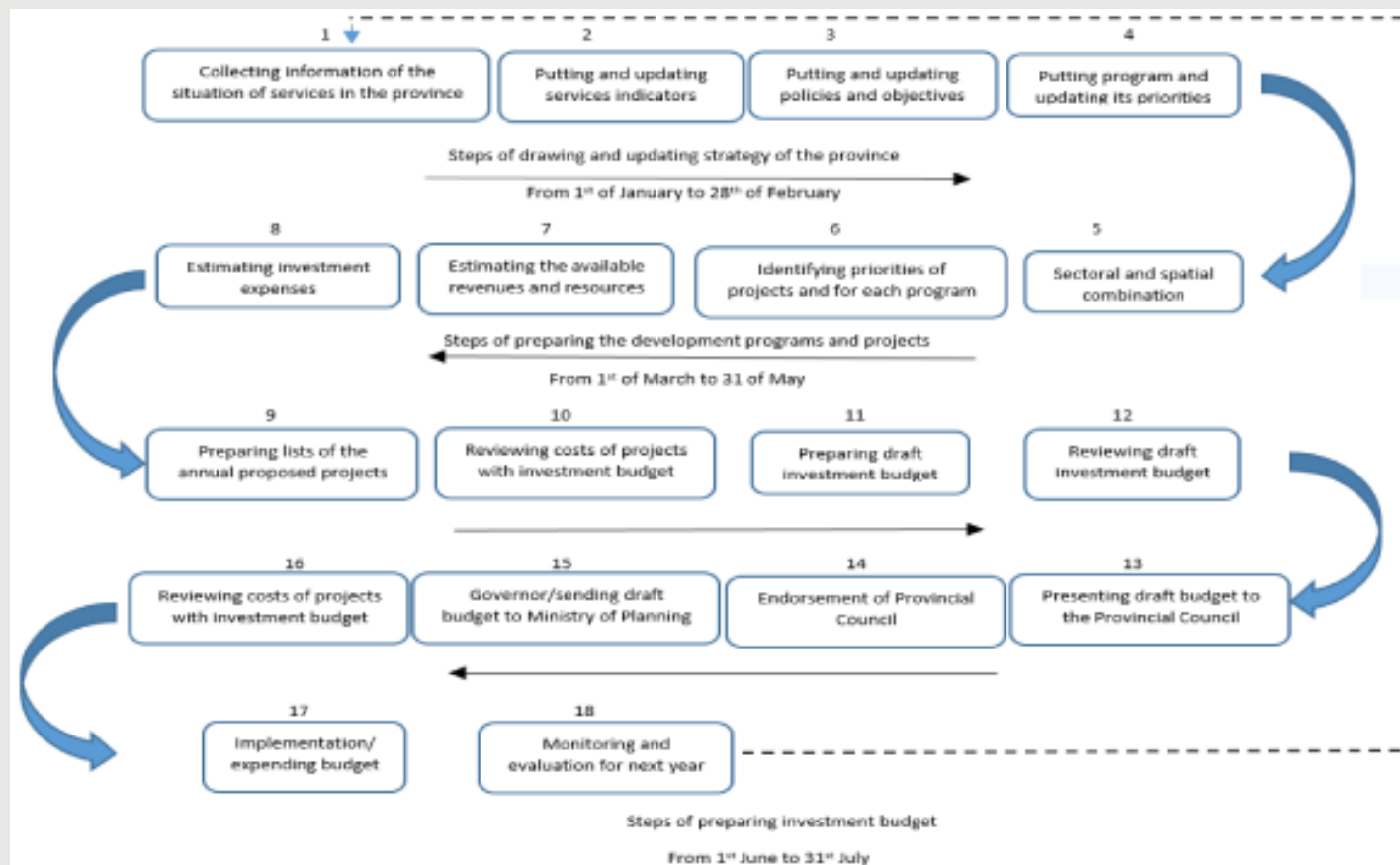




INVESTMENT BUDGET PREPARATION PROCESS

USAID
GSP/Taqaddum
JULY 2015

BUDGET PREPARATION STEPS



A brief explanation shall be made for each of these steps, how to implement each of them and authority in charge of implementation

Step I: collect information on as-is status of services in the province or any other information as needed. The available sources of information on current status of services in the province are multiple according to their source including information directly collected from service directorates, citizen satisfaction surveys, citizen service desks, open meetings with citizens and provincial directorates affiliated to Ministry of Planning. As the planning and budget preparation process is not limited to improvement of service delivery only and since it extends beyond improvement to achieve a comprehensive and sustainable growth at provincial level, the information will not be restricted to status of services, and it may be extended to include information on population, economy and environment of the province.

Step 2: identify and update service standards and indicators

Some services may have no clear standards and indicators. These standards and indicators may be outdated or obsolete. In this case, the information collected in the first stage shall be used to lay the foundation for development of new service standards or upgrading of the existing. This step is critical for planning and assignment of allocations between various programs and projects. These standards and indicators exhibit where we are and to where we want to be. Responses to both questions will be the basis for formulation of the province's development policy and future trends in development and improvement of services at provincial level.

Step 3: formulate policies and identify objectives

The Provincial Council will assume responsibility for formulation of policies by using all the available information, statistics, identified/upgraded service standards and indicators. Such information and indicators will present an overview on existing gaps in level of services delivered to citizens. The formulation of policies largely relies on geographic, demographic and economic nature of the province.

The policies set by Provincial Council shall guide the developmental efforts that aim to achieve the policy objectives. Formulation of policies should be accompanied by identification of clear, realistic, measurable, achievable, sustainable and time-bound objectives for policies. Specification of clear objectives for policies will take planning and budget preparation in the right direction and move in directions set by the province's public policy.

Step 4: present policies and objectives to citizens

Step 5: create programs and specify priorities

Once policies are created and objectives are specified by Provincial Council, the executive authority shall translate these policies into specific programs so that the objectives of these policies are achieved within the defined time table. It will be favorable to introduce the concept of program:

Program: is a set of projects, activities and procedures that are established to achieve specific objectives stated in policies within a defined period of time. The policy objectives may not be accomplished within a program. It may be essential to design more than a program to carry out a policy. The significant matter is that programs do not signify projects only. Programs may include a set of draft laws, instructions or administrative procedures. What combines these elements is that they are designed to accomplish the goal of provincial public policy. Since policy objectives are not achievable within the budget year, these programs often tend to take from 3 to 5 years in order to accomplish the objectives.

Such programs must have clear objectives which need to be determined according to information, standards and indicators that were collected and identified during steps one and two. Information and indicators shall have an effect on identification of priorities for implementation of these programs. Since policies were determined according to information and indicators, then they shall impact on design of programs.

The implementation priorities must be defined on basis of impact degree with respect to change of indicators into a better level.

The decisive factor in specification of program priorities shall be the extent to which these programs assist in reaching the wanted goal. Indeed, there are additional factors to consider in specification of priorities including cost, time, environment and availability of implementation capabilities

Step 6: sectorial and spatial integration

Once the suggested programs are placed among priorities of implementation, these programs must be subject to sectoral, spatial and ministerial integration. The integration becomes important when programs are proposed. These programs should be integrated and connections have to be established between programs. For example, if a program for land reclamation was proposed, then it should not contradict with other programs including improvements to highways and it should be linked to programs of enhancement of irrigation systems or establishment of dams. At the same time, the spatial integration of these programs should be achieved, i.e. the suggested programs have to be distributed in equal manner throughout the province so that an equivalent growth for the province is achieved. In addition, the spatial growth may become broader to include more than a province. A specific program may impact on several provinces and thus it possible to co-fund these programs by the participating provinces. The ministerial integration simply means that suggested programs should not contradict with ministries' programs. For example, health programs tend to be of local and national nature. Therefore, it should be appropriate to discuss any proposed program at provincial level with officials from Ministry of Health to avoid any repetition or incompatibility.

Step number 7: identify project priorities for each program

Identification of project priorities within the program depends on a set of financial, economic, environmental and social factors. Still, the decisive factor in identification of project priorities is the extent to which projects impact on achievement of desired objectives, i.e. what percentage is achieved by the project in order to accomplish the objective. As mentioned earlier, programs may include draft laws, instructions or administrative procedures. Therefore, the program objective may be achieved through enacting a law, issuing special instructions or taking specific administrative procedures. In this case, the priority of implementation shall be given to these factors.

In general, if we are to address how to identify project priorities according to its current concept, the initial feasibility studies shall be of crucial importance in determining priorities during this stage. The identification of priorities also depends on a group of available alternatives to achieve the program objective. Selection from the available alternatives shall form a standard for identification of priorities.

Step 8: Estimate revenues and available resources

The available resources mean all the resources that are at hand at provincial level including financial, humanitarian, technical, economic and environmental resources. Identification of such resources shall be crucial during the stage of translating suggested programs and projects into annual plans for implementation. In other words, possibility to include these programs and projects into the annual investment budget of the province.

As regards the estimation of revenues at provincial level, there are various types of financial revenues that can be generated as stated in Law 21 of 2008 as amended in addition to financial resources that are allocated to provinces from revenues of oil and gas, border crossings and entry visa fees. Generally speaking, it is possible to pre-estimate these revenues of all types using simple mathematical methods. The importance of estimation of expected revenues comes from identification of implementation priorities of projects included in the annual plan. This shall mainly depend on size of revenues. Consequently, the distribution of revenues between various programs and projects with the aim to achieve policy and program objectives shall be conclusive factor in selection of program and project priorities for implementation within the investment budget of the province.

Step 9: Estimate investment costs

After forming a clear picture of the available resources and expected revenues by those who establish plans and develop budgets, it shall be necessary to estimate and calculate investment costs to achieve harmony between what is at hand and what is planned for. By investment costs, we mean all the potential expenditures for implementation of projects. The investment costs are usually calculated through detailed feasibility studies which state all costs related to project implementation.

The estimation of investment costs should be as accurate as possible to avoid planning for large number of projects while the financial resources are limited. Through previous experiences, some provinces formulated grand plans which exceed the expected revenues leading to a great number of unaccomplished projects and significant administrative and regulatory burdens.

Step 10: Prepare lists of proposed annual projects

After estimating overall costs for suggested projects, a list of suggested annual projects is prepared so that these projects shall be implemented during the next fiscal year. This list includes projects that were placed among priorities of implementation to achieve the objectives. This list contains information on each suggested project including the estimated cost, the project location, and method of finance (ministerial or local), term of implementation and any other necessary information. The source of most of information shall be the detailed feasibility studies attached to this list.

Step II: Review project costs and available resources

At this stage, the overall costs of suggested projects and available human, administrative, technical and financial resources shall be reviewed. At this stage, the best utilization of available resources shall be reached. It may be mandatory to rearrange the project priorities in light of this review in order to arrive at the best allocation of resources between the suggested projects. Indeed, such rearrangement may be subject to other considerations. This list may be decreased to a specific number of high priority projects and other low priority projects shall be taken out of the list to strike a balance between the available resources and expected costs.

Step 12: develop a draft of investment budget

Once a final list of suggested projects is prepared, a draft investment budget is developed for the province. In general, the draft budget may contain the following items: -

An introduction to policies adopted

-A summary of the main goal of the budget and secondary objectives that need to be achieved

planning considerations according to which a draft budget was prepared.

-A general outline for the budget

-A presentation on total expected revenues

-A presentation on total expected investment expenditures

-Detailed tables on list of suggested projects with economic feasibility studies attached to them

Step number 13: review the draft budget of investment by the Governor

The governor, his deputies and advisors each of which has a respective field of specialization, shall review the draft budget to check if it achieves the objectives set within the policies adopted by Provincial Council, the priorities and details of expected revenues and costs. They shall verify that all suggested projects meet the general conditions as required by Ministry of Planning. Once the draft budget is reviewed and approved by the governor, the draft budget is referred to PC.

Step number 14: submit the draft budget to PC

The draft budget shall be referred to PC according to an official letter to Chairman of PC. The chairman shall distribute the copy of draft budget between PC committees for review and consideration. PC members may provide comments or suggestions concerning the draft budget. The Committees shall check the extent to which the draft budget achieves the objectives of the province's public policy, observe the geographic locations of projects and activities to include the province as a whole and review distribution of allocations between different sectors and agreement of distribution between districts and sub-districts according to population.

Chairman of PC shall set a date for the session where the draft is presented and discussed and opinions and remarks of different committees are provided. In case of many comments and suggestions, the chairman shall call for another meeting to host the governor who shall introduce his own opinion on stipulations of the draft budget.

Step 15: present the draft budget to citizens

Step 16: the PC approves the draft budget

In case the council becomes fully satisfied with draft investment budget, the council votes for and approves the budget by majority of members. The draft budget shall be returned back to the governor according to an official letter.

Step 17: the governor refers the draft budget to Ministry of Planning

Thank You



Iraq Governance Strengthening
Program (GSP)

