1. Following is a detail of the applicable step by step procedures to be followed for disbursement and expenditure of public funds in any of the countries participating in the project. The steps identify the locus of responsibility and demonstrates the importance of having trustworthy administrative officials committed to implementing the law at each step.

2. The general requirement as specified by Exchequer and Audit Acts, the Finance Acts, and all related financial rules is that all government accounting transactions must be properly recorded and folioed in files to action officers which actually spend government funds. All files must be properly kept in designated cabinets and vaults for easy retrieval and examination required.

3. The expenditures must also be analysed by specialist budget analysts to guide efficient use of public funds and public assets.

4. As part of the implementation of the METF, the budget bill is laid by the Minister of Finance, and after debate and amendments, is passed by Parliament. The Parliament means:
   a. Lower House
   b. Upper House
   c. The Governor General, with mandated signature under relevant section of the Constitution.

5. Once passed, the Minister of Finance notifies Ministries, Departments and Statutory authorities by circular detailing the allocations, by Heads, Subheads, Items, and Sub-Items as detailed in the budget.

6. On receipt of notification, and when necessary to implement the specified actions or as otherwise mandated by law, a request is made to the Minister of Finance by the relevant Senior Accounting Officer for a Grant of Credit to cover the specified Heads, Subheads, Items, and Sub-Items as detailed in the budget.

7. A Cheque is prepared by the Minister of Finance, to be drawn against the Treasury, received, and placed in the relevant account by the designated senior officer, for example the Director of Finance.

8. Departments make request to the designated senior officer for release of funds to the appropriate Budget Section or Department. The request must detail the Heads, Subheads, Items, and Sub-Items as set out in the budget.
9. Requests for releases are checked for accuracy and justification, in keeping with the details of the allocations approved. All requests are summarized on a monthly basis, then on a quarterly basis; then on an annual basis.

10. The designated senior officer then notifies the requesting Departments of the amounts approved under each Head, Subhead, Item, and Sub-Item as set out in the request.

11. Statements of releases are prepared for all requesting Departments, subject to the availability of funds.

12. All requests made and all requests approved are summarized by requesting Department, on a monthly basis and attached to a Warrant for payment.

13. The Warrant is submitted to the Pay-Branch, which is the term used here to refer to the institution authorized to incur public expenditure.

14. Warrants must show: (i) the funds allocated; (ii) the funds released; and (iii) the funds now available after releases to various Departments and after revenues received and collected to date.

15. All Warrants must be checked for accuracy and signed by the designated senior accounting officer and also must be submitted to be examined and signed by the responsible Minister or other designated senior officer of the Ministry.

16. Statements of Releases for Departments are then sent to the Heads of Departments who prepares and transmits Vouchers notifying the Heads of relevant Accounting Units by Folio in relevant files, so that payment can be made.

17. Allocations and releases are detailed in Vote Books and other relevant deduction records according to Heads, Subheads, Items, and Sub-Items as set out in the budget.

18. Each Item is recorded in one or more separate Vote Book pages.

19. For an action to be take in response to the releases, a Procurement Officer with appropriate authority, acting in accordance with the procurement procedures as set out in the Financial Rules, must make a signed request for a *signed commitment* to be lodged in the Vote Book, detailing the item(s) to be procured and the amount required to pay for the commitment.
20. It is emphasized that this commitment must be made in accordance with all applicable procurement rules of the law, including all applicable tendering procedures. A Tenders Register is normally mandated for this purpose. The entry of the commitment is made in the Vote Book by a responsible accounting officer and must indicate the amount of the releases remaining after the commitment is made.

21. Vouchers for payment can only be prepared after the commitment process is followed in line with the law and accounting prudence, which is intended to avoid exceeding the amounts provided for in the budget and funds releases.

22. Vouchers for payment received by Accounting Units are then checked by the Head of the Accounting Unit for compliance with financial regulations and the availability of funds. The Head must ensure that proper attachments, signatures, bills, copies of contracts, progress reports on projects, inspection approvals, and all other legal requirements accompany the voucher BEFORE payment is made.

23. Then, Schedules of Accounts are attached to documents for payment and entered into the Vote Book. Details of amounts must be clearly shown and correct balances must be detailed under each item entered for payment.

24. Vouchers that are verified are then sent to the Pay Branch for a final round of checking and then for the preparation of cheques.

25. A Cheque Register must be kept of all cheques received and paid by the Accounting Unit, and copies of all payment vouchers must be kept for the public records for periods designated by law. This might be up to 60 years in some cases, and usually is not less than 20 years.

26. Vote Books are examined regularly and figures obtained by officers of the Budget Section for preparation of an Expenditure Statement.

27. This statement is used for decision-making by Budget Analysts and copies are also sent to senior accounting Officers for use in ensuring the accuracy of the accounts as relevant. Budget analysis is based on the entire set of matters raised in this Manual regarding the economy, efficiency and effectiveness of the public expenditures incurred. This is a vital step in the procedures set out for generating value for the public from expenditure of its funds, and in particular must address all issues of market failure as specified if they are to guide the development process.
28. This statement is also sent to the Ministry of Finance for their records, for the conduct of accounting audits as mandated by law, and for analysis and use in decision-making, regarding: (i) future plans; and (ii) to guide response to future requests for allocations and releases. The Ministry responsible for Development Planning should also have routine access to these reports.

29. The process includes provision for virement and transfer of funds to address the situation in which funds available might be insufficient to meet the approved Items of Expenditure as mentioned above and detailed in the budget.

30. Adjustments of allocations and related virement and transfer of funds due to insufficient funds under approved Items of Expenditure can be requested from the Budget Section. This is usually done only to facilitate urgent payments that must be made.

31. These adjustments must be recorded in relevant Vote Books, Schedules of Accounts, and other relevant documents.

32. Supplementary allocations may also be needed due to unforeseen circumstances, such as disasters, increases in payments to public utilities, or other government decisions. Sometimes, these government decisions are sent by the Ministry of Finance. Such supplementary allocations must be added to previous allocations for the year and relevant accounting recorded prepared and updated to reflect them and the expenditures incurred.

33. To ensure the accuracy of all public records, Internal Auditors are required by law and are mandated and authorized to make regular checks and reviews of the accounting records in all government departments.

34. These Internal Audits are designed to ensure compliance with the financial rules and regulations, as set out in law such as the Exchequer and Audit Act, the Finance Act, and all related legally issued instructions. They are also made and signed to ensure accuracy of the final figures.

35. For this purpose, copies of all vouchers, schedules of Accounts, and all mandated and necessary attachments used for payment of government monies must be lodged at the Final Accounts Section.

36. These documents are checked and rechecked, and summarized with adequate labelling to meet professional accounting standards, such as the International Financial Reporting Standards (IFRS). The purpose is to ensure easy tracking and retrieval.

37. They are then also stored in appropriate cabinets and vaults for easy tracking and retrieval when the Internal Auditors and the Auditor General’s Department demands them.
38. Details of revenues collected as also summarized and kept at the Final Accounts Department.

39. At the end of the financial year, the Budget Officers must independently examine all Vote Books, obtain all figures, and prepare a detailed accounting report of all final expenditures – often called a Final Expenditure Statement.

40. Reconciliation of all Vote Books, payments, and receipts must be done and a special Reconciliation Department exists for this purpose. Where necessary, final adjustments, presented in the form of a statement of transfer or virement of releases, must be done to ensure that the correct figures are obtained and submitted to all relevant sections and departments of the government, such as the Ministry of Finance for use in preparation of final accounting reports and budget analysis.

41. The Minister of Finance would then submit a report to the Auditor General using the reconciled expenditure figures, for the purpose of an external accounting procedure, mandated under the Exchequer and Audit Act and to assist in reporting to Parliament.

42. Regarding the ‘external accounting’, the Auditor General has the power to obtain any information necessary from government accounting units and from any impinging source in order to ensure that funds for any year has been expended in accordance with the law.

43. However, it is the work of internal budget analysis and the external PER to determine whether or not the funds spent meet the ‘value-for-money’ standards determined by economic analysis and other analysis developed by other data domains, and to inform updates of the MTEF or future budgeting accordingly.

**Budget Analysis, the MTEF and the PER**

44. Starting from the perspective of the efficient use of public assets and financial resources, an important step in the public accounting process is the work of internal budget analysis, applicable to all action units in the government.

45. Budget analysts must examine expenditure patterns throughout the budget year to determine: (i) whether the expenditure patterns are on track to match the planned expenditures, and eventually does so at the end of the year – i.e., on track to feature a sufficient degree of economy; (ii) whether the expenditure patterns are on track to employ the best technologies available during the year at optimal cost, and eventually match at the end of the year – i.e., on track to feature a sufficient degree of efficiency with respect to the provision of public services at a reasonable quality and cost; and (iii) whether expenditure patterns are on track to achieve the goals and objectives of the MTEF and the long term plans – i.e., on track to feature a sufficient degree of effectiveness.
46. Early in the budget cycle, the budget analysts must examine the procurement procedures and plans as well as the absorptive capacity of their respective units, and must issue a justified alert to their respective units and departments about the sufficiency of both of these available implementing capacity, and the likely (expected) impact on economy, efficiency and effectiveness as described above.

47. At the end of the budget cycle, the budget analysts must examine the procurement procedures and plans as well as the absorptive capacity of their respective units, and must issue a justified analysis to their respective units and departments about the sufficiency of both of these available implementing capacity, and the outturn in terms of economy, efficiency and effectiveness as described above.

48. The analysis of effectiveness must address all issues of market failure as specified if they are to guide the development process. Hence the budget analysis must be based on the accounting data and on supplementary administrative and statistical data.

49. These budget analyses must be sent to the Ministry of Finance for their records, for the conduct of accounting audits as mandated by law, and for analysis and use in decision-making, regarding: (i) plans for the public sector investment program in the medium term and long term plans; and (ii) to guide response to future requests for allocations and releases. The Ministry responsible for Development Planning should also have routine access to these reports in its efforts to guide revisions of the MTEF and the long term plans shaping the future of the country.

50. The PER does the same thing as a complementary external review process. Like all other budget functions, it is also informed by the reports of the budget analysts. It differs only with respect to the scope of the analysis and the organized inclusion of all stakeholders.

51. Regarding the scope, the PER differs in scope from standard internal budget analysis in that it might need to revisit, and even review and revise, the models and forecasts used to prepare the long term plans, the MTEF and the budgets. Internal responsibility for such functions is usually reserved for the modelling staff of the Ministry of Planning and the Ministry of Finance.

52. In these respects, the relevant Ministry staff of the countries in the projects would at best have developed an integrated expenditure framework using a multi-sector macroeconomic model that can project (forecast) the rate of growth of the economy, consumption and investment, and inflation, among other variables, as well as the rate of growth of the sectors of the economy that are expected to drive achievement of economy-wide goals.
53. Such forecasts must be consistent with the projections of the rate of unemployment, the
debt to GDP ratio, the monetary sector targets, the external balances and the social sector
targets of the economy, including the poverty rate and the extent of inequality.

54. Correspondingly, the macroeconometric model would also be used to generate related
projections or forecasts of revenues, expenditures, and relevant fiscal balances, which are
consistent with the above real sector projections as well as the monetary and external
balances and the methods of financing the social sector targets of the economy.

55. Notwithstanding the internal coherence of the numerical data generated from the
modelling framework developed and used by government for planning and the budgets,
and notwithstanding the role of government as leader of the PER process, the dialogue
process used by a PER must allow stakeholders to call for and use reviews and revisions
of the model, or scenarios developed with it, as necessary enable a probing national
policy dialogue that might also inform negotiations with external stakeholders, such as
the IMF or the World Bank. Policy analysts would not normally have such flexibility.

56. Multi-sector models are required, including representations of the education and health
sectors, because they allow numerical representation of the key behavioral dynamics,
important inter-sector linkages, and the causal mechanisms that transmit the effects of
government spending to income and prices, and thence to the sectors of the economy,
unemployment and the debt to GDP ratio.

57. Macroeconometric models are most likely, because they are by far less complicated and
less expensive than the alternative computable general equilibrium models that might
also be used and the statistical precision of the estimates of their impact parameters are
known.

58. At the same time, they still capture and illuminate the main interactions of the economy
and society, allow for ex-ante and ex-post scenario analysis of policy effects, and for
relatively straightforward rescaling and elaboration to meet policy needs.

59. Macroeconometric models can also represent the impact of exogenous factors such as oil
price changes and the operation of the law of demand in that context, which is to say the
process of competition that leads to equilibrating (cointegrating) behavior in the economy
when shocks occur.

60. If the PER Team deems it necessary, then in preparing such a model, the main rule is to
start from a simple and small model and then elaborate it as the exercise proceeds.