



PRESENTATION TO CABRI

BY

MESSRS EKENYANE AND OARABILE

CAPITAL BUDGETING

- National Development Plan (NDP) is prepared every six years with mid term review half way
- All Line Ministries are involved in the preparation of the NDP (sectoral chapters)
- Accompanying sectoral chapters are development projects, with their total estimated costs. These constitute the thumbnail sketches, with phased implementation plan.
- After preparation, the NDP is sent to Parliament for discussion, amendment, and approval.
- On the basis of the Plan, annual budgets are prepared.

Budgeting Process

- The budgeting process is also consultative as follows:
 - a) Line Ministries are requested to submit proposed bids
 - b) Bids are used by Ministry of Finance to set ministries' budget ceilings
 - c) Ceilings are communicated to line ministries for them to revise their bids
 - d) After line ministries internal consultations, revised bids are submitted to MFDP.

Budgeting Process

- e) MFDP, through the Project Review Committee further visit line ministries to discuss their submissions. This is where line ministries are requested to present prioritized projects. Also discussed is the current year budget, which can be adjusted either way.
- f) Any projects that need more than what has be allocated are usually taken to the Estimates Committee for final vetting, which might either be for or against.
- g) Final estimates are presented to Cabinet by Minister responsible for Finance
- h) After Cabinet approval, the Budget Speech is prepared and presented to Parliament, which further discusses the Estimates before approval.

A1

Slide 4

A1

Administrator, 12/10/2007

Projects Selection

- Currently, projects funded by Government are determined on the basis of;
 - Existence in the NDP, including estimated cost
 - Whether they drive national development policies
 - Feasibility – usually for major economic projects, feasibility studies are done to determine the viability of the projects prior to implementation
 - Other social dev't projects (small projects) are political motivated and the viability is rarely determined

Warrants and Supplementaries

- After approval of the budget;
 - a) Line Ministries are expected to prepare project memos (PMs) to commit dev't funds
 - b) After approval of PMs, a Finance Warrant is then issued on the basis of projected spending in a particular year. FW lapses at end of financial year. A new one must be issued the following financial year.
 - c) Supplementaries come thrice a year. These are to cater for budget adjustments, including TEC scope revision for projects. Usually they formalize such activities that were not planned but posing as either emergency or immediate priority.

Warrants Cont'd

- d) Special warrants are a result of Presidential Directives emanating from Cabinet Memos.
- e) Withdrawal warrant is prepared when a project has been warranted funds, but not likely to use it all. Usually withdrawals are made to re-allocate funds to other fast spending projects.

Projects Feasibilities

- Most project are social in nature and are not amenable to cost benefit analysis.
- Economic and financial analysis carried out for commercial and directly productive activities (NPV, IRR). IRR for 8-12% (1994).
- There are those projects (major) that are subjected to CBA e.g. Zambezi –Agro-commercial project (IRR =18.8%).

Total Estimated Costs (TEC)

- Are determined during the preparation of the Plan and are in the Thumbnail Sketches (TNS)
- TNS is a summary of planned projects and their estimated costs.
- For NDP 9, current prices were used as opposed to preceding plans, where constant prices were used.
- Since projects estimated cost is determined at the start of the Plan period.
- Usually projects are subjected to inflationary adjustments when requesting for funding

TEC Cont'd

- Cost overruns usually occur as a result of lack of implementation capacity.
- Technically, when cost overruns occur, additional funding is applied for through project addendum, giving full justification for such increase.
- Political involvement is at the planning stage.

Balance between Recurrent and Capital

- During the preparation of the plan, recurrent budget implications of development activities is laid down.
- During annual budget sessions, the Recurrent and Development budgets are prepared parallel. Recurrent costs from completed projects influence growth in recurrent budget.
- Both budgets are discussed at the Estimates Committee meeting.

Projects Phasing

- Pre-contract activities such as acquisition of land, tendering and sourcing of funding should be done
- Phasing of project activities (dividing a project into smaller components).



THANK YOU