

Manual for Budget Demystification

A STEP BY STEP GUIDE

Capacity Building for Participatory
Approach in the Budget Process

By

Omar Ousman Jobe (The Gambia)
Felix Kadewere (Malawi)
Richard Rutayisire (Rwanda)

In Partnership with



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List of Acronyms

ADC	-	Area Development Committee
BCC	-	Budget Call Circular
CAP	-	Community Action Plan
CBOs	-	Community Based Organizations
CDC	-	Community Development Committee
CDF	-	Community Development Fund
CRR	-	Central River Region
CSO	-	Civil Society Organizations
DBC	-	District Budget Committee
DCD	-	Department of Community Development
DDP	-	District Development Plan
DJAF	-	District Joint Action Forum
DOSFEA	-	Department of State for Finance and Economic Affairs
EDPRS	-	Economic Development Poverty Reduction Strategy
JAF	-	Joint Action Forum
GDP	-	Gross Domestic Product
HIPC	-	Highly Indebted Poor Countries
HRMO	-	Human Resource Officer
LGA	-	Local Government Authority
MDFT	-	Multi-Disciplinary Facilitation Teams
MDGs	-	Millennium Development Goals
MINALOC	-	Ministry of Local Government
MINECOFIN	-	Ministry of Finance and Economic Planning
MTEF	-	Mid Term Expenditure Framework
NBR	-	North Bank Region
NGR	-	Nominal Growth Rates

NPC	-	National Planning Commission
PB	-	Participatory Budgeting
PER	-	Public Expenditure Review
PET	-	Public Expenditure Tracking
Pro-PAG	-	Pro-Poor Advocacy Group
PRSP	-	Poverty Reduction Strategy Paper
RALGA	-	Rwandese Association of Local Government Authorities
RGR	-	Real Growth Rates
SBC	-	Sector Budget Committee
SIP	-	Strategic Issue Paper
SPACO	-	Strategy for Poverty Alleviation Coordinating Office
URR	-	Upper River Region
VDC	-	Village Development Committees
VDP	-	Village Development Plan
WAP	-	Ward Action Plan
WR	-	Western Region

Preface

About this Manual

This Capacity Building Manual for Budget Demystification is the crystallization of an idea that emerged during the Durban Participatory Budgeting Seminar. It is aimed at developing a user-friendly instrument for demystifying local and national budgets. It is meant to be a tool that development practitioners can take ownership of and then apply in their budget work and budget advocacy outreaches. The overarching objective of this initiative is to promote South-South cooperation (between Latin America and Africa) and to serve as a vehicle for learning and sharing of information on good practices in good governance. It will serve to facilitate peer learning among policy-makers, practitioners and researcher on Participatory Budgeting. By creating a space for mutual learning in the field of participatory budgeting, it is hoped, this initiative would:

1. Serve as a launch pad to build a peer-to-peer platform for direct inter-continental cooperation between Africa and Latin America on the one hand; and between African countries on the other. This will help transfer and develop new capacities and capabilities for development;
2. Enable participating institutions to enhance their capacity by means of sharing their innovations and lessons, as well as developing new knowledge and skills; and,
3. Contribute to improving good governance by means of strengthening budget transparency and literacy, citizen's voice in public expenditure management, and independent oversight of service delivery and infrastructure.

This manual is intended to serve as a users' guide to foster understanding of the processes involved in the preparation and execution of the National and Local Governments' Budgets. It documents processes and procedures of preparing, planning, executing and monitoring the budget by the authorities concerned, the local citizens and the civil society. It will prove useful to various categories of stakeholders by serving as a guide to understanding public budgets and the various steps involved in budgeting.

This manual is premised on the view that participatory budgeting is gradually gaining ground. The assumption is that the prerequisites for participatory budgeting namely political will, space for citizens'

engagement, existence of a framework for guiding the budgeting process, and Civil Society capacity and resolve to engage with the budgetary processes are in place. People participate effectively when they know the issues they are dealing with and understand their roles and those of other stakeholders. Training and capacity building of citizens and government officials should therefore be given high priority in the preparation for a participatory budget process. Citizens need to demystify the budget; know when to engage; know who to lobby; how to access the decision makers; what convincing arguments to develop; how to communicate that information etc. Budget Advocacy Groups are supposed to serve as watchdog agencies to their governments and must therefore understand the workings of a budget and participatory budgeting process. They need to appreciate that their involvement does not stop at identifying needs and prioritizing them. Rather, they need to have the capacity to monitor the implementation of the budget as well as evaluate the results. Government officials need to acquire skills in areas of negotiation, communication, listening and targeting.

This manual for budget demystification attempts to empower citizens to participate effectively in their national or local government budget processes. It is for citizens, community leaders, extension workers, officials entrusted with the task of compiling budgets, and for stakeholders involved in enhancing community participation in economic literacy and budget programs. The manual is organized in a logical sequence. It starts with the definition of key concepts like: policy, budget, budgeting, and then goes on to explain the necessity to demystify budgets (**chapter 1**). Since the idea of conceiving such a manual arose in a participatory budgeting seminar context, the authors deemed it fitting to explore some simple participatory tools and methodologies and the budget cycle with emphasis on the modalities for participation.

Thereafter, the storyline takes the reader into the realities of local government budgets and budgeting (the meso level) with a view to demystifying them (**chapter 2**). After explaining what a local government budget is, the two sides of the budget equation are then explored in more detail: the revenue side and the expenditure side, using different formats for presentation purposes. The learner is then taken through the kinds of issues to consider in local government budgeting; the accountability mechanisms to put in place; the modalities of communicating local government budgets etc.

Chapter 3 entitled: Demystifying national budgets and **chapter 4** on understanding the national budget process look at macro level budgeting from different angles: sources of revenue; types of

expenditures undertaken; how national budgets are coded; the budget cycle and opportunities for civil society participation.

Simple budget analysis tools are then provided (**chapter 5**) to equip practitioners with the instruments to analyze whether or not there is match or mismatch between policy pronouncements and budgetary allocations. The evidence emerging from such an analysis is meant for lobbying and advocacy purposes. Civil Society organizations must promote evidence based advocacy. They must take interest in and empower citizens to know how is allocated to their community or region; how much is raised in taxes; how the money has been spent; for what outputs and outcomes etc. Budget demystification cannot be an end in itself. The knowledge so acquired has to be used to engage constructively with duty bearers and service providers. This is done through Social Accountability outreaches (**chapter 6**), one of which is budget tracking. After all, some “ghost schools” and “ghost teachers” have been uncovered in certain countries as a result of budget tracking. Budget tracking is a good application of budget demystification where citizens are made to engage with budgetary processes across the whole gamut of the budget value chain.

A Budget communication strategy (**chapter 7**) is of critical importance for creating awareness and commitment of citizens to development delivery. Citizens have both rights and responsibilities. Local Government authorities and CSOs should have a dynamic media strategy to communicate their messages effectively, and also making sure that space is created in the form of a feedback loop.

The country case studies (**chapter 8**) are meant to showcase the diversities and country specific modalities of practicing participatory budgeting. For instance, The Gambia’s PB has a national focus whereas that of Malawi and Rwanda is confined to the local government authority’s geographical space.

The approach is interactive. In some sections, the user is required to take action. For example, the user may be required to get a copy of a local or national government budget; to try to understand how the budget is coded with a view to teasing out specific information; to do simple analysis on the budget. That is all geared towards making the manual as practical and as user-friendly as possible.

About the Mutual Learning Initiative

The Approach

This manual has been elaborated by a group of participants who attended a workshop in Durban, from the 10th through the 14th of March 2008.

It is expected that at the end of the project period, the peer institutions will experience the following outcomes and impacts:

- The knowledge of peer institutions is greatly enhanced in the coding, analysis and interpretation of national and LGA budgets and the budget is made accessible and user-friendly;
- Institutional stakeholders are familiarized with participatory tools and methodologies geared towards opening up the budget process, fostering inclusive citizenship, transparency and accountability;
- Effective and active involvement of peer institutions in participatory budget processes ensured;
- Institutionalization of the demystification of the budgets and budgetary processes.
- Countries with more experience in budget work are giving support to countries taking up the challenge of participatory planning and budgeting at both the local and national levels.

UNDERSTANDING BUDGETS AND PARTICIPATORY METHODOLOGIES

1.0 Introduction

Government Policies are meant to be translated into programmes, projects, activities, budget inputs (funds, resources, fertilizers) and budget outputs (medicines, vaccines, roads, hospitals, schools, boreholes etc). This is done through the “budget”, be it the national or the local government budgets. As the saying goes, “it is money that makes the world go round”. Budgets are therefore critical to the development of any nation. To underscore the importance of budgets, governance experts take the view that after the Constitution, the national budget is the second most important document in any modern State!¹

All governments operate on the basis of an approved budget with a view to implementing policy decisions that seek to promote the welfare of citizens.

Democracy is gradually taking root in the African continent. It is thus common practice for local and national budgets to be designed with the participation of the people in a process known as **participatory planning**. Such budgets are formulated based on the development needs of citizens.

1.1 Objectives:

At the end of this Chapter the reader should be able to:-

- Explain the meanings of policies, budgets and budgeting
- Appreciate the importance of Budget demystification
- Understand the tools used in Community Participation
- Relate the budget cycle to community demands

Requirements:

Get a copy of the set of most recent National and/or Government Budget

Group Activity:

(i.) At the outset, invite the group/participants to explain what they understand by the following concepts:

- a. Policy
- b. Budget
- c. Budgeting
- d. Budget input
- e. Budget output
- f. Budget Outcome
- g. Revenue
- h. Expenditure

(ii.) Find out how many members have ever come across a budget document; a government policy document;

(iii) Ask them whether they know where to access the national or local government budgets; whether it is available free of charge or whether it is available for sale;

Notes to the Facilitator:

It may be necessary to provide a legal and institutional context of the budget document. There are country specificities and these need to be highlighted.

Write down participants' answers and later on relate them to the notes given in the next section.

1.2. Understanding Policies and Budgets:

1.2.1. What is a policy?

A Policy is the translation of government's political priorities and principles into programs and courses of action to deliver desired changes. Most economic policies revolve around promoting economic growth, creating wealth and employment, maintaining stable prices, and promoting export earnings. Social policies cater for reducing incidences of poverty, improving access to basic services in education, water, and health, and ensuring protection of citizens.

1.2.2. What is a Budget?

- A budget² is a policy instrument (a development tool) and is the statement of expected income and expenditure of a national government or a local government authority over a specified period of time, usually a calendar year³.
- The Budget is therefore a framework for policy decisions involving choices among alternatives. It is a means of implementing policy decisions through receipts (income) and payments (expenditure).
- The budget is a source of information about the priorities of a government and their commitment to poverty reduction.
- The budget is an instrument through which parliament or the local government council exerts its control and oversight responsibilities over the government or the local area council.
- It gives an idea of the state's or the local councils commitment and resolve to reduce poverty and to promote the welfare of the citizenry
- It is an instrument for territorial regulation, distributive justice, economic growth, socio-economic transformation, spatial reorganization etc.
- It is tool for participative democracy and good governance

A Budget is a document which outlines how government policies, plans and programs will be implemented for a given period. It is a translation in financial terms of the action program of government, coordinating planned expenditures with expected revenue collections.

Budget decisions represent a fusion of political and technical considerations. Officials in local governments, line ministries and finance

² This definition applies to both Local Government and National Budgets

³ In some countries however, the financial year may not necessarily start in January and end in December. It could start in April and end in March.

ministries are responsible for advising politicians on costs, issues that should be considered, options available, the opportunity cost of choices, likely effects and so on. They are not responsible for deciding what will be funded. Officials give advice, politicians decide.

1.3 The difference between a National and Local Government Budgets

National Budgets cater for the whole country whiles the local government budgets are for a given legal jurisdiction within the state. The mode of financing of the national budget is slightly different from the way local government budgets are financed. The National budget is financed through taxation⁴, loans (borrowing from the domestic and the foreign markets), government lending and equity sales, grants (budget support, development aid etc). The Local Government budget is also financed through taxation (property tax, sales tax, land tax, property rentals, etc), fees and charges, subventions, grants and loans. Local government authorities are rarely allowed to borrow from international markets.

1.4. What is Budgeting?

Budgeting is a process of quantifying the needs of the local or national citizens into figures. It reflects the programs and plans of the local or national communities and how they will be put into practice. For local governments, budgeting process involves prioritizing and costing the needs of the communities, and balancing the cost against available financial resources.

1.5. The relationship between policy and Budgets

Having defined policy and budget above, it would be fitting to define the relationship between the two. If a policy is a mere statement of intent, for a policy to be implemented, there should be a budget and the budget should be adequate. Without a budget or better, an adequate budget, the finest of policy objectives will never be implemented with success. That being the case, it will be justified to say that policies and budgets are two sides of the same coin.

⁴ Tax on income, domestic tax on goods and services, tax on international trade etc; non tax revenue (fees and charges, entrepreneurial and property income, capital revenue);

The diagram below gives an idea of the relationship between policies, budgets and development outputs and outcomes.

Policy ⇒ Budget ⇒ Implementing Agency/Sector ⇒ Product/Service Delivery (Policy/Budget Output) ⇒ Development Change (Policy/Budget Outcome) ⇒ Impact of Programme/Activity

Before policies are implemented they are translated into budgets. When implementing agencies execute the budgets outputs in the form of goods and services are produced, and when these are used or consumed by the people they lead to development or change in welfare which is the desired impact of the initial policy program or activity.

In brief, there is a link between inputs, outputs and outcomes as shown below:-

Budget Inputs	⇒ funds, resources
Budget Outputs	⇒ (Health) Medicines, Vaccines, (Education) classrooms, textbooks, chalk, staff houses
Budget Outcomes	⇒ Health - Improved Child health Education - improved learning outcomes

1.6 Measuring budget inputs, outputs and outcomes

It is important to define indicators for budget inputs, outputs and outcomes. Usually this is done by the Monitoring and Evaluation Officer.

In constructing a school the inputs include materials (cement, bricks, iron sheets, doors etc), and labour used. The output can be measured by the number of school blocks while the outcome will be in terms of increased enrollments or examination pass rates by students.

The detailed or item budget provides a starting point for monitoring resources earmarked for inputs while contractor completion reports, goods delivery reports provide a basis for measuring outputs. Outcomes are measured through specific studies which compared the situation before and after an intervention.

Activity

Participants should discuss how they would measure the inputs, outputs and outcomes for a Bridge construction projects.

1.7 Why Should Budgets Be Demystified?

Brainstorming:

- i. *Ask participants to mention the problems they perceive about national or local government budgets*
- ii. *Are they apprehensive of consulting the national or local government budgets?*
- iii. *If yes, what are their reasons?*

Notes to the facilitator:

Write down the responses and relate them to the notes below

1.8 Budget Demystification:

For a long time budgets have remained technical documents, accessible only to a handful of people, mainly technocrats. To most people, there is a sense of mystery about national and local budgets; how they are designed to meet their needs; how they could be used as a source of information and for lobbying and advocacy purposes. There are many expectations about the budget which can lead to good or bad expectations. To some citizens, a budget is synonymous with readily available cash at the disposal of central government or the local area council to meet their felt needs and aspirations. When a disaster or catastrophe strikes, citizens are often left wonder why the duty bearers or service providers fail to meet those needs urgently, despite having a budget!

Enlightened citizens would like to have answers to questions like: - Why should governments be limited by a budget in their expenditure decisions? Is it necessary to prepare a budget every year? Should citizens be bothered with local government and national budgets? Citizens pay taxes but do not always understand why. More importantly, they do not

know that as tax payers they are not objects of pity but holders of rights and therefore have an oversight role to play. To that end, it is their responsibility to hold service providers accountable.

It is important therefore to demystify the budget to the citizens so that they have a clear understanding of what a government budget is and why they have to be involved with budgetary processes.

Budgets are not difficult to understand. The problem is that they are coded in a particular way and that key has to be explained to foster its understanding. Without that, the uninitiated reader will remain rather apprehensive about budgetary information. Some other people tend to be alienated wherever figures are concerned. It is their bugbear and they will always shy away from crunching! And for a long time, technocrats have made people believe that budget information was so complex and so complicated to understand that it was restricted to a selected few (like a “no-go area”).

Civil Society Organizations are up and against that perception of budgets and want to prove that after all, budgets are easy to understand. The budget work that they have undertaken in the recent past is geared towards strengthening civil society and citizens’ understanding of budgets and budget advocacy for good governance.

Budget demystification is the removal of the confusion surrounding the budget. It is an attempt to simplify the budget information for the good of the citizens so that there is increased ownership of government policies, projects and programs. It serves to build consensus around the development direction and priorities of government; and to ensure the sustainability of effort, and the prevalence of accountability and good governance.

Demystification of the budget calls for:

A new form of engagement between citizens and government;

A more direct connection between the people and the duty bearers and service providers in their communities

Brainstorming Activity:

Ask participants to suggest what should be done to make the budget easier to use and understand

1.9 Participatory Planning and Budgeting: Principles, Tools and Methodologies

Group Activity:

Participants should form groups of three or more people to discuss the following issues:

- i. The necessity for communities to partake in planning and budgeting processes at local or national government level*
- ii. Find out whether participants have ever participated in community planning or budgeting or both*
- iii. Explain the modalities of participation*
- iv. What are the advantages and disadvantages of participation?*

1.9.1. Participatory Planning⁵

Participatory planning is the initial step in the definition of a common agenda for development by a local community and an external entity or entities. Budgeting is the last stage in the planning process. The purpose of participatory planning is to create a platform for learning rather than plunging directly into problem solving. The process is expected to enhance:-

- (1) **Identification of the felt needs of the people** – People must be accorded the opportunity to identify their needs. This can be done through a community meeting.
- (2) **Bring forth consensus** – The people must reach a consensus on their priority needs. People must agree on the criteria for ranking, selecting and prioritizing issues;
- (3) **The empowerment of local disadvantaged groups** – the needs of disadvantaged groups should be taken into account.
- (4) **Integration of local knowledge systems into project design** - local knowledge should not be ignored but integrated into the project design.
- (5) **Two-way learning process between the project and local people**. Government interventions should learn from local expertise and vice versa.

⁵ Kurian Thomas and Ramkumar Bendapudi, Knowledge Managers, Centre for Good Governance, www.sasanet.org/documents/Tools/Participatory%20Planning.pdf

(6) **Political commitment and support** – it is important that politicians support the participatory process.

(7) **Accountability in local governance** – Those who take decisions must be accountable to the people they represent.

Notes to the Facilitator:

In most parts of the world, citizen's participation in planning, particularly during the budgeting process is limited. Their voices and choices have not been given attention partly because of lack of an appropriate forum for engagement; lack of knowledge and skills about the budget, and or lack of space for citizen participation. With growing demand across countries for participatory democracy and good governance, the trend is changing and can only deepen.

In Africa, participatory planning has successfully been implemented in the city of Maputo (Mozambique), resulting in the provision of services requested by the people. As a result, the disillusionment with local budget has since been minimized as citizens now have a clear understanding of what a local budget is and why it "behaves" the way it does.

1.10. Conducting Participatory Planning

Communities are organized in a hierarchy, from a smallest planning unit up to the highest planning unit at the local government level. In the example below, the smallest unit is designated as a Village or community, then Ward, then District (local government).

Requirement:

Get a copy of a village, ward or district development Plan

Activity:

- i. Participants should list the layers of jurisdictions used for planning and explain their roles
- ii. What problems are faced during the participatory planning sessions?

1.10.1. A case study: Development of Community and Ward Action Plans:

Community planning is mainly facilitated by a Multi-disciplinary Facilitation teams (MDFTs) conversant with participatory tools and methodology and participatory community planning.

The community planning is done first. Basic information about the community or ward is gathered by the divisional community development office (DCD).

The participation facilitation teams (from government) refer to village profile data and previous participatory exercises.

The village/ward profile information is then updated. That information is gathered as part of the situation analysis undertaken with the community.

Ward level planning often requires the input of specialists at District or regional level. They support the MDFT members in assisting the ward to make informed decisions about the bigger picture. The Ward planning is informed by the village plans.

1.10.2. Approaches to Participatory Planning

- i. A full appraisal or situation analysis is undertaken using various Participatory Rapid Appraisal (PRA) or PLA tools and methods
- ii. The participants identify their needs and problems
- iii. Problems are analyzed in terms of causes, effects, coping strategies, solutions and opportunities
- iv. Problems are prioritized
- v. Objectives are set for the Village Development Plan (VDP)
- vi. Village and Ward resources are analyzed (natural, human, material, financial) to establish the amount of outside assistance needed to meet those objectives

This participatory process involves the wider community as much as possible. At least two meetings take place with the entire community during any participatory exercise: one to sensitize the community at the beginning of the exercise; the other to report back to the stakeholders and to check out facts and receive feedbacks.

1.10.3. Sample Village Development Plans:

The following is a summary of priorities for the first year of the Village Development Plan (VDP), as identified by three villages and Ward, after a participatory planning process.

Village A : A remote part of the district, where 25% of the population lives. 60 percent of the people are below the poverty line.

Village B: A rich agricultural area producing on commercial basis. It has 20 percent of the population.

Village C: An area with 45% of the district population. It borders another district where basic services are accessible.

Ward G: This is the urban section of the district with 10% of the population

Table 1: Sample Village Development Plan

	Village A	Village B	Village C	Ward G
SECTOR				
Water	Drill 30 boreholes upland		Extend gravity piped water supply to 300 households	Construction of a second water reservoir dam
Agriculture		Increase Hectares for Maize production from 2500 to 4,000 hectares	Overhead irrigation for 3000 hectares	
Education	Construct 2 classroom blocks		Construct 4 teachers houses	Construct 10 teachers houses; 4 school blocks
Health and Sanitation	Drug supplies	Construct a health centre	Drug supplies	Install sewerage works in Zone 1
Security		Improve Community policing	Improve Community policing	Install street lights in Zone 3

Assumptions: we assume that the Local Governments has a budget of ₦350 million (three hundred and fifty million **Contes**). In terms of sector allocations, the local government has allocated resources as follows: -

Water ¢50 million; Agriculture ¢65 million; education ¢95 million; health ¢90 million; and Security ¢50 million.

1.10.4. What is Participatory Budgeting (PB)?

It is a democratic direct process, voluntary and universal where the population can discuss and decide on the application and uses of public resources, and public politics in a transparent way. Citizens do not limit themselves to casting votes, but go beyond to take part in local governance issues.

Activity

Ask participants to list what they would look for when participating in the budget process (note the answers and compare with the notes below)

1.10.5 Principles of Participatory Budgeting:

1.10.5.1 Transparency:

That is, permitting all the citizens to get enough information on the management of local affairs and on public investment in the different localities. This implies that there must be effective communication channels for information sharing.

1.10.5.2 Efficiency:

That is to say that the PB process guarantees the best utilization of public funds to the satisfaction of the citizens' needs. The hierarchy of projects in the form of priority and their implication to the population has been assessed and that the project execution and follow-up have all contributed to the optimization of results.

1.10.5.3 Inclusion:

This implies that the PB processes deal with improving the lives of all categories of the citizens, including marginalized and vulnerable groups. The poor, women collectives, youth clubs and other under-privileged groups benefit from the distribution of the public resources to satisfy their social aspirations.

1.10.5.4. Solidarity:

This means that taking cue from the concept of dialogue, participation and consultation, the PB process permits the redeployment of resources towards the most disadvantaged

groups. It also permits practitioners to put public interest concerns above individual interests.

1.10.5.5. Participation:

The PB allows / favors the participation of different social categories during the process of decision making at different steps of planning, execution and control of programs and projects.

It gives equal chance of participation to all groups irrespective of age, sex and origin.

1.11. The Budget Cycle and Opportunities for Citizen Participation

Budgeting is a continuous process. As explained previously, budgeting is coordinated by the local or national government. The process starts with the preparation of the budget, which in this case is limited to the selection of projects and activities that will be implemented with the given amount of resources. After a budget is prepared, it must be debated and approved by the legislative body, which is a local government assembly for local governments or national parliaments in the case of the national budget. An appropriation bill is then passed which authorizes government to spend money. After the budget is approved, governments are expected to mobilize resources as programmed in the budget and then spend on the planned activities. It is important that the use and application of resources is monitored. This section describes the budget cycle and opportunities for citizen participation.

1.11.1 Purpose:

At the end of this section, the reader should:

- Be able to outline and understand the purpose of each of the main stages in the Budget Cycle
- Identify opportunities for citizen participation within the budget cycles

Requirement:

Get a copy of the budget calendar from the local government office. If there is no budget calendar, ask the local government budget officer to outline the activities that are undertaken in preparation and execution of the budget.

Assumption:

We assume that decentralization is fully fledged and that local governments have development plans for a range of services including primary education, primary health care, agriculture services and community services. The budget preparation process is facilitated by technicians from the local government office whose role it is to cost the plans.

1.12. Main Stages of the Budget Cycle:

There are four major budget cycle stages and these include:

- i. Budget preparation
- ii. Budget authorization
- iii. Budget implementation
- iv. Budget Accountability

1.12.1. Budget Preparation:

After the planning process, comes the budgeting phase. Citizens should take interest in the budget preparation process. In most cases, a budget is formulated based on a local government plans and national development policy. Section 1.7.3. above, shows a Sample Village Development Plan which is consolidated into a District Development Plan. That document in turn, forms the basis for budget formulation.

These plans relate to locally delivered services which in turn are determined by the fiscal arrangement in a given country. The budget available to the local government authority is ₦350million but the costed plan is ₦461million.

Table 2: Example of Village Annual Investment Plans

	Village A		Village B		Village C		Ward G		TOTAL
SECTOR		₦		₦		₦		₦	₦
Water	Drill 30 boreholes upland	15mn			Extend gravity piped water supply to 300 households	45mn	Construction of a second water reservoir dam	100mn	160mn
Agriculture			Increase tilled Hectares for Maize	40mn	Overhead irrigation for 3000	20mn			60mn

	Village A		Village B		Village C		Ward G		TOTAL
SECTOR		¢		¢		¢		¢	¢
			production from 2500 to 4,000 hectares		hectares				
Education	Construct 2 classroom blocks	10mn			Construct 4 teachers houses	16mn	Construct 10 teachers houses; 4 school blocks	60mn	86mn
Health and Sanitation	Drug supplies	5mn	Construct a health centre	25mn	Drug supplies	15mn	Install sewerage works in Zone 1	45mn	90mn
Security			Improve Community policing	10mn	Improve Community policing	15mn	Install street lights in Zone 3	40mn	65mn
								Total	461mn

At the budget preparation stage, citizens confirm the development choices and priorities to be reflected in the local government budget after taking into account the available resources. The role of the local government technicians is to organize the choices and priorities and to present them in conformity to the budget presentation formats.

Steps to ensure active participation of citizens in Budget Preparations

Assumptions:

1. We assume that the local government has a budget framework in place. The document specifies the expected resources to finance the budget, and will "tentatively" earmark the resources for various sectors: education, health, water, community services etc.
2. The Local Government is required by law to balance its budget.

Table 3: Local Government Budget Framework

	Budget (A) ¢ Million	Required (B.) ¢ Million	Variance (C.)
Revenue			
Local Revenue	140		
Grants	210		
Total	350		
Expenditure			
Water	50	160	-110
Agriculture	65	60	5
Education	95	86	9
Health and Sanitation	90	90	0
Security	50	65	-15
TOTAL	350	461	-111

1.12.1.1 Conducting community pre-budget consultations:

Steps:

1. Organize citizens into focus or interest groups based on issues identified in the plans.
2. Review the list of issues as contained in the local government development plan and confirm the relevance of the projects that were selected or proposed.
3. Communicate the amount of resources available and build consensus on the projects that can be implemented.
4. Communicate the other local policy issues that are assumed within the budget framework, e.g. the proposed increase in tariffs for market fees, property tax etc;
5. Summarize the selected projects indicating the name of the project, its location and amount budgeted.

This process can best be facilitated by the Councilors or local legislative representative. Communities must be mobilized prior to the date of the meeting to ensure effective participation. Focus groups must have contact persons who will act as communication channels between the technicians. Most local governments have sub-structures which can serve this purpose.

1.12.1.2 Communicate the summary of issues included in the Budget –

Citizens must understand that the next step after community consultation is budget approval.

Steps

- i. Before a budget is presented to the full council, it passes through sectors committees; then to then the finance committee.
- ii. Citizens through their focal points should be informed about the issues that have been included in the budget submissions.
- iii. This should also include the scheduled dates, venues and times for local assembly budget discussions by sectors or the holding of full local legislative council meetings.

1.12.1.3. Analysis of Budget Submissions:

The analysis of budget submissions is premised on the desire to find reasonable answers to key questions; the provision of quality information and data; and to exercise good judgment in the use and manipulation of the available data. The purpose is to strengthen the quality of government planning to ensure that allocations of public resources link transparency concerns to the government's policy objectives. The following table can be used as a checklist.

Table 4: Example of questions for Budget Analysis

BUDGET QUESTIONS	EXAMINERS	CITIZENS QUESTIONS
What does the budget provide for? To whom? And Why?		What is the expected impact of the budget on men, women, boys and girls?
Do the outputs and activities relate to policy objectives?		Do the planned activities reflect what was suggested by citizens at planning stage?
Area unit costs realist? What are the key drivers of the costs? Are the assessments of the risk realistic?		What contribution can the community make?
Are all revenue sources included?		Does that budget result in increased tariffs and taxes? On what areas?
Do the cost centre have the capacity to spend funds		Does the budget allocate resources that will be managed by communities?

1.12.2 Budget Authorization

Budget authorization enables governments to use public resources that have been budgeted. This is usually done through voting in a legislative assembly, called a council in the case of local governments or national assembly for national governments.

In most local government councils, meetings are open to the general public. Local governments should therefore ensure that the venue of the budget discussion has provisions of seats for the general public who wish to observe the proceedings. Focus groups should be encouraged to attend and observe local budget discussions. Although the general public can not contribute during council budget deliberations discussion, they can cease the opportunity to lobby councilors on issues that are of concern to them.

Assumptions:

We assume that the following is the Local Government budget after due budgetary consultations. Please note that the presentation format varies form one local government authority to the other.

Table 5: Example of Priorities within Budget Constraints

	Village A		Village B		Village C		Ward G		TOTAL
SECTOR		¢		¢		¢		¢	¢
Water	Drill 30 boreholes upland	14mn			Extend gravity piped water supply to 250 households	35mn			49mn
Agriculture			Increase tilled Hectares for Maize production from 2500 to 4,000 hectares	40mn	Overhead irrigation for 3000 hectares	20mn			60mn
Education	Construct 2 classroom blocks	10mn			Construct 4 teachers houses	16mn	Construct 10 teachers houses; 4 school blocks	60mn	86mn

	Village A		Village B		Village C		Ward G		TOTAL
SECTOR		¢		¢		¢		¢	¢
Health and Sanitation	Drug supplies	5mn	Construct a health centre	25mn	Drug supplies	15mn	Install sewerage works in Zone 1	45mn	90mn
Security			Improve Community policing	10mn	Improve Community policing	15mn	Install street lights in Zone 3	40mn	65mn
									350mn

Budget authorization involves the approval of the budget framework and the embedded policy measures by the local governments.

It is important that before a budget is presented to the full council, a summary of the major issues is referred to the focal groups and that representatives are invited through the local government secretariat.

The chief executive of the local government, in his/her capacity as secretary to the full council, should also present the issues emanating from citizens to the full council for consideration.

1.12.3 Budget Implementation:

During this phase, local governments collect and spend money based on the approved budget. All revenue collected and received by local governments are public funds and are so collected and managed in trust of the people. If a government collects more resources than budgeted, there is a need to pass a supplementary budget to authorize the use of the additional resources mobilized.

1.12.3.1 Revenue Mobilization - If citizens do not understand how the money collected or received by the local government is utilized they may have the wrong perception of the administration.

1.12.3.2 Expenditures - For projects that affect citizens, details of works schedules should be shared with the focus groups. They in turn, will follow up with the service provider. All contracts with goods or service suppliers should recognize the role of the local focus groups who may demand information on the status of the projects.

Some projects are community managed. In such cases the citizens must be part and parcel of the decision making process, including the procurement of goods and services.

1.12.4 Budget Accountability

There are many ways for citizens' participation in budget accountability. Monitoring and evaluation tools used by citizens can also foster budget accountability by monitoring both inputs and outputs.

From the Citizens point of view:-

- i. Track amounts of actual spending against the budget – For example in Village A, under the education sector, the budget provides for ₦10 million for the construction of 2 school blocks. Citizens through community project monitoring committees should be in a position to follow up the processes of procurement and construction.
- ii. Goods and services purchased - must be in line with spending plans- Projects usually have bills of quantities (BOQ) – lists of goods and the corresponding amounts required for a particular project. For example, the requirements may be for a contractor's services, 4 doors, 8 windows, 80 roofing sheets, 100 bags of cement. Using this information, the community should be able to relate what was provided for under each item to what has actually been spent. Any anomaly should be explained by the purchasing authority.
- iii. Are the intended objectives of the expenditure being achieved? In the case of our example, the objective is to "provide decent classrooms for students". If the project is successfully completed then the objective is met, or else resources have been wasted.

Accountability is realized when the decision makers become responsible for their actions. If public resources are misused by service providers, there must be mechanisms for recovering them from those who made such decisions.

DEMYSTIFYING LOCAL GOVERNMENT BUDGETS

2.0 Definition of a Local Government Budgets

Local Government Authorities are required by law to prepare annual budgets. After being approved, the local government budget must be implemented to achieve policy goals related to local socio-economic development.

2.1 Objectives:

- To promote understanding of local government budgets
- To highlight differences with the national or higher level government budget
- To outline the structure of a budget

Requirements:

- ✚ Get a copy of the most recent Local Government Budget in the area.
- ✚ How much does the local government authority expect to collect in taxes for the current year?
- ✚ How much do they expect to spend in basic social services?
- ✚ Try to tease out budget lines that cater for school feeding; community resource centres; Health Centres; boreholes and furniture for schools

2.2 What is a Local Government Budget?

A local government budget is an approved plan of expenditure for a given period usually 12 months in a fiscal year. It shows sources of funds and areas for expenditure by department within the local governments. Departments

can implement one or more programs which in turn have sub-programs. It can be presented in several formats to meet several uses. For example the Local Government Department of health may have a program responsible for Preventive health services and another one on Child nutrition and Immunization. The budget should be able to show the planned activities, projects or expenditure items depending on the budget format under consideration.

2.3. Types of Local Government Expenditures:

There are two major expenditure categories, namely recurrent and development budget. These can be presented in several formats.

2.3.1. Recurrent Budget:

The recurrent budget presents sources of revenues and expenditures that recur within the Local government. This is used for servicing ordinary activities of the Local Administration like salaries, office furniture etc.

2.3.2. Development Budget:

The development budget outlines the annual investment budget which results in the creation of wealth or additional services to the local economy. Usually they are projects or capital formation expenditures. The presentation usually includes details of projects in terms of type, location, duration, expected benefits, beneficiaries and cost.

2.3.3. Expenditure on Special Budget:

Some local government authorities make provisions for a special budget. Such a budget caters for expenses on special circumstances. (Usually, this is placed under recurrent budget although they are non-recurring expenditures.)

2.4. Formats for Budget Presentation:

There are several ways of presenting a budget and this depends on the prescribed format.

Activity:

Get a copy of a budget and identify sections of the budget presentation

Notes to the Facilitator

The following is a Sample Budget Presentation format. In this format, the budget consists of three sections:

- i. Preamble,
- ii. the Body and
- iii. Explanatory notes.

1. The Preamble

The budget is preceded by a preamble which is a description of sectoral priorities and the local government financial situation. The latter briefly indicates anticipated revenues for the following year and aligns it to the expenditure domains. The preamble should at least consist of:

- **Analysis of the performance of the previous year which include the:**
 - Budget and the achievements of the previous year,
 - Challenges and proposed ways of addressing them,
 - Outstanding obligations and ways of overcoming them
- **Priorities on which the new budget should put emphasis:**
 - ✓ New budgetary items both in revenue and expenditure
 - ✓ An overview of expenditure items clustered under for example:
 - a. Salaries and staff
 - b. Emoluments for Councilors and standing committees
 - c. Operational funds for departments
 - d. Capital and major recurrent expenditure

2. The Budget Body:

The main body of the budget will have details of **Revenue** and **Expenditure**. It will also show the true performance of the previous year; estimates for the current year; results expected; and the main body will contain estimates for the following year.

- The budget is subdivided into programs, sub-programs and items. The items shall be derived from the expected outputs and activities of the programs.

Example: Output or activity Based Budget

Aim: To indicate the planned activities or projects in terms of expected outputs

Table 6: Example of Activity Matrix

Program	Output	Activity	Monitoring Indicator	Output Target	Estimate Yt (¢ mn)	
Nutrition and Food Security	Food availability and accessibility increased	Agricultural activity among targeted farmers increased	No of farmer groups reached	500	90	

The output based budget is a translation of a Government Plan into a plan of action for a given period. It shows the revenue or expenditure that will be realized in pursuit of a given local government objective. The example above shows expenditure only.

The revenue and expenditure codes of these programs, sub-programs and items:

Example: Detailed or Itemized Budget

Aim: Presents the budget in terms of the expenditure items. This is the budget used by accountants when disbursing resources. It is used for expenditure control by comparing what is spent against what was budgeted.

Program: Detailed Budget for Nutrition and Food Security. Note that for year **Yt**, the output budget corresponds to year **Yt** of the itemized budget.

Table 7: Example of an Itemized Budget

Itemized Budget for Nutrition and Food Security Program				
	YT-2	YT-1	YT-1) R	YT
PROGRAM: Nutrition and Food Security	(¢ Million)			
21 Internal Travel	33	39	42	52
2101 Allowance	8	11	9	10
2104 Hotel charges	7	8	11	12
2106 Fuel	18	20	22	30
22 Stationary & Consumables	8	12	13	18
2201 Paper	1	3	4	5
2205 Computer accessories	1	1	1	3

Itemized Budget for Nutrition and Food Security Program				
	YT-2	YT-1	YT-1) R	YT
PROGRAM: Nutrition and Food Security	(¢ Million)			
2206 Consumables	6	8	8	10
30 Formation of Capital assets	15	15	15	20
3103 Purchase of machines	15	17	18	20
Total	56	66	70	90

Notes: yt-2 - year with actual figures; yt-1 – preceding year budget;
yt-1) R- revised figures for preceding year; Yt- estimates for current year.

Guided by a chart of accounts, the Detailed Budget shows expenditure in terms of type e.g. internal travel expenses (fuel, allowances), office supplies and expenses (stationary, computer expenses). This can also be coded. For example, internal travel expenditure on fuel could be presented as 2106 amount ¢30 million.

Detailed Budget: Personnel Emoluments Budget

This is part of the recurrent expenditure but is usually presented separately (as an annex). It provides details of government employees paid out of public resources. This budget is not usually disclosed to the public because it involves personal emoluments.

Table 8: Sample of Personnel Emoluments Budget

Department	Name	Title	Grade	Current Salary + Benefits (¢, 000)	Estimated Salary + Benefits(¢,000)
Health	Craig Phillip	Field Assistant	1	4,000	4,350
	Shark Nancy	Nurse	4	6,000	6,200
Administration					
	Brown Sauce	HRMO	3	4,570	4,770
	Pink Flower	Secretary	2	3,300	3,650

3. The Explanatory Notes

Because a budget translates policies, projects and programmes into figures, explanatory notes are needed to explain the areas and the items that require such explanation.

Activity:

*From the itemized budget above, find out how many items were (1) within budget, (2.) over the budget, for year **yt-1**.*

What could be the cause for the outcome above?

2.5 Understanding the Revenue Side of Local Government budgets

Objective:

- i. To raise awareness about sources of funding for local governments.
- ii. To explain the role of citizens in contributing to local government revenue

Activity:

Participants should attempt to identify the different sources of revenue for the local government that they are aware of

Participants should indicate how they contribute to the local government revenue directly or indirectly for each of the revenue sources.

Notes to the Facilitator

Explain to participants that depending on the legal provisions, Local Governments are empowered to raise revenue for purposes of financing local development plans. Typical sources of local revenues include:-

- i. Taxes
- ii. Fees and Charges
- iii. Central Government transfers
- iv. Donations

2.5.1. Local Government Taxes

These include the following categories of taxes:

- i. **Direct Taxes** which is subdivided into;
- ii. **Property Tax, subdivided into: Land tax, Rent on Plots** - Local Governments levy, taxes on property, land and other assets owned within its jurisdiction. All good citizens and property owners should pay property taxes consistently to enable the local government access financing for the delivery of local services. In many local governments this is an important source of revenue which contributes between 40 to 90 percent of locally generated revenue. Expected income from property taxes depends on the willingness of property owners to pay

taxes; the, efficiency and effectiveness of the local government authority to collect taxes.

- iii. **Rental Tax** – levied on rent income
- iv. **Trading Licence Tax** – levied on businesses
- v. **Sales Taxes-** Some countries allow local government to collect sales tax . Alternatively, they could be allocated a portion of the sales tax collected within a given jurisdiction. The amount of revenue depends on the value or volume of sales and type of taxes, whether it is a unit tax or a value tax. Citizens pay this tax when they are engaged in transactions with a registered sales tax firm.

2.5.2. Fees and Charges:

Most local governments levy fees on vendors who use designated market places within a local government jurisdiction. The tariffs are set by the local legislature. Local government also license and regulate the business firms and operators. Typical licenses issued include: liquor, food and premises licenses.

Some of the fees include:

- Fees charged on advertising bill boards
- Fees charged on public cleaning services
- Fees charged on administrative services
- Fees charged on communication facilitation towers
- Fees charged on boats' / bicycle number plates
- Notary charges
- Market fees
- Administrative fines
- Sales on Tender documents
- Other administrative charges
- Concessions for mines
- Other Revenues

2.5.2.1 Fines and Charges:

Fines resulting from enforcement of the law can result in revenue. For example, wrong parking and illegal development of structures in public places could result in fines. Local governments can also charge for privately

consumed services. Amusement park entry fees; car parking fee; departure fees for taxis and minibuses etc are good examples. The level of revenue from fines depends on the frequency of successfully prosecuted cases for violation, while revenue from charges depends on the level of patronage of local government user charged-services.

2.5.3. Central Government Transfers:

Fiscal decentralization implies that higher level governments allocate resources for functions undertaken by lower level governments but for which local resources are inadequate. These transfers can either be unconditional – where local governments are given the authority to determine resource allocation based on local circumstances. And conditional resources – which are transferred to local governments for the purpose of financing a specified function, activity, project or program. The higher level government usually provides information on the level of transfers for a given year before the budgeting period.

- Block / Unconditional grants
- Earmarked / Conditional grants
- Other grants from Central Government Agencies

2.5.4 Donations and Projects:

Financial Donations (whether from local or international benefactors), should be included in the local government budget. This is necessary when the local government is entrusted with resources, has total control of the funds, and is consequently held accountable.

It is important that all stakeholders are aware of the available or expected resources before the budgeting commences to avoid generating false expectations through a budget with mismatching expenditures and revenues.

2.6 understanding Local Government Expenditure

2.6.1 Objective:

To provide understanding of local government expenditures through the learning by doing approach

Requirement:

Obtain a copy of a local government budget or an expenditure report for illustration purposes.

Activity:

Using a copy of the local government budget, let participants identify the policies that the government is addressing in the budget.

Brainstorming:

Participants should determine whether the local government budget addresses the local developmental issues.

Notes to the Facilitator:

Local Governments Authorities are tasked with the responsibility of providing quality services to the people. To be able to do that, they need to design a program that will help them mobilize funds. They also need to plan how the funds should be spent. The whole process is part and parcel of the budgeting function.

2.7 Local Government Budget Analysis**Objective:**

- i. To provide skills for budget analysis
- ii. To explain the purpose of budget analysis by various stakeholders
- iii. To determine the prerequisites for undertaking budget analysis

2.7.1 Why should Budget Analysis be undertaken?

Local Government budgets should be analyzed in terms of both inputs and

Activity:

Using the example of the output based budget and itemised budgeting used above, determined whether the wish for food availability and accessibility increased would be met with the planned expenditures.

outputs to ensure that expenditures planned or undertaken are in line with the wishes of the citizens.

During budget preparation, the previous budget is analysed. The analysis is done by making a Public Expenditure Review (PER). The analysis is done based on the priorities of the citizens, identified during the planning phase. It means that identified areas should be reported on and the extent to which they have been responded to, established.

2.8 Issues to Consider In a Budget Analysis:

Budgets should be analyzed in terms of their responsiveness to the requirements of citizens; equity in distribution of resources; and access by gender; economic rights etc.

2.8.1. Budget Responsiveness:

The budget allocations should reflect responses to the demands by the citizens. If the budget was expected to address the issue of inadequate health facilities, one would expect to see in the budget the construction of new health facilities or the rehabilitation of dilapidated ones.

2.8.2 Distribution of resources - Analysis of the budget can also be in terms of distribution of resources across geographical areas of the local government. The budget will answer questions like: what proportion of the budget will benefit a given ward or area?

2.8.3 Rights Based and Gender Based Budget Analysis- Budgets can also be analyzed in terms of characteristics of beneficiaries. What proportion of the budget addresses women, men and children's needs? Citizens should be able to understand or explain the budget allocations by gender.

2.9 Local Government Accountability Mechanisms:

Local governments use public resources in trust of the citizens. It is therefore important that local governments remain accountable to the citizens. There are several ways of undertaking local government accountability.

- i. The local council should be able to receive and scrutinize budgets and regular expenditure reports and ensure that both issues are undertaken in the best interest of the citizens.

- ii. The local governments should have its books of accounts audited and obtain unqualified opinion, and the results should be disseminated to the general public.
- iii. Local Governments should allow stakeholders like civil society to obtain budget and expenditure information without any hindrance.

Activity:

Participants should discuss approaches to making their local government accountable.

If such a space for exacting accountability does not exist, what changes ought to take place to enable citizens to hold their local government authority accountable?

2.10 How to Prepare Local Government Budgets for the Common Person

Local government budgets are usually couched in a jargon that a common person may not understand or get interested in. In most cases, citizens want to know how much of the local budget will be spent on essentials services like schools, health facilities, infrastructure and in which intervention areas.

Objective:

- i. To guide the budgeting officials on how to prepare people friendly budgets

Activity:

Participants should indicate the type of information they expect to get from the local government budget

Notes to the Facilitator:

Fundamentally, budgets for local governments should show three components, namely:-

- Sources of funding,
- Planned expenditures, and
- Geographical spread of the budget in the local government area.

2.10.1. The Revenue Side of the Budget – The source of financing for the budget should be clear to citizens. The budget should therefore show a summary of the sources of revenue and the total amount expected. Another important dimension of the budget is to provide explanations on the assumptions made on each of the revenue sources. In doing so, citizens will be aware of possible tax increases implied in the revenue figures.

2.10. 2. The Expenditure Side of the Budget – The citizens are interested to know how many of their requests (projects) have been included in the budget and how much money is involved.

2.10. 3. Geographical Budget Details – Whether it is in an urban or rural setting, citizens take interest to know the resources allocated to a given geographical area. Budgets relate to a specific time while development is process overtime. To assess fair distribution it is recommended that when presenting budget details by geographical area cumulative values should

always be provided to give a clear picture. The use of maps and graphs should also be encouraged.

2.11 How to Communicate Local Government Budgets

The following should be taken into account when communicating a budget to the citizens:-

- The best way to communicate a local government budget is to hold location specific budget hearing sessions.
- During such meetings the general public should be given an opportunity to seek clarification sequel to the presentation of the budget.
- Other means of communicating budget information include publishing a summary of the budget in the popular local press; posting summaries in public places such as markets, community halls, clinics and in schools.
- The budget must be communicated in a language that the citizenry is familiar with.
- Where possible, use visuals aids during presentation to show various scenarios or to illustrate a case. A local government map could be used, with project locations indicated by area of impact.

Example: The following graph (figure 1) shows the budget allocation by sector using a graph

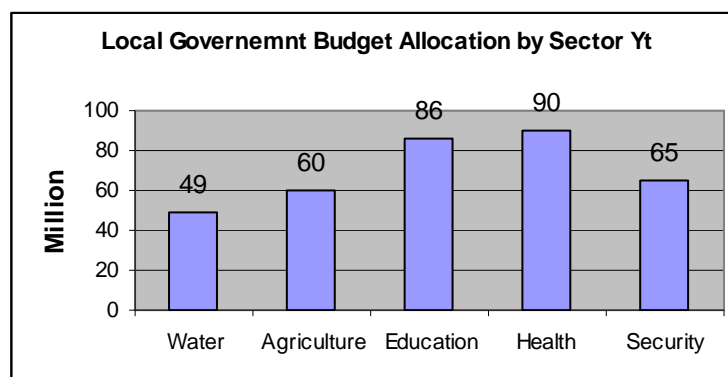


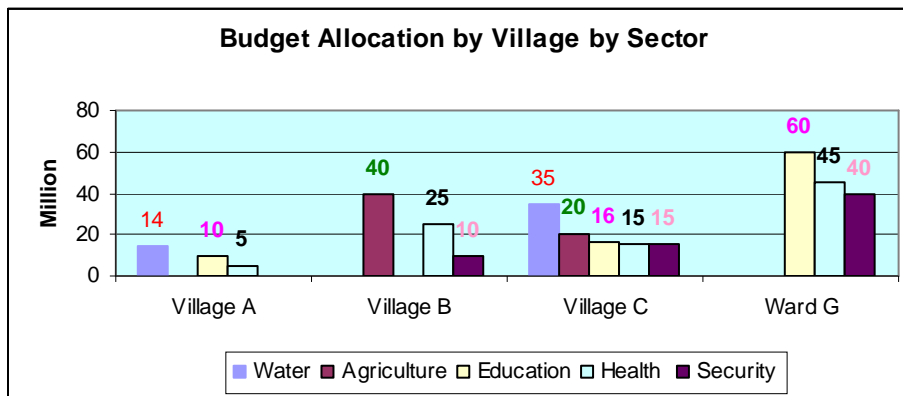
Figure 1

Activity:

Which sector got the most resources?
What could be the reason for this?

Example: The following graph shows the budget allocation by Village and by sector using a graph (figure 2).

Figure 2



Activity:

Which location amongst Village A, Village B, Village C got the lion's share of the budgetary allocation?

What could be the reasons for this outcome?

DEMYSTIFYING NATIONAL BUDGETS

The aim of this chapter is to foster understanding of what national budgets are; how national budgeting works, how national budgets should be analyzed and the results interpreted; and why everybody should be interested in their National Budgets (at the macro-level), their Local Government Budgets (at the meso-level) and their organizational budgets (at the micro-level).

3.1. Specific Objectives:

- To foster clear understanding of how Civil Society Organizations could engage with national budgetary processes by identifying the entry points at each stage of the budget cycle and how they could leverage their influence to bring about enhanced allocations for the poor, the marginalized and the vulnerable.
- To create understanding of participatory methodologies and how they could be used to amplify “voice”.
- To teach development practitioners to apply basic calculations to budget information and interpret the results.

3.2. The two sides of National Budgets

There are **two sides** to a budget: the **revenue side** which gives an indication of where and how the budget resources are generated (collecting agencies for taxes, grants, loans etc); the **expenditure side** that shows how the revenue would be spent (by ministries, sectors, sub vented agencies etc) to bring about development change. If the two are equal, the budget is said to be balanced. This is hardly the case. Governments will either have a deficit or a surplus.

3.3. Understanding National Revenues and Receipts Categories

Notes to the Facilitator

Brainstorming Activity:

Participants should indicate the sources of revenue for the national government.

3.3.1. REVENUE

Government Receipts can be classified broadly as:

- **Taxes and Duties** – both direct taxes (Pay as you earn, Company income tax) , indirect taxes (value added tax, sales tax), and imports or export duties
- **Fees and Income** from property and enterprises
- **Proceeds from sale** of land and other capital assets
- **Recovery of on-lending**
- **Grants from multilateral and bilateral sources** – For example the World Bank, and International Monetary Fund, OECD etc
- **Borrowings** – Loans from financing or lending institutions
- Receipts from other sources

3.3.2 EXPENDITURE

Understanding National Expenditure Categories - Just like local governments there are two main expenditure categories, namely recurrent and development expenditure.

3.3.2.1 Recurrent Expenditure – These include appropriations for the purchase of goods and services for current consumption or for benefits expected to terminate within the fiscal year.

Examples are personnel emoluments (wages and salaries), medical benefits, special allowances, travel, utilities, rental of property, supplies and materials, maintenance of property, maintenance of vehicles, operating expenses, retirement benefits, interest on loans, etc.

Other sub categories within the recurrent expenditure are:-

Lending – These include loans to individuals and organizations.

Repayment – Repayment of principal amounts. Payments of interests on loans are charged to current expenditures.

3.3.3 DEVELOPMENT EXPENDITURE

Development or Capital Expenditures refer to spending on capital formation, construction and rehabilitation of buildings and structures, construction works (roads, bridges, airports) infrastructure services (water supply, dams), equipment (plant and machinery).

Usually there is a separate document called the Development Budget which shows details of projects being planned for implementation. These include appropriations for the acquisition of goods and services, the benefits of which extend beyond the fiscal year and which add to the assets of the Government.

Examples are acquisition of land and buildings, land improvements, buildings and structures, plants, equipment and tools, vehicles, etc.

3.4. Budget Deficit and Surplus:

There is a budget deficit when the revenue side of the budget is inferior to the projected expenditures by government. To finance the budget deficit, the government will either resort to domestic or foreign borrowing or both.

There is a budget surplus when the anticipated revenue exceeds the needs of the expenditures projected for the fiscal year. If that is the case, governments will have much more leeway for social spending.

3.5. Understanding the Revenue side of National Budgets and the role of the citizen:

3.5.1. Tax and Non-Tax Revenues:

- i. **Tax Revenue includes:**
- ii. **Direct tax** – income tax, for instance, which is the tax charged on an individual's salary or a company's income;
- iii. **Indirect tax or value-added tax:** This is the tax on goods and services and includes import and export taxes.

iv. Non-Tax Revenues include:

Fees and User Charges: Fees for instances paid by patients in hospitals to access services or by parents at schools to access education services; administrative and regulatory fees (immigration fees, passport fees, fines and fees for fishing vessels and so on.

Transfers and Grants: Programme grants (project, HIPC),

Capital Revenue: Sale of Government property, rent of Government land and so on.

3.6. Understanding Public Expenditure

3.6.1 Classification of Public expenditures: Expenditure budgets are classified in different ways for ease of reference, depending on the aspect that is to be highlighted. The following distinctions are often used: Administrative, Economic, and Functional categories.

3.6.1.1. Administrative Classification

The administrative classification brings into play the different ministries or Departments of State, placing particular emphasis on the authority that is responsible for executing the budget.

Table 9: Administrative Classification of the Budget

	Year 200x	Year 200x1
	(¢, million)	
Office of the President	100	120
Ministry of Finance	250	300
Ministry of Industry and Trade	170	220
Ministry of Home Affairs	400	450
Ministry of International Affairs	600	700
Etc		
Etc		
Total		

3.6.1.2. Economic Classification

The economic classification underscores the goods and services that the budget is supposed to be spent on. These include such budget lines as personnel expenses, capital costs, and interest payments for debts owed to domestic and foreign borrowers.

Table 10: Economic Classification of Expenditures

	(₪, Billion)
Gross Consumption	60
Compensation of employees	20
Use of goods and services	40
Less: Fees, Sales and recoveries	0
NET consumption	60
Interest on debt	20
Pensions and gratuities	3
Grants Subventions and Transfers	34
Local governments	10
Public bodies	7
Private	1
Abroad	8
Gross Fixed Capital Formation	13
Loans and Transfers	10
Total Recurrent Expenditures	145
Plus: Debt Amortization	10
GRAND TOTAL	155

3. 6.1. 3. Functional Classification

Under the functional classification, we look at budgets from the standpoint of the function that they serve to finance. This will include things like basic education, defense, police, and public health. See example below

Table 11: Functional Classification of Expenditures

Functional Class	(₪, Billion)
General Public Service	55
General administration	40
Defense affairs	10
Public order and safety affairs	5
Social and Community Services	50
Education Affairs	15
Health Affairs and services	16
Social security and welfare affairs and services	4
Housing and Community amenity services	7
Recreational, cultural and other social services	3
Broad Casting and publishing affairs services	5
Economic Services	40
Energy and Mining	15
Agriculture and natural resources	15

Functional Class	(₺, Billion)
Tourism affairs etc	10
TOTAL RECURRENT EXPENDITURE	145
Plus Debt Amortization	10
GRAND TOTAL	155

UNDERSTANDING THE NATIONAL BUDGET PROCESS

The National Budget process is the responsibility of the national government through its Ministry of Finance or equivalent office. However, it is important for citizens to understand the budget process, and how it affects them. This chapter begins with clarification of the budget cycle including steps followed, and also explains the role of the civil society.

4.1 Objective

At the end of this chapter the reader should be able to:

- i. To clarify the national budget process and the role of civil society in demystifying national budgets;
- ii. To explain the use of codes in the national budget

4.2 The Budget Cycle and the Role of Civil Society

The **Call Circular** or Budget Circular is the document that kick-starts the budgeting process in many countries. The call circular is a statement of intent issued by Governments and contains a certain number of elements.

The document will usually discuss: the macroeconomic framework (how for instance, the real sector⁶ of the economy is expected to perform); the key policy objectives of governments; the targets for key macroeconomic indicators; the medium-term forecast for resource envelopment and so on. The Call Circular will also give budget preparatory guidelines and will fix Ministerial and Departmental budget ceilings for the coming year.

⁶ This refers to sectors like: Agriculture, manufacturing, fishing, tourism, industry, trade etc

1. The Preparation (Formulation) of the Budget:

When the **Call Circular** is released, budget committees begin the process of budgeting for their respective Ministries or Sectors, but must take on board the directives coming from the Ministry of Finance. The preparation of the budget is before anything else, an act of the executive branch of government. It is the role of the Finance Ministry to coordinate the different processes. This stage is influenced by the government's policy goals and spending priorities. Decision makers are often constrained by limited resources and competing priorities, making the process of budgeting a difficult balancing act. On completion of their budget preparation, Ministries submit their detailed budgets to the Ministry of Finance for approval, collation and consolidated into the draft national budget.

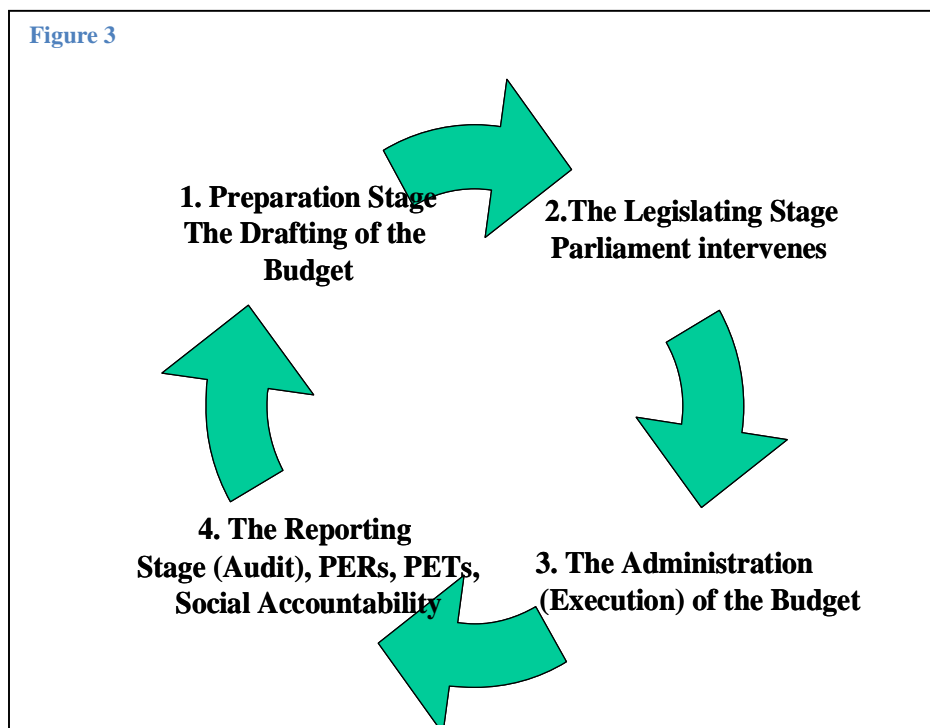
i. Civil Society Entry Point during Budget Preparation:

In countries where space has been created for CSO participation in the budget process, Participatory Planning and Budgeting can take place at community, regional or national level. Such a process involves allowing citizens to identify their most pressing needs. Such priorities identified by stakeholders are then sold to the different sectors (Education, Health, Infrastructure, Water resources, Agriculture etc) for inclusion into their sectoral budgets. What is important to know is that the preparation of the budget is the responsibility of the executive branches of government: ministries, sectors etc, with the Ministry of Finance playing a coordinating role. They put together the different sector budget and making sure that there is conformity to the directives contained in the call circular and that the budgetary ceilings are respected.

ii. Civil Society Entry Point during the Budget Enactment:

After the budget has been collated, the Ministry of Finance, represented by the Minister takes the proposed budget to Cabinet for examination and possible amendments. Once that is done, the legislative phase begins. Parliament (called the National Assembly in some countries) will then examine the budget. During this phase (Figure 3 below), the national budget is debated, altered and approved by the legislative branch of government. At that point, the appropriation bill is enacted into law.

Figure 3



Civil Society Organizations can avail themselves of this great opportunity to lobbying and advocate for a peoples' budget. That is a budget that takes on board the concerns of the poor, the marginalized and the most vulnerable members of our society, including women and children. Civil Society must therefore endeavor to build partnerships with their parliamentarians or National Assembly members.

Budget Debate and Approval will also heed the following concerns:

- The conformity of the budget with the Laws
- The quality of participation of non-state actors in the budget process
- The degree of independence enjoyed by parliament or the National Assembly in approving the national budget without interference.

All these points will serve as indicators of good governance in the country in question.

iii. Civil Society Entry Point during the Budget Execution Process:

The purpose of the national budget in any country is to finance the policy positions of a government. Civil Society should ensure during this phase that there is due process and transparency in the budget execution process. Government Departments should regulate and monitor their spending to ensure that it conforms to the approved budget. Monitoring the execution of

the budget heads and projects will foster effectiveness and efficiency with which the budget is implemented.

Civil Society organizations could take interest in the execution rate of the budget. Activists could seek information and explanation from service providers and duty bearers then, evaluate the answers given by the different stakeholders.

iv. Civil Society Entry Point during the Budget Evaluation and Monitoring Processes:

Budget execution goes through a certain number of control measures. Those practiced by the administration itself (Accountants are required to check before paying). Sectors can commission public expenditure reviews (PERs) to look at their performance in terms of the implementation of the sector budget. Parliaments or National Assemblies can exercise a scrutiny and oversight function on public expenditure. Public Accounts and Public Enterprise Committees usually play an important role in public finance management.

However, the most important control measures are carried out by outside institutions. Assessing the impact of the budget on its goals and the level of transparency involved in the execution process serves to strengthen accountability and active citizenship. Many social accountability tools and instruments are available to Civil Society Organizations and the citizenry in general to engage with budgetary processes to exact responsible public finance management and reduce leakages, corruption and rent seeking situations. They include:

- Social Audits
- Public Expenditure Tracking (PETs)
- Community Score Cards,
- Citizens' Report Cards,
- Public Hearing etc.

4.3 Understanding Codes for the National Budgets

Activity:

Participants should attempt to explain why codes are used in everyday life and give examples

Notes to the Facilitator

In order to make budgets user friendly, we must first demystify the way people perceive them. The generally accepted idea is that budgets are technocratic instruments that only a selected few can access, read and understand. That is a fallacy. True, National Budgets are coded in a special way, but if properly initiated, any literate person can understand them.

To understand the information that they contain and be able to analyze and interpret the results for advocacy purposes, one needs be familiarized with the coding system. The principles for coding budgets are the same in all countries. But we must hasten to add that there are country specific differences. For demonstration purposes, the coding procedures peculiar to the Gambian national budget process are explored hereunder:

4.4. The concepts of: Head, Sub-Head and Line Item

4.4.1. Head: Every ministry⁷ in has a head code for ease of reference. The head codes could be as follows (Table xx):

Table 12: Example -Chart of Codes

Code	Head Codes
01	Office of the President
02	National Assembly
03	Judiciary
04	Independent Electoral Commission
05	Public Services Commission
06	National Audit Office
07	Ministry of Defense
08	Ministry of Interior
09	Ministry of Tourism and Culture
10	Ministry of Foreign Affairs
11	Ministry of Justice
12	Ministry of Finance and Economics Affairs
13	Pensions and Gratuities
14	Ombudsman
15	Miscellaneous
16	Ministry of Local Government, Lands & Religious Affairs
17	Ministry of Agriculture
18	Ministry of Work, Construction & Infrastructure
19	Ministry of Trade, Industry and Employment

⁷ They were called Departments of State until recently when the country again reverted to the old nomenclature.

Code	Head Codes
20	Ministry of Basic and Secondary Education
21	Ministry of Health and Social Welfare
22	Ministry of Youths and Sports
23	Ministry of Forestry and the Environment
24	Ministry of Communications, Information & Technology
25	Ministry of Fisheries and Water resources
26	National Nutrition Agency
27	Ministry of Higher Education, Research, Science & Technology
28	Ministry of Energy

1. **Head** - Refers to the expenditure Ministry or Agency:

- **01** Office of the President
- **12** Ministry of Finance and Economic Affairs
- **17** Ministry of Agriculture
- **26** National Nutrition Agency

But the head alone will not tell you much about government policy objectives, intervention areas and the nature of the items that the budget is spent on; whether or not the budget has a poverty focus; whether it is child friendly or gender responsive. For that, you will require additional information that the subhead and line item will provide.

4.4.2. Sub-Head - Refers to the programme component within the Ministry. Every ministry has specific programme or intervention areas that must be differentiated for efficient management, stakeholder buy-in, donor support and accountability purposes. Ministries like health and agriculture are so complex that they always have a plethora of programme areas to handle. The subhead code is often separated from the head by a hyphen (-).

- **01-02** President's Household Division
- **01-04** Personnel Management Office
- **17-02** Department of Administration
- **17-06** Department of Agricultural Services

4.4.3. Item- Refers to the budget line expenditure item. Unlike the head and the subhead which are specific to sectors, the line items are cross-cutting in the sense that the same codes refer to the same things. For instance, if you

are looking for “basic salary” in any Ministry, the corresponding code will always be: 1001; allowances: 1200; Travel Expenses: 2001, thus:

- ➡ **1001** Basic Salary
- ➡ **1200** Allowances
- ➡ **2001** Travel expenses

💡 **National Budget**

Recurrent Budget
Development Budget

💡 **Ministry/Sector Budgets**

Head 01 Office of the President
Head 12 Ministry of Finance & Economic Affairs
Head 17 Ministry of Agriculture

💡 **Programme Budgets**

Head 17 Ministry of Agriculture
17 – 04 Cooperative Development
17 – 06 Agricultural Services

💡 **Budget Line Items**

17 – 04 – 1001 Salaries
17 – 04 – 2912 Training
17 – 06 – 2332 Dev of Horticulture
17 – 06 – 2729 Agricultural Inputs

NATIONAL BUDGET ANALYSIS MADE SIMPLE

Budgets are powerful advocacy tools. Increasingly, Civil Society organizations are using national budgets as entry points to advocate for pro-poor policies, projects and programmes that benefit their citizens. Learning to read and interpret budgets helps citizens to engage with the different public finance management processes. This section will help to demystify budgets by demonstrating to practitioners and other stakeholders that budgetary instruments are easy to understand; that they should not be afraid to crunch. After all, any literate person can do some simple budget analysis and interpret the results, then use the information for advocacy purposes.

5.1 Objective:

This chapter aims to help the reader

- i. To help participants understand and calculate
 - Ratios, Growth Rates and Inflation
 - The percentage share of the total budget
 - The growth in the Budget (nominal)
 - Adjusting for Inflation: Converting a nominal amount to real terms
- ii. To understand the meaning of nominal and real values

5.2. Issue of interest in Budget Analysis:

The budget analysis tools that are given below can be used to analyze:

- **National Budgets** - to determine the share/growth of one Ministry of State vis-à-vis all the others and the overall budget national cake;
- **Sectoral Budgets** - to determine how the sectoral budget is distributed. Such an analysis can for example show that within the education sector

of a given country, the priority is on basic education⁸ (when such a programme area receives the lion's share) as compared to other programme areas like adult education, secondary education, sector management and so on.

- **Local Government Budgets** - to compare local government budgets and expenditure; to determine priority cost centres; to gauge whether or not an LGA is serious about poverty reduction and so on.
- **Civil Society Organization's Budgets (NGOs)** - to analyze the ratio between overheads and programmes; to rank the different programme areas by order of priority; to compare activities within a programme area and so on.

5.3 What can we learn by looking at a budget?

1. **Adequacy:** How much is budgeted? Is the budget adequate?
 - Nominal terms/figures can tell us whether the allocation is enough (compared to cost of intervention)
 - Real terms tell us whether the allocation is keeping up with inflation.
2. **Priority:** How does the budget for this purpose compare to resources spent for other purposes? Such an analysis helps:
 - To determine what government priorities are as stated in the budget
 - To ask if stated policy priorities match priorities in the budget
 - To determine if government is keeping its promises (policy commitments)
3. **Progress:** Is the government's response adequate to tackle the problems and issues at hand? This is a good approach:
 - To monitor government commitment and ability to solve development problems
4. **Equity:** Equity concerns deals with the question: Are resources allocated fairly? It is a good approach for focusing on issues pertaining to distributive justice (rural/urban; male/female; rich/poor; marginalized, disadvantaged, physically challenged etc)
 - Per capita spending across regions.

⁸ This is actually the case for The Gambia. Basic Education is the priority of The Gambia Government.

- Spending on programmes that benefit disadvantaged groups and the poor.
5. **Efficiency:** Is the budget spent on things that offer value for money? And is it spent on the right inputs, projects and programmes? To probe the issues, consider the following aspects:
- Allocated/Estimates Vs Actual expenditures
 - Comparing funding channels or mechanisms
 - Is the right mix of inputs and services used to deliver the outputs in the most efficient way?
6. **Effectiveness:** Is the money being spent on the right outputs in order to achieve the desired outcomes?
- Are the interventions which are funded the most appropriate under the circumstances (i.e. do they lead to the desired outcome) and are cost effective? Could it have been done better?

5.4 Understanding Ratios, Growth Rates and Inflation⁹:

Because Local Government Councils, Departments/Ministries and programmes differ in size, looking at values from one year to the other, it would be imprudent to make direct comparisons of amounts or values. One needs to convert the budget information to rates and ratios to determine shares and magnitudes:

- Share of the total (Budget Area/Total Budget= Budget Share)
- Growth in budgets ((Most Recent Year – Prior Year) ÷ Prior Year = Percentage Increase)
- Per capita amounts (total amount/population)

5.4.1. Determining the Percentage share of the total budget:

The term '**share**' refers to the size of a slice of the pie in relation to the entire pie, or a particular budget area over the total budget area. In simple terms, it could mean the weight of the education sector as a segment of the total national budget or a particular programme area in education, as a percentage of the total education budget. It is expressed in terms of a percentage of the total.

$$\% \text{ Share} = \text{Amount allocated} / \text{Total} * 100 = \dots \%$$

⁹ ProPoor Advocacy Group Working Papers

Activity:

Participants should calculate the share of the Ministries of Education, Health & Social Welfare, Agriculture and Works & Infrastructure as a percentage of the National Budget. See end of section for the answers.

Table 13: Calculating the Shares of a sector in the Budgets

Ministry	2006	2007	2008	2009
Education	18555	19205	17800	25600
Share				
Health & Social Welfare	14505	15000	18900	20654
Share				
Agriculture	10120	11200	14000	15750
Share				
Works and Infrastructure	20500	22770	25000	30000
Share				
Total National Budget	275000	285711	315080	358120

- How are the policy priorities reflected in the budget allocations?
- Focusing on the total national budget and the aggregate share of the four ministries, what can you see?

The table and pie charts below (figures 4, 5 and 6) serve to illustrate the concept of share, i.e., the relationship between the portion and the whole.

Table 14: Ministries in a given country (appropriation & Shares)

Office of the President	217,258,245	8.6
Ministry of Basic & Secondary Education	362,768,068	14.4
Ministry of Health & Social Welfare	283,359,644	11.3
Ministry of Finance and Economic Affairs	253,855,188	10.1
Ministry of WC & I	101,501,310	4.0
Ministry of Foreign Affairs	281,489,429	11.2
Ministry of Interior	212,772,759	8.4
Ministry of Agriculture	67,717,620	2.7
Ministry of Defense	169,048,496	6.7
Others		22.6
Total	2,518,184,442	100.0

This information is present in a graph below.

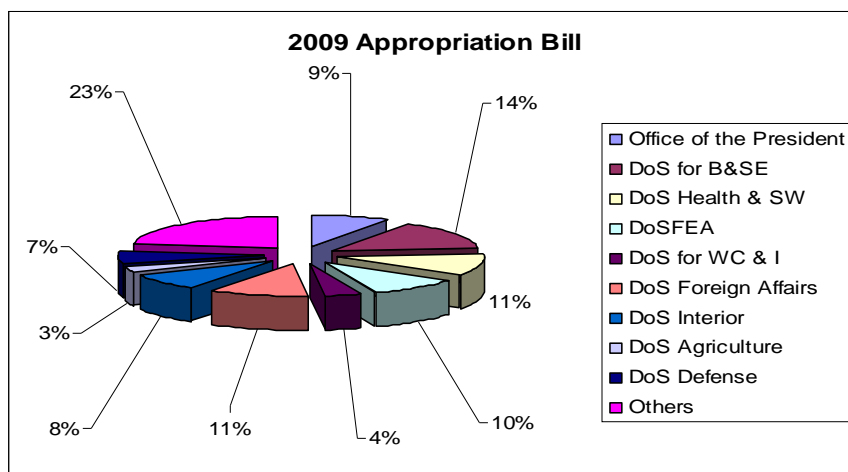


Figure 4

5.4.2. Growth in the Budget (nominal): Progress

- The growth rate describes how much the size of an allocation changes from one year to the next. It is expressed as a percentage of the original allocation and is called the **annual growth rate** or **year-to-year change**.
- When we want to see whether the state is progressively rolling out services of a particular type, we can look at the nominal (not adjusted for inflation) change in the budget over time. The change is expressed as a percentage of the previous year's budget.

Formula: Nominal growth rate =

$$\frac{(\text{Amount in Year 2} - \text{Amount in Year 1}) \times 100}{\text{Amount in Year 1}} = \dots \%$$

Activity:

Participants should calculate the nominal growth rates of the Ministries of Education, Health & Social Welfare, Agriculture, Works & Infrastructure and the total national budget. See end of section for the answers.

Table 15: Ministry Budgets 2006 - 2009

Ministry	2006	2007	2008	2009
Education	18555	19205	17800	25600
Nominal Growth Rate (NGR)	-			
Health & Social Welfare	14505	15000	18900	20654
Nominal Growth Rate (NGR)	-			
Agriculture	10120	11200	14000	15750
Nominal Growth Rate (NGR)	-			
Works and Infrastructure	20500	22770	25000	30000
Nominal Growth Rate (NGR)	-			
Total National Budget	275000	285711	315080	358120
Nominal Growth Rate (NGR)	-			

5.4.3. Adjusting for Inflation:

Adjusting inflation is to equalize the purchasing power of the years being compared. Inflation is the disease of money and reduces the purchasing power of a currency over time. Simply put, a dollar (\$1) five years ago buys you more goods than a dollar (\$1) this year because prices have gone up. This makes straight comparison of amounts between different years inappropriate.

To take inflation into consideration, it is important to know how prices have evolved; what inflation levels were like for each of the years under review. It is also necessary to develop a *consumer price index*, sometimes called *inflation index*. Consumer price indexes are made available by Ministries of Finance, the Central Bank or Statistical Agencies.

Table 16: The Consumer Price Index (Country X)

Year	Index
1998	70.3
1999	78.5
2000	82.4
2001	84.8
2002	95.9
2003	100.0
2004	107.3
2005	114.5
2006	120.9
2007	128.1
2008	135.7
2009	157.6

Adjusting for Inflation using the Inflation Index:

The consumer price index shows the extent to which prices have increased in country x: Values for 2008 (last year in the series) divided by values for 1998 (first year in the series), thus: $157.6/70.3 = 2.24$. Going by the figures provided above, the indication is that prices have more than doubled ($2\frac{1}{4}$) in country x.

In the following exercise data used is given in table 16 above.

Nominal Value × Current Year Inflation Index/Prior Year = Inflation Index

Inflation of the Education 1998 budget to today's dollar is:

$$18555 \times 157.6/70.3 = 41563.20$$

Adjusting for Inflation using a deflator:

Steps for converting nominal amounts into real amounts to adjust for inflation:

- Nominal: Refers to amount given or allocated
- Real: Refers to the amount adjusted for inflation to reflect the purchasing power of money at a particular time.

For instance:

- We want to convert everything to 2004 \$, so we make 2004 the base year.
- Enter/record the given deflator figure for the various years (These will be provided by the Ministry of Finance, the Central Bank or a Statistical Agency)
- Divide each nominal allocation by the deflator for that year.

Activity:

Participants should calculate the real amounts based on the figures in the table below. Compare the real amounts to the nominal amounts.

Table 17 : Calculating Real Values

	2002	2003	2004	2005	2006
Nominal Amount:	11,479	12,506	14,804,	16,399	17,607
Deflator:	0.846	0.902	1.000	1.061	1.115
Real Amount:					

5.4.4. Growth in Real terms: Progress

Arriving at the real growth rate uses the same calculation as nominal growth rates but it is applied to the real amounts.

Formula: Real growth rate =

$$\frac{(\text{Amount in Year 2} - \text{Amount in Year 1}) \times 100}{\text{Amount in Year 1}} = \dots \%$$

Activity:

Participants should calculate the real growth rates for the amounts given in table above and compare to the nominal growth rates.

Table 18: Calculating Real Growth Rates

	2002	2003	2004	2005	2006
Nominal Amount:	11,479	12,506	14,804	16,399	17,607
Deflator:	0.846	0.902	1.000	1.061	1.115
Real Amount:	13,568	13,864	14,804	15,456	15,791
Real Growth rates:					

Activity:

- Participants should compare the nominal and the real growth rates;*
- Construct the line graph to illustrate the difference between the two (see Annex xx for the answers.*

Nominal and Real Growth Rates:

Governments with always lay emphasis on nominal growth rates to convince citizens that efforts are being made to increase spending on social sectors in general and on basic social services in particular. Civil Society Organizations should remain vigilant and should not allow themselves to be duped into believing that the nominal increase is significant. The easiest way to challenge that position is to calculate the corresponding real growth rates. They help to demonstrate that the government is not doing as well as they would like citizens to think.

5.4.5. Calculating Average Annual growth:

Growth rate is hardly consistent from one year to the other. It tends to fluctuate from one year to the other. It is therefore necessary to summarize the growth figures spreading over a number of years by dividing the

observed values by the number of years. The average annual growth rate gives a 'big-picture' view of what is happening over a medium term or a given range of time. Average annual real growth rate = average of the number of annual growth rates

$$\text{Formula:} = \frac{\text{Growth rate 1} + \text{Growth rate 2} + \text{Growth rate 3} + \text{Growth Rate 4}}{4}$$

Task 6: Calculate the average annual real growth rate over the period 2003-2006, using the table below (see answers at the end of this chapter)

Table 19: Calculating Average real growth rates over a period

	2002	2003	2004	2005	2006
Nominal Amount:	11,479	12,506	14,804	16,399	17,607
Deflator		0.902	1.000	1.061	1.115
Real Amount:	13,568	13,864	14,804	15,456	15,791
Real Growth rates:		2.18%	6.78%	4.40%	2.16%

5.4.6. Per capita budgets

Per capita budgets express budget allocation per inhabitant. It is like saying that if the national budget were to be distributed equally among citizens, each one of them will be entitled to the same amount. We therefore divide the national budget by the population of the country, thus:

$$\text{Formula: per capita budget} = \frac{\text{Budget}}{\text{Population}}$$

Activity

Participants should calculate the per capita budgets based on the budget and population figures in the table below.

Table 20: Calculating Per capita Budget allocation

	2002	2003	2004	2005	2006
Nominal Amount:	211,479	312,506	414,804	516,399	717,607
Population:	4,271	4,421	4,482	4,539	4,713
Per Capita nominal:					

5.4.7. The Budget and the Economy:

The national budget could be put in context by comparing it with the country's Gross Domestic Product (GDP). GDP is the total value of goods and services produced in a country during a calendar year. GDP per person is the simplest overall measure of income in a country. Economic growth is measured by the change in GDP from year to year.

The national budget as a percentage of GDP could be calculated as follows:

Formula:

$$\frac{\text{Budget}}{\text{Gross Domestic Product}}$$

Answers to the budget analysis questions:

Answers to Table13: Budgets Shares

Ministry	2006	2007	2008	2009
Education	18555	19205	17800	25600
Share	6.75	6.74	5.65	7.15
Health & Social Welfare	14505	15000	18900	20654
Share	5.2	5.25	5.99	5.7
Agriculture	10120	11200	14000	15750
Share	3.6	3.82	4.44	4.40
Works and Infrastructure	20500	22770	25000	30000
Share	7.4	7.97	7.93	8.38
Total National Budget	275000	285711	315080	358120

Answers to Table 14: Nominal Growth Rates

Ministry	2006	2007	2008	2009
Education	18555	19205	17800	25600
Nominal Growth Rate (NGR)	-	3.50	-7.32	43.82
Health & Social Welfare	14505	15000	18900	20654
Nominal Growth Rate (NGR)	-	3.41	26	9.28
Agriculture	10120	11200	14000	15750
Nominal Growth Rate (NGR)	-	10.67	25	12.50
Works and Infrastructure	20500	22770	25000	30000
Nominal Growth Rate (NGR)	-	11.07	9.80	20
Total National Budget	275000	285711	315080	358120
Nominal Growth Rate (NGR)	-	3.89%	10.27%	13.66%

Answers to Table 17: Calculating Real Amounts

	2002	2003	2004	2005	2006
Nominal Amount:	11,479	12,506	14,804	16,399	17,607
Deflator:	0.846	0.902	1.000	1.061	1.115
Real Amount:	13,568	13,864	14,804	15,456	15,791

Answers to Table 18: Calculating Nominal and Real Growth Rates

	2002	2003	2004	2005	2006
Nominal Amount:	11,479	12,506	14,804	16,399	17,607
Nominal Growth rates:		8.94%	18.37%	10.78%	7.37%
Real Amount:	13,568	13,864	14,804	15,456	15,791
Real Growth rates:		2.18%	6.78%	4.40%	2.16%

Comparison of Nominal and Real Growth Rates

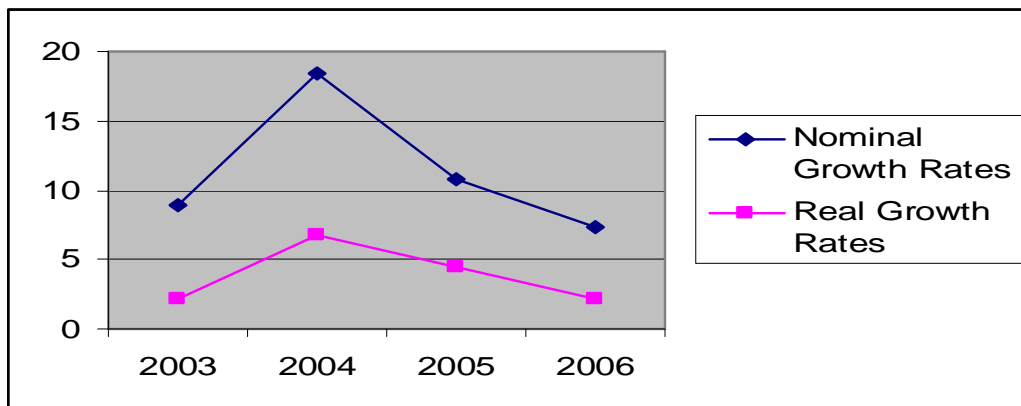


Figure 5

Calculating Average Annual Growth Rate:

	2003	2004	2005	2006
Real Growth rates:	2.18%	6.78%	4.40%	2.16%

$$\frac{2.18 + 6.78 + 4.40 + 2.16}{4} = 3.88 \%$$

Answers to Table 20: Calculating Per Capita

	2002	2003	2004	2005	2006
Nominal Amount:	211,479	312,506	414,804	516,399	717,607
Population:	4,271	4,421	4,482	4,539	4,713
Per Capita nominal:	49.52	70.69	92.54	113.77	152.26

INTRODUCTION TO SOCIAL ACCOUNTABILITY

Budget demystification is not an end in itself. After demystifying the national and local government budgets and making them accessible to a critical mass of citizens that can read, analyze and interpret the information contained in them, what next? Budget monitoring and tracking for results is increasingly being considered as a critical element of national development. The rationale behind the development of such a manual is to empower citizens with the requisite tools and skills to hold duty bearers, services providers and their elected representatives accountable for their management of public affairs. An introduction to social accountability tools revolving around the budget is thus an integral part of the budget demystification process.

6.1 Objective:

To help participants to:

- i. Understand the rationale behind the institutionalization of Budget Monitoring and Tracking
- ii. Identify Civil Society entry points in Budget Monitoring and Tracking
- iii. Know the actors in Public Finance Management
- iv. Take ownership of the social accountability concepts

6.2 The Premise of Budget Monitoring, Evaluation and Tracking

Proactive citizenship can go a long way in maximizing developmental outputs and outcomes in developing countries. Citizens are holders of rights and should demand it. Civic Engagement entails the creation of the necessary space for civil society participation in public finance management and the conferment of Social Accountability powers on citizens to act as checks and balances to duty bearers and decision makers.

Decision Makers, duty bearers and service providers should be held accountable for their management of public funds. That will minimize corruption, leakages, inefficient use of resources, rent seeking situations and market capture.

The Premise of Budget tracking therefore is:

- To make public affairs transparent and public information accessible
- To promote efficient and effective public service delivery
- To institutionalize the participation of Civil Society in the analysis, tracking and advocacy
- To make citizens participate in the process of allocation, tracking of disbursement, and in monitoring the use of public resources.

We can see budget tracking as a value chain; as an incremental approach that looks at the whole gamut of public finance management. To determine what to track, one has to take interest in what was allocated in the first place; looking at all the transit agencies; looking at the type of value that is created for stakeholders; whether or not it is in consonance with the expressed needs of the communities for whom it is intended.

6.3 The elements of the Budget Tracking Value Chain

- The **budget formulation**: That is, understanding the process of resource allocation; influencing the allocation levels through lobbying and advocacy; knowing how much is allocated to inform an eventual tracking process;
- **Budget Review**: That is, understanding what the budget is supposed to be spent on; progress in implementation; comparing the actual impacts of the budget with the expected outputs & outcomes;
- **Budget Tracking Proper**: Tracking public expenditure at the local and national levels (following the trail of the money from origin to destination; determining whether or not there have been leakages during the transfer process; whether resources have been used optimally; comparing outputs to specification; looking at implementation rates etc.)
- Monitoring the performance of programmes/services at the decentralized level (evaluating services and their impacts on poverty reduction; looking at the gaps and establishing where possible causations etc)

6.4 Budget Tracking will focus on the following aspects

- ⌚ **Financial Aggregates**: That is, the total budgetary resources available for spending to create economic and social value.
- ⌚ The **Composition of public expenditure**, segregated by priority area.

- ⌚ The **efficiency of expenditure**: This area looks at the quality of service delivery; the impact of interventions on the quality of life of citizens and so on.

6.4.1 Controls exercised by State Agents, Independent Auditors and Donor Agencies

The underlying principles for such controls are that:

Civil servants should be assessed, compensated and if necessary sanctioned for their management of public resources. It is a development approach grounded in dialogues, explanations and justifications of management decisions to optimize development results.

The goal of tracking the monitoring of public service delivery is to among other things: influence the quality, efficiency and accountability with which services are provided to citizens by duty bearers. Stakeholders, including government agencies have important roles to play. Budget execution goes through a certain number of control measures: Those practiced by the administration itself. Ministries can commission Public Expenditure Reviews (PERs) to evaluate their performances in implementing the budget. Accountants are required, for instance to check invoices before paying. The Auditor General is responsible for probing the government accounts and to deliver a report (**Financial Audits**). In some countries, the National Assembly or Parliament has certain organs/structures like the Public Accounts and Public Enterprise Committees that serve to exercise their scrutiny and oversight function. Public enterprises are required by law to appear before these committees to defend their management accounts and to answer queries and other types of hard questions. But all these processes are internal to government. Upward accountability to donors is also of critical importance since donors contribute significantly to the development budgets of many developing countries.

The most important control measures are carried out by outside structures or institutions: Private Audit Agencies and Civil Society Organization (NGOs, CBOs, the Media and the Electorate) through social accountability outreaches.

6.5. Social Accountability:

It is a paradox that despite all the efforts invested in poverty reduction in some countries, poverty seems to be deepening rather than decreasing. It is urgent therefore to strengthen Social Accountability mechanisms (and other

monitoring and evaluation processes) by facilitating the interface between decision makers/service providers and the Citizenry.

Social Accountability brings into focus civic engagement as a means of fostering responsible management of public funds and institutions. That is because it fosters informed citizenship, aware of their rights and responsibilities and demanding that duty bearers and decision makers respect them.

6.6 Ensuring Budget due Process and Transparency

The right to budget information is crucial. As taxpayers, citizens have the right to know how much money is collected in taxes (revenue) and more importantly, how it will be used (expenditure) to benefit citizens. Budget monitoring and tracking serves to track funds from origin to destination; and looks at outputs in relation to the terms of reference given.

6.6.1 Other prerequisites:

- Knowing the budget envelope for the financial year, knowing the execution period and the projects to be implemented.
- Knowing the budget implementation rate to pass a judgment on the efficiency and effectiveness of the implementation process

As a development approach aimed at maximizing outputs and outcomes, it is important to hold public servants accountable, selecting and replacing them if necessary. In the same vein, it is crucial to build the capacity of public servants to manage public resources and to provide services efficiently; build the capacity of parliamentarians to exercise oversight and to scrutinize public finance management. All that will serve to amplify "Voice".

6.7 Observing Expenditure and asking the right questions

- How effective is the budget execution process?
- Is the allocation process transparent?
- Is the taxpayers' money well spent?
- What is the impact of the budget on the quality of life of the citizens?
- What percentage of the resources got to the intended beneficiaries?
- Is the budget output in conformity with the specifications contained in the terms of reference?

6.7.1 Examples of best practice:

- Surveys to determine the performance of public services at the decentralized levels (monitoring and evaluation outreaches in partnership with Parliamentarians and National Assembly Members)
- The Strategic partnership between Civil Society Organizations and Parliamentarians and National Assembly Members: Train, sensitize and build a platform for advocacy:
- Advocate for pro-poor policies, projects and programmes and enhanced resource allocation to the poor, the marginalized and the vulnerable
- Capacity Building of Civil Society Organizations, Local Government Authorities officers and Government partners
- Collaboration with Public Accounts Committee, Public Enterprise Committee, Education Select Committee in monitoring, evaluation and tracking of public funds.

The road to enhanced accountability is fraught with challenges, calling for the following responses:

- Capacity building of citizens and people's representatives for them to be able to play their roles very effectively in Budget Tracking
- MTEF implementation to foster transparency and predictability of public expenditure
- Refocusing state priority on satisfying citizens' demands and poverty alleviation
- Civil Society Accountability
- Civic engagement is a necessity and a requirement for democracy and development
- It creates a new relationship between the governing and the governed
- Citizens are conscious of the active role they can play in a viable democracy
- It favours the emergence of local development dynamics

BUDGET COMMUNICATION STRATEGY

Whether the local or national budget are simplified or not, the participation of citizens will to a great extent depend on how the budget is communicated to them. In this chapter the reader is invited to note some of the issues that should be taken into account when devising a budget communication strategy.

7.1 Objective:

- i. To highlight issues to consider devising a budget communication strategy

7.2 Critical Question to consider when designing a communication strategy

1. Who is communicating the Budget?
2. To whom?
3. Why?
4. How?
5. When?

In the process of demystifying the Budget, it is the local government or national government which is communicating the budget to the ordinary citizen. Citizens have the right to know what the local or national budget contains and how it will affect them. The governments of the day have the obligation to be transparent in their stewardship roles.

If budget information is not available, it is difficult to discuss the issues, let alone engage with the budgetary processes. Civil society Organizations are better placed than the local government authorities to communicate the budget to the citizens. This does not preclude the role of Councilors who are representatives to the people in the local legislative council. Government officials should also possess strong negotiations, communication, listening and targeting skills.

Members of civil society organizations should always be involved in budget dissemination processes. But they must first of all ensure that the information is well packaged and in a format ideal for the consumption of the citizens.

Various tools and mechanism can be used to increase public participation in local government issues. In addition to making use of mechanism such as public hearings and surveys, town hall meetings, public forums and city consultations, participatory budgeting can also be used as an innovative tool to achieve the same objective of enhancing civic participation in municipal decision making and the budgeting processes.

7.3 How to use mass media:

Both electronic and print media play a critical role in public communication. During periods of budget approval, local and community FM radio stations are excited with budget issues and would easily feature budget discussion for free. Similarly, sending press releases to media houses can secure free publication.

It is important that media houses have the skills and know-how on local and national budgets, so that they better placed to facilitate discussions on the budget. Civil Society Organizations can help to build the capacity of journalists in budget analysis and budget advocacy for good governance.

7.4 How to communicate local budgets:

- i. Local Governments can use local communication channels e.g. town hall meetings,
- ii. Location specific meetings,
- iii. Issue pamphlets on the budget and other advocacy material, and
- iv. Use both local print and electronic media to disseminate messages.

The local government should choose the most cost effective approach to ensure wider coverage of the message they want to communicate.

7.5 How to communicate national budgets:

National budget draw more public attention than local government budgets due to its sheers size and the involvement of political interests (ruling parties and opposition alike). National budgets are officially presented in parliament where it is discussed by members. It is sometimes possible to anticipate the likely magnitude and areas of priority of the forthcoming national budget by inferring from Presidential statements, Ministerial statements in terms of policies and programs that are scheduled for implementation. However such information will more often than not, lacks specificity.

As a rule, national budgets are communicated by the Minister of Finance through the Budget Statement (appropriation bill) that is made in parliament. The format however favors the elite (e.g. members of parliament, donors, and academicians and interest groups). It is common for the civil society to act as watchdog organizations to give an alternative view of the budget (whether it is pro-poor and pro-development) and to create awareness of the issues for the benefit of the ordinary citizens. This is done through radio, television and the print media.

Table 20: How to Target Budget Stakeholder Groups

No.	Target Group	Approach
1.	Citizens	Community Radio Stations, village and town hall meetings, Public hearing, participatory planning and Budgeting: Advocate for the payment of taxes and on time; discuss budgetary constraints and what the likely impacts of the budget would be etc.
2	The Councilors	Town Hall meetings and deliberations on the budgets: Foster stakeholder buy-in; use councilors as vectors of messages to communities
3	The Sectors/Ministries	Public Forums, Sector Consultations, Interface meetings etc: Advocate for enhanced budgetary allocations and subventions to LGA in strategic meeting before budgeting begins
4	Civil Society Organizations	City Consultations: organize strategic meetings with CSOs to discuss the budget and how they could complement the LGAs efforts in providing basic social services; find out how much funds CSOs will be putting in basic social services that interest the municipality etc.
5	Media Practitioners and media outlets; donors and academia	Develop a robust media strategy to keep the media in the loop; to share information on the budget and how it will impact positively on the lives of citizens; what constraints the municipality

No.	Target Group	Approach
		has and how it intends to address them; encourage surveys to get empirical evidence
6	Youth and women Organizations	Sensitization on what the budget has to offer to these social groups

7.6 How to provide feedback on local and national budgets:

Not all priorities identified by citizens are included in the local and national budget. The budget cannot possibly cater for all the needs of social groups and budgeting is a difficult balancing act. However, once a budget is approved, the public relation function has to be activated. The different interest groups within the community have to be given relevant information as to the choices made by the decision makers. If community A was expecting 5 school projects but only got 2, information must be provided on why the other projects were not approved; This should also include the strategy being pursued to address the shortfall and in within what timeframe.

COUNTRY CASE STUDIES

8.1 THE GAMBIA'S PARTICIPATORY BUDGET PROCESS:

8.1.1. Introduction:

The institutionalization of participatory budgeting processes at the decentralized level has created the space for learning and sharing of budget information with communities and has given practitioners the possibility to demystify the budget. By communicating budget information in the local languages, what hitherto seemed inaccessible to the layman and to those who have not been to school, has through the budget consultation been made comprehensible. During the PB process, the national budget is first explained in analogical terms using a bag of rice to depict the total national budget; a proportion of the bag to explain the notion of "share"; the increase in the number of bags to explain growth etc. The family budget is also used as an example to demonstrate the concept of choice amidst competing priorities and resource constraints and how ultimately the family budget is allocated.

In a subsequent phase of the process, the different sources of revenue are explained to make the participants understand that as tax payers, they are contributing to government revenue either directly or indirectly and for that matter have rights and responsibilities and must participate in the decision making process that affect their lives.

The Gambia's participatory budget process has a national focus, unlike what is observed in other parts of the continent. In countries like Malawi and Rwanda for instance, participatory budgeting is confined to the Local Government Authorities. Communities at the LGA level are increasingly trying to influence the local government budget through a participatory process institutionalized by the various governments. The opening up of such budget processes allows communities through their representatives (village and ward councilors, parliamentarians, chiefs, community leaders, village associations

etc) to identify their needs and priorities, with a view to having them captured in the next local government budget. It is also important to remind all stakeholders during such sessions of their roles and responsibilities as taxpayers, users of services and therefore in a position to exact accountability from service providers and duty bearers.

8.1.2 Participatory Budgeting in the Gambia:

The opening up of the budget process to allow communities through their representatives to identify their priorities with a view to having them captured in the national budget is a recent phenomenon. In trying to acclimatize political and economic reforms for good governance, the Gambia government created the enabling environment for civil society participation in the national budget process. Sequel to that development, the Pro-Poor Advocacy Group (Pro-PAG) was set up by a number of Civil Society Organizations (CSOs), Government and donor institutions, the media and individuals to seek joint solutions to the problem of poverty. There is a general consensus today, that development must be participatory, demand-driven and as much as possible be divorced from «elite capture». To that end, citizens and citizen groups need to be empowered to engage with budgetary processes and to take ownership of development projects and programmes that concern them directly. Taking strengths from that mandate, Pro-PAG initiated the participatory budget consultation in 2003. The Gambia's budget process serves to articulate the local plans (Community and Ward Action Plans) into the national budget.

8.1.3 Process and Methodology:

Every village has a Community Action Plan (CAP). The Ward which is a cluster of villages similarly every ward (which is a cluster of a number of villages) has a Ward Action Plan (WAP). The process of elaboration of the two instruments is the same. The local stakeholders come together, discuss their most pressing needs then, decide which ones (10 in total) should figure in the CAPs or WAPs by order of priority for the village or the ward respectively. When the Pro-Poor Advocacy Group intervenes in the regions from the beginning of May to the end of June, the CAPs and WAPs are already in place and serve as the basis for engagement with the local stakeholders. The output of the regional meetings that involve a wide variety of stakeholders (The Governor of the Region, The Multi-Disciplinary Facilitation Teams¹⁰ – MDFTs, National Assembly Members, Traditional Chiefs, NGOs in the region, Women and Ward

¹⁰ These are the Government extension workers in the different regions of The Gambia, working under Health, Education, Agriculture, Water Resources, Infrastructure etc, who are in constant touch with the communities and who facilitate the process of designing the Community and Ward Action Plans.

counselors, Youth Groups) is the Regional Action Plan, which if successful, should be incorporated in the next national budget via the sectors.

Steps:

1. The facilitator ensures that the proceedings are done in two local languages that are spoken in the region and not in English, for purposes of inclusion. This is to ensure that all the participants, especially those who are not literate can meaningfully engage in the process. The first part of day one is also used for presentations on the concept of participation in democracy and a brief analysis of the previous budget.
2. The participants are divided into groups and by ward, and each group reviews their Community and Ward Action Plans and to come up with consolidated CAPs and WAPs.
3. Each group is assigned to look at their CAPs and tease out problems that are either ward in nature, or cut across a cluster of communities and to prioritize the problems.
4. The group work is followed by plenary discussions. Participants are urged at this stage to look at the “big picture” (the region to which they all belong) and to reason in terms of clusters and catchment areas. They are made to understand that resources are scarce and that they must all think strategically in choosing constituency priorities first and then the 10 priorities for the region. If a project for instance is to serve a ward or the constituency, it has a better chance of being considered for inclusion in the national budget than one that serves only a village!
5. This is followed by group work where the respective constituencies are asked to reduce the numerous priorities emanating from the different wards to only ten constituency priorities. If for instance, there are 12 Wards in a constituency, each of them having 10 priorities for the development of their area - that is $12 \times 10 = 120$ priorities. Reducing 120 ward priorities to just 10 is always a tough challenge.
6. The process of developing the final output – the Regional Action Plan out of the multitude of Constituency Action Plans is very democratic and involves a lot of negotiations, lobbying, heated discussions and even expressions of discontent.
7. To determine what should be priority number one for the region, participants are asked to imagine that government has just \$100,000 to allocate to region and with that amount, it would only be possible to finance one project, what should it be: a school, a hospital, a borehole or a feeder road, taking cue from the Constituency Action Plans? If they can all agree on a project that will have a higher payoff for the region, then, that particular project is their first priority. A participant will opt for a particular project to be the first to be financed because of its pressing nature; defends his/her choice and is seconded by another person. If

there is a divergent view, a debate ensues and could end up in a democratic voting process.

8. The same process is repeated to identify the second, then the third, then the fourth up to the tenth priority project.
9. At the end of the deliberations, the region nominates its delegates for the interface meeting at the centralized level. They ensure that the people chosen can negotiate on their behalf with the sector permanent secretaries and planning unit directors. The purpose of the interface meeting is to give the regional representatives the chance to lobby and negotiate with the decision makers for their priorities to be taken on board the sector budget. At the Interface forum, the Pro-Poor Advocacy Group facilitates the process of engagement. The regional delegates present their priorities to the sectors and get the planning directors to make pronouncements as to what is possible to include. This is followed by a brief discussion session to allow clarifications on some of the issues that are not properly articulated or understood. After a short discussion, it is suggested that the priorities be maintained as captured at the regional meetings. The reason advanced being that the delegates from the regions should not be allowed to change priorities that are arrived at by the wider regional stakeholders. The table below gives an idea of some of the priorities put forward by some regions or Local Government Authorities (LGAs).
10. When the budget is tabled at the National Assembly, the Pro-Poor Advocacy Group again intervenes to organize a Budget Brief. The objective of the budget brief is to deliver a preliminary analysis of the new budget by scrutinizing it from a pro-poor perspective. And by so doing give the National Assembly Members some invaluable insights of the issues arising in the new budget; its likely impacts on the poor and vulnerable and the development challenges faced by The Gambia in its quest and drive to achieve the PRSP, MDG and Vision 2020 goals.

8.1.4 Priority Ranking by LGA

Table 22: Priority Ranking by Community

Priority	Type of Intervention Required	LGA	Community
Water	Hand pump	CRR	Mendina Sinchan
	Expansion of water supply system	WR	Kombo North
	Extension of pipe borne water	WR	Kanuma, Jinack, Nigi & Kajala
	Provision of Boreholes & hand pumps	NBR	1. Chesay Majaw, Drammeh Jokadu & Tallen

Priority	Type of Intervention Required	LGA	Community
			2. Bali Mandinka, Kerr Mumbo, Kerr Hali & Amdalaye 3. Kerr Alahaji Malick, Daru Lowen & Conteya 4. Kuntair, Memeh, Jamagen, Jama Sinyan & Kerr Ngorr 5. Kerr Jain, Jerr Ngagany, Kerr Wally, Batanding Wollof & Kerr Jama Sira 6. Kerr Amadou, Toro Alasain, Misira Alhaji Kau 7. Karantaba Tambana, Kerr Omar Manneh, Kerr Foday Fady
	Pipe Borne Water	NBR	Kerr Ardo & 7 cluster villages
	Extension of bore hole	NBR	Yallah, Daru Jalaha & Chamen
	Hand pump well	URR	1. Koboto 2. Sare Gella 3. Sumakunda
	Borehole	URR	Gunjurkuta
	Provision of hand pump		Baniko, Jimara, Sare Ali

Priority	Type of Intervention Required	Region	Community
Road	Feeder road	CRR	Wassu, Kayai, Laminkoto to Kunting
	Road	WR	1. Brikama, Dasilima, Dimbaya 2. Kafuta, Tumbung, Giboro, Omorto & Faraba Sutu
	Feeder road	WR	1. Buranbang & Bambara 2. Brefet, Besse, Ndemban Tenda, Ndemban Jola, Kanjabina/Kanaw 3. Farato, Jambur, Banyaka, Kunkujang Mariama & Tujereng

	Road	NBR	1. Bunaidu, Kuntaya, Albreda 2. Sabach Njien, Bambali, Sarakunda & Ngeyen Sanjal
	Feeder road	NBR	Banni, Sallikenni, Njaba Kunda, Daru, Kerr Pateh & Minteh Kunda
	Road	URR	1. Kusun, Grawol & Baragikunda 2. Bajakunda, Boro Kande Kasseh, Sutukoba & Basse
Education	Construction of Secondary School	WR	1. Sibanor 2. Kalagi
	Upgrading of skills training & production centre	WR	
	Construction of multi-purpose centre for skills training	WR	

Health	Upgrading of Njau Clinic to Health Centre	CRR	Njau
	Construction of Clinic & provision of furniture	CRR	Gengi Wollof
	Construction of a minor health centre	NBR	Baniko Kekoro
Agriculture	Construction of a course way & bridge to rice fields	CRR	Baati Ndaar
	Provision of vaccines for protection of small ruminants	NBR	The whole region

The Interface Forum must happen before the budget bilaterals. The purpose of the budget bilaterals organized by the Ministry of Finance and economic Affairs is to allow the sectors to defend their budget. The Pro-Poor Advocacy Group is present during the one-to-one meetings between Finance and a particular sector to push as hard as possible for projects and programmes that will have an impact on the poor.

The thrust of the participatory budget process is to deepen the institutionalization of civil society participation in public resource

management in partnership with the Department of State for Finance and Economic Affairs (DoSFEA), SPACO¹¹ and other stakeholders. By capturing the views of the grassroots communities, it is expected that the national budget will reflect the needs and aspirations of ordinary Gambian citizens. That builds greater community ownership and fosters more active and responsible citizenship. The Interface Forum is the final stage in the process. Pro-PAG convenes the meeting drawing representatives from the regions; representatives from the planning units of the relevant government sectors and National Assembly Members from each region. The main output of the interface session is to ensure that as many priorities identified by the divisions are captured in the following year's national budget.

8.1.5 SCALING UP THE MOMENTUM

The concern today in The Gambia has moved from: the need for participation to the level, effectiveness and quality of non-state actors' involvement in the design, implementation and monitoring of Government policies and service delivery. The space for participation needs more depth, more process orientation and more commitment from all stakeholders. The Opening up of the LGA Budget Process to citizens' participation is also urgent.

8.1.6 ENGAGEMENTS:

Pro-PAG lobbies the Department of State for Finance and Economic affairs to:

- ☉ Allocate adequate resources to social sectors considered priority areas with a view to progressively reducing the incidence of poverty.
- ☉ Create space for engagement that fosters Civil Society Ownership of government's projects, programmes and development orientations.

¹¹ Strategy for Poverty Alleviation Coordination Office, now the National Planning Commission (NPC)

8.2. MALAWI: PARTICIPATORY BUDGETING PROCESS

8.2.1 Introduction:

There are on-going attempts to improve the participatory approach to budget formulation in Malawi, both at the local and national level. There are two types of budgets, the recurrent and development budget. In both cases it is the development budget which is amenable to participatory budgeting. The national level consists of Ministries and Departments, and statutory or government organizations. The local level consists of local governments namely, cities, towns and districts. (Malawi has two tiers of government local and national.)

At the national level, the Ministry of Finance is the coordinating authority on budgeting, while the Ministry of Local Government and Rural Development through the National Local Government Finance Committee coordinates the budgeting process for local governments.

There is a Budget Manual for Local Governments which was published by the National Local Government Finance Committee in 2006. The manual requires local governments to use participatory approaches to budgeting. The Ministry of Finance is in the process of developing a budget manual for use by central government agencies.

8.2.1 PARTICIPATION AND DEMYSTIFICATION OF BUDGETS IN MALAWI

8.2.2 Local Government Budgeting: Case of Blantyre City Assembly

Blantyre City is the major commercial city in Malawi. According to the 2008 Census report, Blantyre has the second highest population (661,444) after Lilongwe City's 669,021. Blantyre City derives 80 percent of its revenue from local resources. The City decided to engage stakeholders in the budget process as one way of building consensus and broadening ownership of the budget and its measures.

Based on a budget calendar, Blantyre City Assembly first gets input on development issues and project proposal which are compared to the City development. Elected officials, who represent an area called a ward in the city, are known as councilors. These officials consult their electorates on

development priorities that should be prioritized in respective areas. Such meetings are done from July to November of each year. The Assembly starts preparing the actual budget in the month of December proceeding the fiscal year (July to June). A draft budget is ready by March of each year.

When the draft budget is ready, the assembly organizes town hall meetings with citizen groups such as Traders, Property Owners, block leaders, the clergy, among others, with a view to scrutinize the budget. Notices for such meetings are published in the leading daily newspapers, public notices at market places and other public places. This process is led by the City Mayor¹². (In situations where the city mayor is not in office, it is the City Chief Executive who coordinates the town hall meetings.) There are no formal guidelines on conducting the budget meetings and largely depends on the ability and capacity of the convener to facilitate discussion. Discussion are in English or national language (Chichewa). A time table of meetings is issued stating time and venue of the meeting, usually at the Civic offices. Groups of general public are invited to attend at the appointed time. During the meeting, the assembly official gives an overview and background to the budget, including any revenue measures usually increases in fees and tax rates and their supporting expenditures, compliance with the City Development Plan, expected donor support and local resource envelopes. After presentation, discussion ensues, debating on the adequacy of the proposed measures. Decisions are arrived by majority vote of the people present. The City officials take into account the suggestions made and where feasible adjust their budget accordingly. "We cannot accommodate every suggestion made at the town hall meeting", the City Treasurer, Mr. Mphande, admitted. "Some issues are only noted for careful planning and budgeting in future".

Over the years it has been noted that the same people represent their interest groups. Rate payers and business community are well represented since they have an interest in ensuring that the budget does not extent higher tax burdens on them. The common persons do not attend in large numbers as expected. "It is expensive to hold these meeting in every corner of the city", the City Treasurer admitted.

After town hall meetings, the City officials revise the budgets to take into account the issues raised, subject to resource constraints and overall development priorities. The revised budget is then subjected to the approval procedures, with the City Assembly Finance Committee as the first forum and the full assembly as the approving authority. The approval budget is

¹² There have been no elected local government officials since 2004. Elections are scheduled for 2010.

forwarded to National Local Government Finance Committee for consolidation of a Local Government Budget.

The following table outlines the stages involved in local government budgeting in Malawi.

Table 23: Common Local Government Budgets Stages and the Role of the Citizen

STAGE	Role of Citizens	Participation	Remarks
Planning	Citizens in both rural and urban districts demand services from local governments based on local development priorities.	Direct	Local Government officials initiate the process. Due to budgetary constraints the practice is not consistent
Budgeting	Citizens through councilors (local government representatives) scrutinize resource allocation	Represented	Some local governments especially cities, have created pre-budget discussion forums where community representatives scrutinize the budget and provide feedback
Implementation	For community managed projects (CMP), citizens contribute financially or in kind to the cost of the project. Citizens form project implementation committees (PIC) which manage the CMPs. Citizen contribute to revenue by paying for their tax obligations	Direct or Represented	
Monitoring and Evaluation	Use of community score cards and other community monitoring tools	Direct	The process is facilitated by the local government

8.2.3 PARTICIPATION IN THE NATIONAL BUDGET: CASE of MALAWI

The Ministry of Finance has since 1995 encouraged receiving of suggestions into the National Budget. The process started with the initiative of the Malawi Investment Promotion Agency, which in its bid to encourage predictability in fiscal and monetary policies for purposes of attracting domestic and foreign investment, started arranging for pre-budget discussion sessions between the private sector and government, represented by the Ministry of Finance.

The tradition of pre-budget dialogue between government and private sector has grown and is now taken as a normal practice, and has included other interested groups, especially civil society. In addition to private sector captains, the Minister of Finance also meets the academia, local governments, donor community, and traditional leaders. Unlike in the past, it is now the Ministry of Finance which initiates the process, at least 3 months before the national budget is presented in Parliament.

The Process

The Ministry of Finance issues a schedule of pre-budget consultative meetings around February or March each year. The schedule specifies the venue and type of group that the Minister of Finance wishes to meet. Such meetings are usually held in one day, covering all groups. Effectively each group holds discussion with the Minister of Finance for a maximum duration of 4 hours.

During the Pre-Budget Consultative meetings, the Minister of Finance makes a presentation, highlighting the budgetary framework for the next fiscal year, including the general policy measures and developmental agenda as planned by government. Interest groups respond by making presentations that require government attention through the budget. The responses by interest groups border on lobbying for change in anticipated measures. For example, in 2009, people with Disabilities lobbied the Minister for increased funding for the ministry and institutions responsible for people with disabilities while the Society of Accountants lobbies for a widening of the income brackets for zero rated income. The Minister of Finance in the company of his officials notes the concerns and attempts to adjust their budgets accordingly. The final government position is unveiled during a budget presentation.

These pre-budget meetings are usually held at leading hotels in all the three regions (North, Central and South).

The interest groups, in response to the budget presentation, organize post-budget meetings to which the Minister of Finance is invited. The aim of the meetings is to analyze the implications of the budget on various sectors of the economy. Some groups usually the Chamber of Commerce and professional organizations for economists and accountants make analytical presentations which provide food for thought before the budget is finally passed in parliament.

Involvement of Civil Society

Civil society has played a critical role in demystifying the national budget. In addition to holding meeting with the Minister of Finance during pre-budget meetings, the civil society plays an advocacy role to the general public.

Specifically, the Malawi Economic Justice Network (MEJN) conducts annual budget analyses and simplifies national budget information as part of its efforts to provide clear budget information to civil society, communities, local assemblies as well as Member of Parliament and civil servants for facilitation of the citizenry. MEJN produces a Citizen's Budget by March. Such a document highlights major development issues as perceived by the civil society and challenges the official budget well in advance. When government unveils its budget in June, MEJN produces national budgets analyses, showing resource allocation, expenditure trends, and resource utilizations, including issues of governance in the concerned sectors or institutions. MEJN also reflect on the implied policies in the budget.

The Role of the Media

The national TV station covers parliamentary deliberations live or through rebroadcasts. This gives an opportunity for the general public to follow discussions regarding the budget but there is no effective feedback mechanism at this point, hence no room for the citizens or interest groups to influence the budget.

8.2.4. Limiting Factors and Way Forward

General

Access to both local and national budgets documents by the citizens is also limited due to fewer documents that are published. The local communities have not yet taken on the task of getting organized to scrutinize the budget of local and national budgets- all interactions are initiated by local or national governments.

Both local and national government should improve their effort in explaining their budget to the concerned citizens.

Local Government Budgets

The process of participation in the local budgeting process is constrained by lack of elected officials, who have not been in office since 2002 to 2009. The communication of the budget at the local level is currently left to local government officials who are too technical to deal with the citizens. The format used is not simple enough due to low literacy rates. There are no guidelines on citizen participation as a result attendance is limited to interest groups.

National Budget

Direct citizens' participation in the national budget is limited. Currently the scope of national budgetary consultation covers the meetings between the Minister of Finance and representatives of civil society groups such as economists, accountants, and trade unionists, leaving out the ordinary citizen. The use of exclusive locations at hotels tends to rule out the common citizens from attending. While it may not be possible for the Minister of Finance to meet each and every citizen, there should be a way to encourage citizens' debate on the budget. Radio debates on the national budget, while having an advantage of wider outreach, are usually conducted ex-post, with limited impact on the budget outcome.

Building capacity of civil society to take on the role of explaining the budget and advocating for increased participation is a solution in the short term but building capacity of communities to participate in the budget process effectively is the feasible long-term solution in demystifying and increasing participation in the budget process.

The timetable for pre-budget consultations is issued on a short notice, this results in poor attendance or participation by interest groups.

Conclusions

The movement for participatory budgeting is in its infancy in Malawi. However, there are good initial steps that must be improved both at local and national level.

The civil society is playing a commendable role by conducting economic literacy capacity building programs on understanding the budget, including holding of public debates on the national and local government budgets, as well as publishing of budget analysis and public expenditure reviews in the newspapers.

8.3 RWANDA: PARTICIPATORY BUDGETING PROCESS

8.3.0 INTRODUCTION

In democratic societies, the ultimate sovereignty lies with people. Governments are held accountable at the very minimum because they can be elected or replaced by public vote. There are, however, authorities, mandated by the people, such as the auditor general, to hold public administration accountable.

For the Public Institutions to work properly, and avoid corruption, accountability mechanisms need to be strengthened to reflect the needs and voices of the population.

Rwandan practice of participatory budgeting has taken another shape as you may compare it to those of Uganda, Malawi, The Gambia and Zimbabwe and been fully practiced by the Local Governments in a way that they are accountable to the local citizens, District Councils and to the Central Government for the transparent and efficient use of the resources.

It has, unlike elsewhere in the world manifested in another form of accountability which has led to the following sorts of accountability; (Source: Republic of Rwanda (2006), Mechanisms for Participation and Accountability at Community and Decentralized Levels in Rwanda: MINALOC)

Local Government Innovation Day, a day organised by the Rwandese Association of Local Government Authorities (**RALGA**) once a year to have the local governments present to the public (i.e. the Central Government, Government Parastatals, Development Partners, Civil Society Organisations, Diplomats of various angles and Local Governments themselves) their annual best practice. For a practice to qualify a best practice, four selection criteria should be met; and these are; as sited on the www.ralgarwanda.org

1. General Appreciation of the chosen decision making process

- ⌚ **Participation:** the process should include citizens for its implementation. The process should also demonstrate existing cooperation between sector, district and technical services.
- ⌚ **Transparency:** the different steps of the process should be executed in an open and public way, and allow citizens and other concerned people to get relevant information;

- ⌚ **Voice/ Accountability:** the process should allow for listening, taking into account responding to demands, needs and queries expressed by citizens.

2. Quality and innovative aspects of the practice itself

- ⌚ Way the practice itself is implemented (aspects of transparency, participation and accountability of the practice itself)
- ⌚ Own initiative and leadership of the sector in implanting the practice
- ⌚ Financial and technical feasibility of the practice

3. Socio-economic impact of the practice

- ⌚ Orientation towards solving a development problem;
- ⌚ Coverage (Percentage of population affected by the practice)
- ⌚ Social inclusion and gender sensitivity

4. Scope for Institutionalization and sustainability of the practice

- ⌚ Extent to which the practice could be imitated and implemented in other sectors of Rwanda.

Another example is **Ubudehe**, which promotes participatory planning and budgeting at the village level. The *Ubudehe* process in Rwanda is a unique policy of nurturing citizens' collective action in partnership with a government committed to decentralization. *Ubudehe* has its roots in traditional collective working in the fields, but has been adapted to modern ways of planning and budgeting. It builds on the concepts of the poverty reduction strategy and participatory poverty assessment. The *Ubudehe* for poverty reduction has taken several forms. In some cells, it has been used to create a benefit, such as access to water, a transport service, and a few credit programs. In other cells it has been used for livestock rearing. The various forms reflect different priorities in different villages. All forms have a common denominator of collective community planning and budgeting. The success of the *Ubudehe* to a large extent depends on the government's program of training trainers—local nongovernmental organizations have trained one or two members from the communities; these in turn are training other community members to plan, budget, and prioritize in a collective way.

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The **Performance Contract**; Each district represented by the Mayor signs a performance contract with the President of the Republic. The content within the contract are the commitments of the district to be performed in a year. These commitments are in the interest of the citizens and indicate all the

priorities as cited and agreed upon during the consultation sessions.
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National Dialogue Forum; Each year a national forum is organised. Like each Mayor presents performance rate, achievements, obstacles and way forward also the governmental parastatals present their contributions to the wellbeing of the citizens. Each, in his / her locality presents what has been done and what is planned to improve the national development and wellbeing of the nationals. The forum is chaired by the President of the Republic of Rwanda and attended by the Central Government Officials, Senators, Parliamentarians, and Rwandan Ambassadors from different countries, Government Parastatals, Ambassadors & High Commissioners representing their countries in Rwanda, Development Partners, Civil Society Organisations including RALGA and the Local Government Heads and District Bureau Councillors. www.minaloc.gov.rw

The Umuganda (Community Work). Is a traditional practice of collective work for the benefit of the community.

Presently, it takes place once a month at the national level. It is generally perceived as a useful tool that guides communities to participate in solving their own development needs as well as being a forum of social interaction, developing cohesion and developing social capital. After community work, a meeting is organised and citizens share information on the progress of the citizens' wellbeing and other communications are passed.

The participatory budgeting in local governments has created awareness and oversight to local citizens and the civil society in general.

8.3.1 THE PARTICIPATORY BUDGETING PROCESS

Due to the fact that participatory budgeting process emerged in "Imihigo" form, this part reviews in detail the process of participatory budgeting and "Imihigo". Others as mentioned above make up the process and are combined to reflect the whole process in Rwandan experience as regards the participatory budgeting.

Participatory Budgeting has been developed and translated in a way in which even the common person can understand it. The language used has been mostly dominated by local language in order for even the common person to understand the process. Pamphlets have been drafted in the local language and in simple way to ease the process and understanding of the

jargons of the finance language. Source: Republic of Rwanda (June 2009), A Public Guide to the 2009-2010 Budget, "The government's budget is the citizen's budget", National Budget Unit. MINECOFIN

Citizens have contributed through various ways and means. Their contribution has been seen through participating in the feeder road construction, school constructions and etc..

Civil Society Organizations have been involved in the practice and evaluation of the participatory budgeting through Joint Action Forum. A forum which integrates all the civil society organization representatives. It combines also the local elected leaders, the Development Partners representative at all the administrative levels.

8.3.2 GUIDE TO THE PREPARATION OF THE PROCESS

Participatory budgeting has been a process in nature and follows steps which are here below demonstrated. At each level, there are specific duties that are performed.

Table 24 The budgeting process at all levels of administration

Step 1	The Main Policy Document based on	Assessment of past performance and definition of sector priorities	Duties Charged
Step 1.1	The main policy documents based on throughout planning and budgeting process includes: <ol style="list-style-type: none"> 1. Vision 2020 (Country vision) 2. MDGs 2015 3. EDPRS 2012 4. Sector Strategies 5. District Development Plans (DDPs) 6. Medium Term Expenditure Framework (MTEF) 7. Annual Budget 	District Public Expenditure Review and Budget Execution Report	Carry out an analysis of the budget execution in N-1, and prepare the Budget Execution Report of N-1
Step 1.2		Consultations with Umudugudu (i.e the lowest level of local administration) Akagari (i.e Cell) and Imirenge (i.e Sector)	Launch consultations at umudugudu (village), Akagari (cell), and Imirenge (sector) level in order to determine priorities for the coming year
Step 1.3		Joint Action Forum (JAF)	The JAF and SBC should analyse financial and non-financial performance in N-1 and draw conclusions regarding priorities for the coming year and their financial implications
Step 2		District MTEF and Budget Framework Paper	
Step 2.1		Estimation of District revenue	Estimate District revenues for the coming year: transfers from Central Governments (estimates provided by Budget Call Circular received from Central Government), district's own revenues, donor support. Added to these sources of revenues, the communities should indicate their participation as to be presented by the Sector Budget Committee during the meeting with JAF at the District
Step 2.2		National BCC received from Ministry of Finance and Economic Planning (MINECOFIN)	
Step 2.3		Consultations with ministries	Participate to consultations with


			Ministries on Earmarked Transfers. These consultations should cover transfer modalities, objectives of earmarked transfers, reporting requirements, amounts and allocation formulas
Step 2.4		First draft summary MTEF and SIP	
Step 2.5		District BCC	
Step 2.6		Budget Framework Paper and final amounts for transfers from central government	
Step 2.7		Final draft District MTEF	
Step 3		Adoption of the District Budget, update of Annual Action Plan and Performance Contract	
Step 3.1		Presentation of the final draft MTEF to the Joint Action Forum (JAF)	From the JAF & SBC at the District level, Organise a meeting of the budget preparation and planning team (Plan and Budget Working Group) to discuss the priorities for the coming year, key activities to be carried out by the district in each programme, and agree on an indicative envelope per programme
Step 3.2		Endorsement by the Executive Committee and the District Council Final district MTEF sent to MINECOFIN	
Step 3.3		Adoption of the National Finance Law	
Step 3.4		Update of District MTEF, Annual Action Plan and Performance Contract	
		Notes: <ul style="list-style-type: none"> - The DBC is selected among the District Joint Action Forum (DJAF) and Sector Budget Committee (SBC) to represent other. - The indicative envelopes per programme are prepared on the basis of: <ul style="list-style-type: none"> i. Priorities identified during consultation process ii. The conclusions of the JAF & SBC at the District level; iii. District's budget execution report for N-1 iv. Priorities identified by each District unit; v. the BCC received from Ministry of Finance and Economic Planning vi. the consultations with Ministries 	
Step 4		Budget Revision	

Source: Republic of Rwanda (2008), Budget Manual for District, guide of processes and procedures for District MTEF & Budget Manual, MINECOFIN

As it is demonstrated from the table above, the participatory budgeting has been practiced in a step by step way. At each step, there is something being done and exercised in the interest of the citizens.

The Annual calendar below shows how each organ or the level of administration is involved in the budgeting process.

Fig: 7 The Annual Calendar for Planning, Budget Preparation, and Policy Review

<div></div> <div>Annual Planning, Budget Preparation, and Policy Review Calendar</div>							
		Districts	Line Ministries	MINECOFIN	Development Partners	Cabinet / Parliament	
JUL	National Priority Setting	Annual District Report (budget execution relative to objectives)	Report on Annual Action Plan & Budget Execution (explanation of budget execution relative to objectives)	Macroeconomic Review and projections (macroframework, estimation of overall resource envelope)	Participation in Joint District Reviews		
AUG		Joint District Reviews					Annual Economic Report
SEP		Participation in Joint Sector Reviews	Joint Sector Reviews	Participation in Joint Sector Reviews	Akagera retreat		
				Consolidated Budget Execution Report			
OCT			Participation in JBS and PFM Review	Joint Budget Support and PFM Review			
----- EDPRS Annual Progress Report / Summary of emerging priorities -----							
NOV	Strategic Planning	Consultations with Cells, Sectors and Communities	Preparation of Strategic Issues Papers	Budget Call Circular Communication of indicative transfers to Districts	Tentative statement of commitments		
		Estimation of District Revenues (taxes and donor funds)					
		Intergovernmental consultations					
DEC		Preparation of Strategic Issues Papers	(including provisional MTEF and earmarked transfers)				
		Meeting of Network of Planning and Budgeting Officers		Preparation of 1st Draft Budget Framework Paper	Revision of Macro-framework + Budget Revision		
JAN	Strategic Planning	----- Budget Consultations based on SIPs and 1st draft BFP -----			Consultations with Development Partners, Civil Society, and private sector	Cabinet Discussion on BFP	
		Districts select representatives to attend sector consultations	Sector consultations				
		Communication of earmarked grants to districts		Finalisation of BFP			
FEB	National Finance Law	Communication of final budget ceilings and earmarked grants					
		Preparation of District BFP, including summary MTEF and key performance targets	Ministry MTEF finalised, including detailed Budget				
MAR		Consultations, Council scrutiny and approval of summary MTEF	Data entry in Smartgov				
			Annual Action Plan & Imihigo prepared	Preparation of Draft Finance Law and Explanatory Note to the Budget			
		EDPRS Biannual Progress Report					Discussion of Draft Finance Law by Cabinet
APR		Preparation of detailed Annual Budget		Update of Draft Finance Law following Cabinet discussions	Joint Budget Support and PFM Review (firm commitments)		
				Submission of Draft Finance Law to Parliament			
MAY		Annual Action Plan & Imihigo prepared	Annual Action Plan & Imihigo approved			Discussion and Approval of Draft Finance Law by Parliament	
	Council scrutiny & approval of Annual Budget						
JUN	Annual Action Plan & Imihigo approved						
Minister of Finance announces Budget with EAC member states and implementation of annual budget begins							

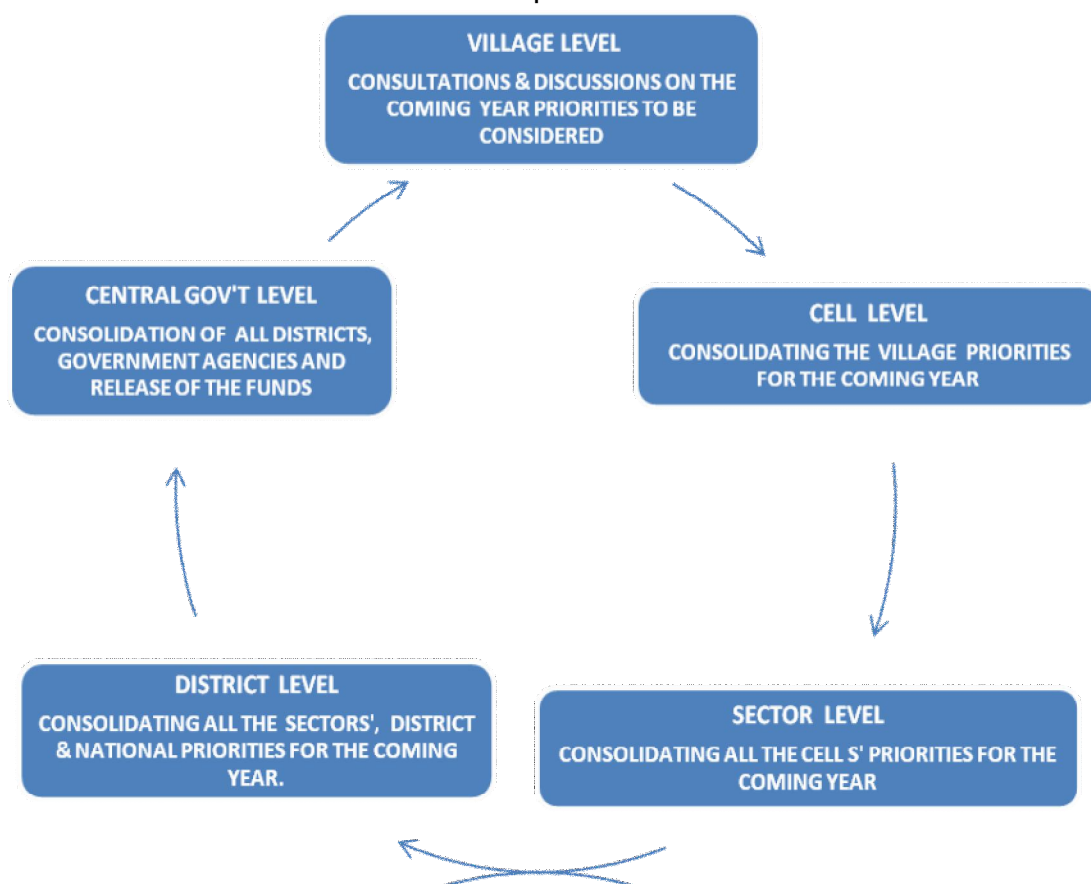
Source: Republic of Rwanda (2008), Budget Manual for District, guide of processes and procedures for District MTEF & Budget Manual, MINECOFIN, also www.minecofin.gov.rw

From the table above, every administrative level in its decentralized units has a role in the budget preparation. The calendar is based on the National Priority setting, Strategic planning and National Finance Law.

Local Civil Society Organizations are independent in monitoring the implementation of Local Government budgets. They also participate in the CDC and district reviews

8.3.3 Fig.8 The Local Government Budgeting Process Cycle

The local government budgeting process cycle describes what is done at each level, how it is done and who is responsible



Source: Republic of Rwanda (2005), Making Decentralized Service Delivery Work, Putting the people at the center of service provision: Policy Note, Kigali, MINALOC.

8.3.4 THE BUDGET EXECUTION STEP BY STEP

This section presents the legal and institutional framework to the execution of the budget at District level. It then goes on to detail steps one by one in the execution of the budget.

Budget execution is a very important stage of the budget process as it is at this stage that actual revenue collections and service delivery takes place. Execution of the budget therefore is about the collection and accounting for revenue, provision of services through the recurrent budget and implementation of development projects. The budget is therefore not just a financial document; it is a political document and a guide for districts on the execution of their responsibilities.

The key documents that provide the framework for the execution of the budget are; district annual action plans, cash flow plans and procurement plans.

As priorities are identified by the citizens and amalgamated at the different levels, budget execution has been drafted in response to the areas identified during the planning and budgeting.

Table 25. The priority areas are based on the sectors identified in the EDPRS period 2008-2012

	Recurrent expenditures Share (%)	Capital expenditures Share (%)	Total Share (%)
Human Development & Social Sectors	42.2%	22.3%	34.2%
Education	26.8%	9.3%	19.8%
Health and population	9.1%	9.3%	9.2%
Social protection	5.0%	0.4%	3.1%
Employment and capacity building	0.7%	2.8%	1.5%
Youth, sport & culture	0.5%	0.6%	0.6%
Capital Development & Directly Productive Sectors	11.6%	73.8%	36.4%
Infrastructure	5.2%	41.6%	19.7%
Transport & ICT	0.6%	17.1%	7.2%
Habitat	0.6%	4.6%	2.2%
Energy	0.6%	14.2%	6.1%
Meteorology	0.0%	0.1%	0.1%
Water and sanitation	3.4%	5.5%	4.2%
Productive capacities	6.4%	32.1%	16.7%
Agriculture	4.1%	11.5%	7.0%
Forestry, lands & environment	0.5%	3.8%	1.8%
Manufacturing, services and off-farm industry	0.8%	3.6%	1.9%
Science, technology and innovation	0.9%	2.2%	1.4%
Community Development Fund (CDF)	0.1%	11.0%	4.5%
Governance and Sovereignty	46.3%	3.9%	29.4%

Defense	14.0%	0.2%	8.5%
Justice, reconciliation, law & order	6.9%	2.1%	5.0%
Public administration	23.2%	1.5%	14.5%
Decentralization	2.3%	0.1%	1.4%
TOTAL	100.0%	100.0%	100.0

SOURCE: REPUBLIC OF RWANDA (2008), GUIDE OF PROCESSES AND PROCEDURES FOR THE NATIONAL BUDGET UNIT, MINECOFIN, WWW.MINECOFIN.GOV.RW

8.3.5 REPORTING

This section presents the local government reporting and analysis of performance

Local Governments normally report on the progress of the activities and the budget execution to the communities and the central government. It depicts how the local governments are performing towards the target goals and the used budget in the implementation of the programs identified by the communities. The population understands the status of the resources and expenditures and the extent of the program execution.

The kind of reporting developed has made easily accessible to the layman, which has strengthened the demand for accountability on the various activities. It has limited the risks of mismanagement and strengthened the alignment of the national budget with national priorities. The level of confidence of citizens and understanding has increased which has brought in the principle of ownership to the citizens.

The financial reporting has identified to the local citizens three categories of expenditures:

1. *Expenditures on Ordinary or recurrent budget.* This is used for servicing ordinary activities on Local Administration like salaries, office furniture etc.
2. *Expenditure on Development Budget.* Expenditure under this category is seen under capital investment and infrastructure.
3. *Expenditure on Special Budget.* This part indicates the expenses on special circumstances.

8.3.5.1 OPEN DAY / ACCOUNTABILITY DAY (LOCAL LEVEL)

Apart from reporting on finances, local governments have developed another way of being accountable to the citizens. Each district following the convenient time, organizes an open day in a month. Here, the Executive Committee of the district entertains the issues raised by the local citizens and are responded to by the public and in the public. During this session, also the Mayor gives a brief overview of what is taking place in the district.

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8.3.6 ACCOUNTABILITY MECHANISM: IMIHIGO

8.3.6.1 Introduction

Accountability is well exercised and well developed where decentralization is practiced. Defining accountability without defining decentralization would not be true.

In this regard, decentralization is an administrative system by which the State transfers the competences which it has been exercising to the local levels, it means to the provinces, districts, sectors, cells and villages.

In Rwanda, the accountability mechanism introduced has ensured accountability to the poor and has brought the disadvantaged to release the incentive structures and has boosted overall capacity to produce pro-poor development outcomes.

Citizens build legitimacy and function as an ultimate safeguard against the misuse of power and protect space for societies to negotiate their long-term social contract.

The present mechanism ties back responsiveness and accountability to poor people as rights holders. It is guided by the fundamental concern of explaining how can the elected leaders be accountable to the local citizens / communities?

Another fundamental question is: How can one increase the responsiveness of development agents, decision makers and service providers to the concerns of the poor, and how can poor people and their advocates hold them accountable to the commitment to reduce poverty?

Rwanda has developed a tradition way of Accountability mechanisms which has been named **IMIHIGO**

8.3.6.2 What is an “IMIHIGO”?

In the Rwandese tradition, IMIHIGO refers to a well known ancestral ritual in which a group of people engages publicly in specific accomplishments to test their bravery. They then by all means try to respect their engagement. A failure is an immense dishonor that brings shame not only on the individual but also on his or her community. If the challenger succeeds, all his or her community will gain respect and admiration from other communities. In a sense, individuals who are committed to an IMIHIGO ritual are bound to their own social group and their engagement can be seen as a pact between themselves and their community. The IMIHIGO also encourages a

competitive spirit among the challengers. One of the key characteristics of an IMIHIGO is the fact that it is not based on coercive sanctions in case of failure.

It is a system based on bravery, courage, and admiration. If a person fails, he or she is going to be given another chance to succeed.

The word IMIHIGO is now used in Rwanda to designate a performance management contract signed between the President of the Republic and the Districts Mayor on behalf of their constituents. The engagement is recorded publicly in a written contract that presents a set of development targets backed by specific performance indicators over a period of one year. The notion of IMIHIGO is well known and understood by the entire nation. As a consequence, it proves to be a promising policy measure, one rooted in Rwanda’s traditional culture and value.

Table 26. The “IMIHIGO” Signing Document, Year XX

I, NAME OF THE DISTRICT MAYOR, in the name of the population that I represent, I pledge the President of the Republic that during the year XX, the population of the District will achieve the objectives that are stated in this contract document.

The Republic of Rwanda, through the ministries and other state institutions, is going to support the activity program described in the following document.

Translation from Kinyarwanda	
SIGNATURE District Mayor	SIGNATURE H.E. President of the Republic

8.3.6.3 “IMIHIGO” as a Results-Based Management Tool

Soon after the signing ceremony, the district mayors start communication campaigns to explain the key priorities and the targets that the districts committed to. Sectors and cells solicit to develop their own action plan and targets and to mobilize their populations for local action. IMIHIGOs are also signed locally between the districts and the sectors to increase the binding of all the local governments to harmonized objectives. It has been identified in Rwanda today that no other reform initiative can generate such a quick ownership process as IMIHIGO because the citizens have identified with it and knew the meaning of it immediately. It has become for the local leaders a powerful tool to gather together the resources needed to produce results that matter for the population.

The IMIHIGO approach shares many characteristics with modern results-based management tools.

- First, each IMIHIGO identifies a set of clear (and limited) priorities.

- Second, each IMIHIGO presents a set of specific targets backed by measurable performance indicators.
- Third, each IMIHIGO undergoes a well defined performance monitoring and evaluation process.
- Fourth, each IMIHIGO constitutes an efficient accountability mechanism and an incentive for local government leaders and their population to implement the decentralization policies and to meet regional and national development targets.

Table 27: Example of year XX District Monitoring Framework Template

Service	Baseline	National Targets	Local Targets	Resources Required	Available Resources	Financing Gap
Education						
Health						
Water						
Etc						

Table 28: Example of year XX District Activity Plan Template

Service Area	Baseline	Local Targets	Activities	Completion Date	Resources Required	Responsible Unit	Date Method / of Monitoring
Education							
Health							
Water							
Etc							

Source: Republic of Rwanda (2005), Making Decentralized Service Delivery Work, Putting the people at the center of service provision: Policy Note, Kigali, MINALOC

Figure 9: IMIHIGO Performance Monitoring and Evaluation



Source: Republic of Rwanda (2005), Making Decentralized Service Delivery Work, Putting the people at the center of service provision: Policy Note, Kigali, MINALOC.

What does the Civil Society do in this process?

Local Civil Society Organizations are independent in monitoring the implementation of Local Government budgets. They also participate in the CDC and district reviews. They form and are members of the Joint Action Forum, CDF, CDC, Ubudehe and Umuganda. Their voices are heard during these sessions.

8.3.6.4 Conclusion

With the principle of participatory budgeting which is demystified, citizens have understood the whole process and have made the elected leaders accountable.

Imihigo have enriched and enshrined in the participation of the citizens in the national development.

Having the same understanding has helped citizens to take responsibility in participating in and contributing to the best use of the national resources.

The corrective wealth of the nation is managed in a way that allows the citizens to evaluate better whether the budget is being used for the nation's interest.

As a challenge, trainings to improve the human capacity in the budget and budget process should be reinforced.

The Budget preparation process is simultaneously translated to "Top down" and "Bottom up".

Glossary Budget Concepts:

Accountability- is realized when the decision makers become responsible for their actions.

Allocation refers to money earmarked for a particular purpose in the Budget. For example the allocation for welfare on the national Budget has to be spent on welfare.

Appropriation refers to an authorization made by law or other legislative approval, directing the payment of goods and services out of government funds under specified conditions or for specified purposes.

Appropriation Act - The annual Appropriation Act authorizes the withdrawal of money from the national revenue account, to be distributed between national government departments as set out in the budgets

Balance of Payments Balance of Payments is a summary statement of all the international transactions between the residents of a country and the rest of the world during a particular period, i.e. the difference in value between payments into and out of the country (including money, goods and services)

Basic Services The national minimum standards of service in education, social development, health care, housing and infrastructure as defined in the constitution, legislation or government policy.

Budget refers to the estimates of revenues and receipts, and expenditures for a given entity (agency, department, ministry or government).

Budgeting - essentially is determining for a future period of time what is to be done, what is to be accomplished, the manner in which it is to be done, and the cost of doing it. Thus, the budget is a monetary definition of the future plans of the agency.

Budget Circular or Call is a statement usually by the Ministry of Finance to government ministries, departments and agencies outlining policy and technical guidelines on how to prepare a budget for a given fiscal period.

Budget Deficit Budget Deficit is the difference between budget expenditure and budgeted revenues.

Budget Format – these are formats or styles for compiling and presenting a budget. It is usually specified by Ministry of Finance or a designated authority.

Decentralization- is an administrative system by which the State transfers the competences which it has been exercising to the local levels, it means to the provinces, districts, sectors, cells and villages.

Demystification- Is making something simplified in a way that every person can understand it.

Estimating revenue or expenditure is to place a value the expected level of revenue or expenditure.

Function is considered as an objective of identifiable service e.g. planning

Gross Domestic Product (GDP) - Total value of final goods and services produced in the country during a calendar year. GDP per person is the simplest overall measure of income in a country. Economic growth is measured by the change in GDP from year to year.

Imihigo- refers to a well known ancestral ritual in which a group of people engages publicly in specific accomplishments to test their bravery. A failure is an immense dishonor that brings shame not only on the individual but also on his or her community. If the challenger succeeds, all his or her community will gain respect and admiration from other communities. Its based on the Results-Based Management.

Incremental Budgeting - This is a type of budgeting process where the past budget is used as a point of departure in compiling the upcoming budget. The current budget levels are adjusted for changes that are expected to occur during the next budget period.

Line Item Budgeting - Line item budgeting is a budgeting system in which expenditures are listed according to objects of expenditure, or line items. The purpose of this system is to ensure that departments do not overspend on line-items.

Local Government: means a government comprising the district chairperson / mayor, the cabinet, and comprising elected members of council

Macro-economic Policy- These are broad government policies to ensure economic stability. It includes monetary and fiscal policy, as well as government's priorities in allocating resources.

Medium Term Expenditure Framework (MTEF) - Medium Term Expenditure Framework is the three-year revenue and expenditure plans of national governments. Each year Parliament votes on the projections for the first year. The two outer years are retained as a basis for future planning, while a new third year is added. MTEFs therefore also known as 'rolling budgets'.

Nominal Terms: Nominal terms mean actual monetary value in terms of the purchasing power of the day (at current prices). Nominal terms do not take into account the effect of inflation on the real value of money. Government budgets are in nominal terms and do not adjust totals of inflation.

Performance Contract-Commitments by the Local Governments to the Central Government on what to be extended to the local citizens.

Policy can be defined as a "series of considered actions taken by governments, Local Government Authorities, and synchronized in a manner to achieve predetermined goals and objectives". Policy positions could concern the provision of public services like education, health, welfare and infrastructure to communities) or a statement of intent¹³ delineating goals and objectives to be achieved within a given period or authoritative decisions, rules and regulations, requiring the support of society.

Programme is a collection of government activities that share a common set of objectives. It is described as the highest level of classification of work to be performed by an agency, in carrying out its assigned functions and tasks.

Real Terms - Value measured in terms of the purchasing power of money at a particular time.

Rolling Budgets A rolling budget is a budget system in which multiyear forward projections are revised annually.

Social Spending - Spending on programmes that have particular importance to the poor, such as Health, Education and Social Development.

Sub-program a Program is further sub-divided into identifiable work/function related sub-programmes required for fulfilling the assigned programme;

Share refers to the size of a slice of the pie in relation to the entire pie. It is expressed in terms of a percent of the total.

¹³ Policy Statements and Mission Statements are good examples of statements of intent

Ubudehe- A program based on Rwanda's unique traditional policy of nurturing citizens' collective action in participatory planning and budgeting at the village level.

Umuganda (*Community Work*) Is a Rwandan traditional practice of collective work for the benefit of the community.

Vision 2020- Rwanda, Country vision

Zero-based Budgeting This involves costing each activity, programme and item from scratch every year. It is based on a revaluation of objectives, strategies and services each year; the budget is drawn anew, justifying each expenditure (but not taking account of previous figures)

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