

Budget Monitoring and Expenditure Tracking Manual

2010



Budget Monitoring and Expenditure Tracking Training Manual

Adapted from the Civil Society For Poverty Reduction (CSPR)

Revised in May 2010

For PELUM –Zambia

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Acronyms

BoZ	Bank of Zambia
CS	Civil Society
CSO	Civil Society Organisation
PELUM	Civil Society for Poverty Reduction
DDC	District Development Committee
DPO	District Planning Officer
EAZ	Economics Association of Zambia
GDP	Gross Domestic Product
IDASA	Institute for Democracy of Southern Africa
JCTR	Jesuit Center for Theological Reflection
M&E	Monitoring and Evaluation
MoFNP	Ministry of Finance and National Planning
MTEF	Medium Term Expenditure Framework
PELUM	Participatory Ecological Land Use Management
PPO	Provincial Planning Officer
PRPs	Poverty Reduction Programmes
PRSP	Poverty Reduction Strategy Paper
UDN	Uganda Debt Network
MPSAs	Ministries, Provinces, Spending Agencies

Introduction

This Training Manual contains session guides and reference notes for use in Public Expenditure Tracking Survey training.

The training sessions focus on matters of Planning and Budgeting Process in Zambia. Public Expenditure Tracking Methodology and the role of different stakeholders in enhancing public financial accountability and transparency. The Manual is based on Civil Society For Poverty Reduction (CSPR)'s experience in Public expenditure Monitoring.

The Outreach program is intended for use by participants from PELUM member organisations and the wider civil society.

The capacity building for PELUM is conducted through broad based workshops. The workshops are aimed at:

- Equipping the participants with skills required in budget analysis for them to be able to carry out budget monitoring and expenditure tracking.
- Allowing participants to reflect on the Zambian situation and how they would fit into the role of budget monitoring and expenditure tracking as members of the PELUM and civil society at large.
- Strategise and implement budget tracking and monitoring mechanisms at district and provincial level to enhance fiscal governance at all levels.

From this background, this manual is, therefore, an effort to make budget tracking and analysis training even more relevant to the Zambian context so that the facilitators trained can give similar training to other facilitators in the PELUM provincial focal teams and the wider civil society.

The manual begins with a set of definitions of key concepts and terminology used in budget work. This sets the groundwork for more in-depth session-by-session discussions on various budget work related topics. These topics include principles of good budgeting, the Zambian budget process, quantitative budget analysis and community-based budget monitoring. Session 7 on community-based expenditure tracking is probably the most relevant to the PELUM field facilitator. This session gives practical insights into provincial/ district level expenditure tracking and reporting.

Structure of the Manual

Session	Topic	Learning Objective	Ways to Improve the presentation (Facilitator may indicate ways to improve the session here)
	Basic Definitions	To give participants a fair understanding of important terminology used in budgeting in Zambia.	
1.	Budget Basics	To introduce key issues in public expenditure management.	
2.	Principles of Good Budgeting	To present basic practices that should be found in a good budget system.	
3.	The Zambian Budget Process	To explain the budget making process in Zambia.	
4.	The Role of Civil Society in Budget Work in Zambia	To discuss the strategic roles that civil society in Zambia can play in budget work.	
5.	Quantitative Budget Analysis	To introduce participants to basic calculations helpful for civil society budget work.	
6.	Public Expenditure Tracking Survey	To discuss the PRPs, how they relate to the budget, and role of civil society in monitoring PRP budgetary allocations	

7. Community-Based Expenditure Monitoring	To discuss and suggest practical tips in field-level participatory civil society (CS) budget work.	
8. Dissemination of Budget Monitoring Results	To present and discuss practical ways for CS to budget work results.	

Basic Definitions and Concepts

Below is a suite of basic definitions used in budgeting that will also be useful in PELUM budget work. These are arranged here in alphabetical order.

Activity-Based Budgeting	This is a detailed type of budgeting where cost elements are disaggregated enough to show activity line items and their estimated costs.
Budget	A plan for acquiring resources (revenue) and how these resources are going to be deployed to achieve policy and management objectives.
Budget Period	Commonly refers to the period in which a particular budget is implemented.
Budget System	A budget system consists of the total budget process beginning with <i>drafting</i> , through <i>legislation, implementation to auditing</i> .
Capital expenditure	All expenditure that relates to the acquisition or production of investment type of resources. Eg. Road construction, construction of a hospital, motor vehicles, etc.
Estimates of Revenue and Expenditure	This is what is commonly referred to as 'the budget'. It is a document that outlines the anticipated revenues and expenditures for a particular fiscal (or financial) year. In Zambia this is also known as the 'Yellow Book'.
Expenditure	The amounts of funds used to appropriate goods and services.
Fiscal Year (FY)	Usually, a 12-month accounting period, which may be different from the calendar year, in which obligations are incurred, necessary payments are made and appropriations are expended.
Green Paper	This is the outline of the macroeconomic policies, targets and strategies over the medium term period (currently, 2008-2010). This framework outlines the available

resources ('resource envelope') in the MTEF (see Session I below) period as well as the proposed allocation to different sectors.

Medium Term Expenditure Framework

As applied in Zambia, this is a three-year plan for allocating (government & donor) resources amongst various sectors on the basis of their achievement.

Recurrent Expenditure

All expenditure that relates to regular or periodic acquisition of materials and services. E.g. Office materials, payment of electricity bills etc.

Revenue

The combination of cash and other current assets that government receives, which neither represent expenditure recoveries such as reimbursements nor increase any liability. The most common sources of public revenue are taxes, licences, fees and investment earnings.

Surplus Budget

This happens when the difference between the sum of the budget revenue is greater than that of the budget expenditures. The opposite of this is a **deficit budget**.

Zero-Based Budgeting

A method of budgeting in which all budget line items start at zero in every new budget period.

This way all expenditures for a new period must be justified and allowed to compete with others.

Session 1: Budget Basics

Session Objective:

- To introduce participants to the basics of public expenditure management.

I. What is budgeting?

💡 [Ask participants to define a budget from their day-to-day understanding – e.g with personal or household budgets]

- **Budgets are documents, descriptions, explanations and statements of preferences.**
- **The budget governs the allocation of scarce resources – it reflects (or should reflect!) the priorities of a community or nation.**
- **The budget is the most important macro-economic policy tool of the national government.**

In other words...

- A budget is a plan for acquiring resources (revenue) and how these resources will be utilised (expenditure) to achieve desired objectives;
- This plan shows how revenue will be raised (where will the money come from?) and the broad allocation of resources to objectives and activities for the coming years (what will we buy with it?), for which spending departments or business units can be held accountable;
- It involves prioritisation, strategising, allocation of resources and provision of a system of accountability and controls.

2. What are the main components of a budget?

Typically, a budget will have the following components:

2.1. Revenues

This is income that is collected from various sources which include:

💡 [Can participants give examples of each?]

Direct and indirect Taxes
 Fees and user charges
 Transfers and grants
 Loans

2.2. Expenditures

This, in the budget, is the plan for how the revenue or income will be apportioned to the competing needs.

Maxim

In budgeting, a true and important maxim is: *“when your outgo exceeds your income then your upkeep becomes your downfall”*

Therefore, a budget where the ‘outgo’ (expenditure) exceeds the income is referred to as **deficit** budget.

Revenues – Expenditures = Deficits
... ..

Most governments necessarily run deficit budgets because the amount of income from the different revenue sources does not just cover all the basic expenditure lines.

The converse of this scenario of a deficit budget is referred to as a **surplus** budget.

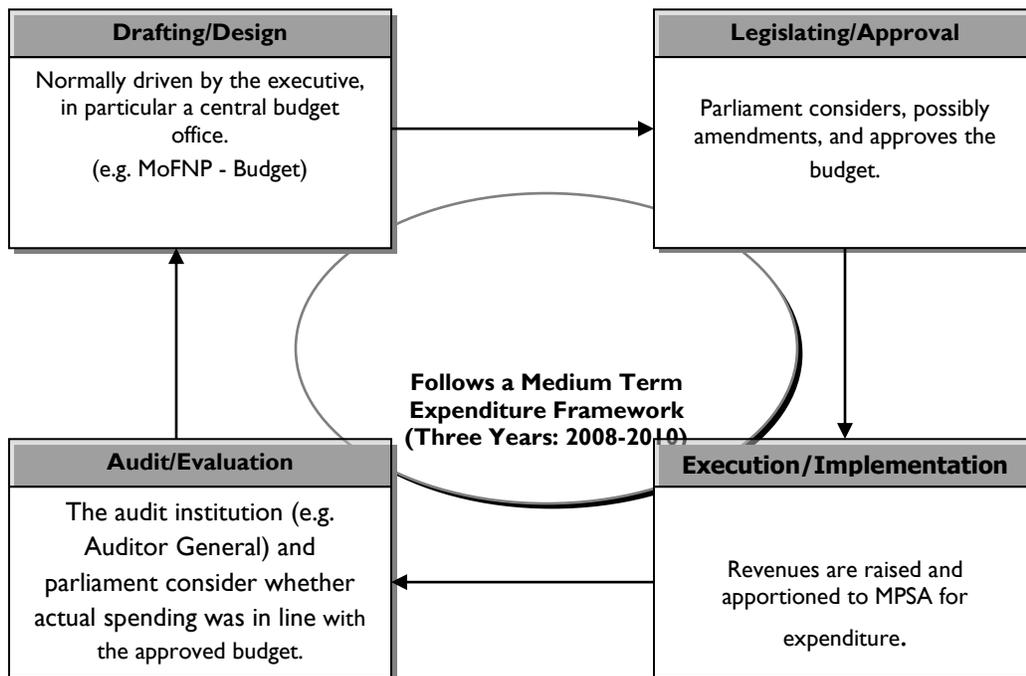
💡 [Questions:

- What is a **balanced** budget?
- What does the Government in Zambia do to cover deficits?
- When was the last time Zambia had surplus budget?]

3. What are the stages of the budget process?

Figure 1 below, shows four main stages in the budget process.

Figure 1: The basic stages in the budget process



Stage I: Drafting

This is the first phase in the budget process. Couched in the MTEF, civil society now gets an opportunity to make comments on the government framework for budget expenditure, which is presented, in the “Green Paper” (see definitions, above).

The drafting process is now relatively more participatory and inclusive than before. In the MTEF arrangement, the government is required to engage in a lot of consultation with civil society.

Issue: *Is this the real case? Do we make submission? Are they considered?*

Stage 2: Legislative Phase

Budgets are allocated taking into account the relevant acts in the constitution. Budgetary allocations are enshrined in article 117 (1) of the Constitution of Zambia. At this stage, civil society involvement is usually limited to advocacy directed at the national assembly to vote for or against particular issues. The most recent issues (2009) of the review in the income tax (PAYE) administration and the imposition of windfall tax on mines; the lobbying that unions carried out with national assembly is a good example of the role that civil society can play at this stage. Due to the limited influence that civil society has at this stage, the final result still lies heavily with the legislature.

Issue: *Genuine representation for Service delivery: Are MP's doing enough?*

Stage 3: Implementation

At this stage, civil society concerns itself with the effectiveness and efficiency with which funds are utilised; we (civil society) look out for issues of service delivery, overspending, misuse and misapplication – to areas other than those authorised/ planned for.

Issue: *Effective and efficient Budget Execution. Do we see this locally?*

Stage 4: Auditing

The budgeting system in Zambia is audited by the office of the Auditor General who provides oversight over whether funds have been spent on the authorised items; whether there has been any under spending or overspending; whether there has been any misappropriation, or theft; and also whether resources have been utilised efficiently or not. Experience has shown that this stage takes a long time and reports from the Auditor General have delayed in the past by at least a couple of years after the budget period under review. However, this has improved recently since 2006.

The last few years have seen an increase in citizen monitoring and evaluation government budgets. NGOs, church bodies and networks such as CSPR and Caritas are lending an important voice in the shaping of the budget system through budget monitoring and expenditure tracking work.

Issue: *Is there action on the AG reports? What can be observed over the last 3 reports? (2006 – 2008)*

4. What are the Objectives of Budgeting?

There are three objectives of budgeting:

- a. To ensure that the levels of funding and taxation are affordable. Focus is on *WHAT IS SPENT*.
- b. To ensure that resources are allocated to strategic priorities. Focus is on *COMPOSITION*.
- c. To ensure that wastage is minimised and value for money is maximised in all allocations and implementation actions. Focus is on *EFFICIENCY*.

Efficiency is further ensured at two levels (as prescribed in the MTEF):

- i. **Allocative efficiency:** Looks at input level questions such as: Is there inequity in budgetary allocations? Are the budgets sensitive to special target groups and issues especially poverty eradication? Does it target basic services? Is there negotiation and participation in the identification of priorities?
- ii. **Operational Efficiency:** Looks at the output level of questions: are we able to lower costs but achieve more? Is there a reduction in resource wastage? Is there a system to report back to legislature and citizenry for accountability purposes?

5. What is the context in which a budget operates?

To ensure good budget outcomes the budget has to be implanted in a good budget **system** and guided by good budget **policies**. In that sense, the hackneyed saying: 'an ugly mummy and an ugly daddy will not produce a beautiful baby' will ring true.

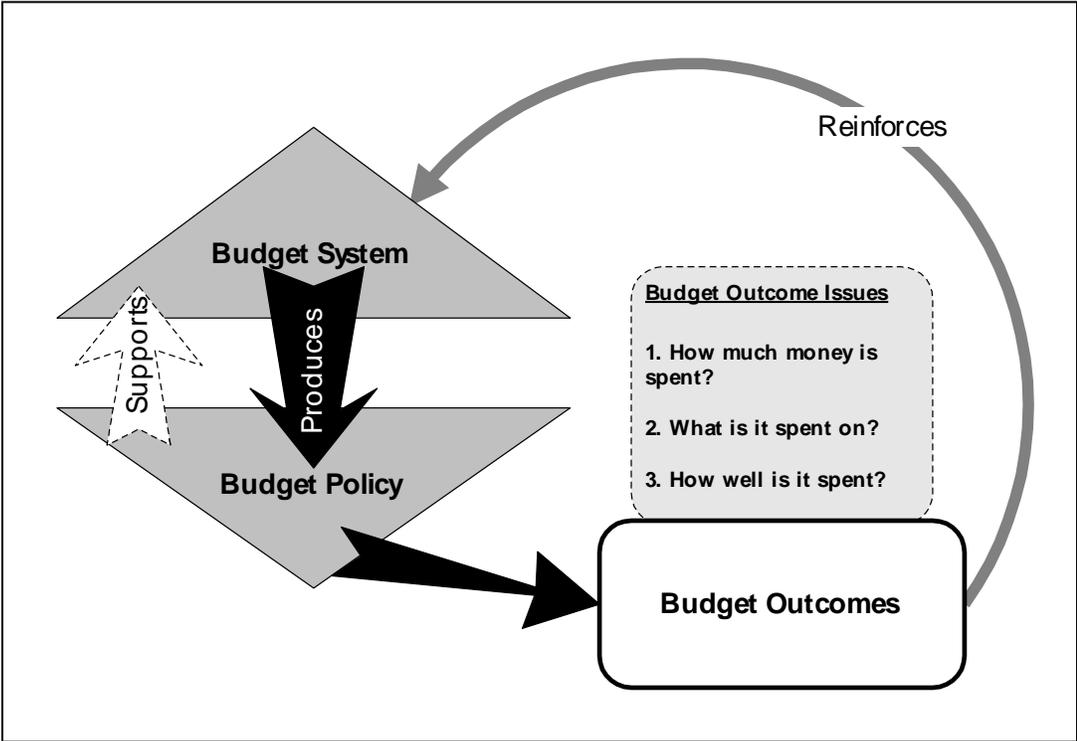
5.1 Budget System

This is the total arrangement of structures, procedures and principles by which resources are allocated, recorded, monitored and accounted for.

5.2 Budget Policy

This is the aggregation of all rules and guiding principles that are followed in both allocation and utilisation of budgetary resources. A good budget system is, therefore, necessary to produce a good budget policy. Also, a good budget policy and its outcomes will reinforce a good budget system.

Figure 2: Links between budget systems, policy and outcomes



The ultimate aim of civil society budget work should, therefore, be geared towards creating a budget system that will systematically produce a better budget policy for the desired budget outcomes to be seen.

Session 2: Principles of Good Budgeting

In order for budgets to be truly representative of the people they are meant to serve, the budget planners have to take into account certain principles that govern good budget planning. This section will discuss seven principles that are key to GOOD budgeting.

These are:

💡 [Ask the participants to try and define these principles as you go.]

2.1 Periodicity

The budget system should have a specified periodic plan for drafting, legislation, implementation and auditing.

[Discuss[^]: What is the Zambian budget period (Also see Session 3 on the budget process in Zambia).]

2.2 Authority

A good budget should be authorised by an institution that is not the spender.

[Discuss: Who authorises the budget in Zambia? Also see Session 3 on the budget process in Zambia)

2.3 Predictability

For effective and efficient implementation of policy, a good budget should be stable and the whole system of drafting to auditing very clear and transparent.

[Discuss: How consistent is the Zambian budget system/ process?]

2.4 Comprehensiveness

A good budget should cover all necessary areas adequately.

[Discuss: Are there any areas that have been left out (or received less than their deserved attention) in the current budget?]

2.5 Accuracy

A good budget should, as much as possible, be very precise and truthful.

[^] Gives an option for the facilitator to discuss this particular aspect of the budget with participants.

[Discuss: Does the current Zambian budget reflect the reality on the ground?]

2.6 Contestability

A good budget system should as much as possible allow for different policies to compete for funding; allocations should not be automatic. This is the key feature of the zero-based budgeting process.

💡 [Discuss: Are there issues in the current budget that receive automatic funding without being subjected to competition?]

<p>General Discussion: Who, in Zambia, is responsible for ensuring a good budget management system? If so how do they do that?</p> <p>The Executive? Parliament? Cabinet? The Auditor General? Civil Society?</p>

2.7 Transparency and Accountability

The budget system should be implemented in a participatory manner so that all stakeholders have a say on priorities. This means that comprehensive, accurate and timely information should be provided to all stakeholders. This also helps enforce compliance to set policy standards.

💡 [Discuss: What is your view on the provision of budget information? How 'open' is the Zambian budget system?]

Ethics of transparency and accountability especially thrive well in open budget systems

2.7.1 Characteristics of an Open Budget System

An open budget system has three basic characteristics:

- Transparency
- Accountability
- Participation

These are needed at every stage of the budgeting process:

- in the drafting process
- in the legislative process

- in the implementation process
- in the auditing process

Transparency in the *Zambian budget system*:

One of the major complaints of the civil society organisations in Zambia in their budget monitoring and expenditure tracking work is that there is a lot of secrecy in the way the government conducts budget business. There is also a general lack of information on disbursements of allocations from the national to the district level. These structural restrictions to information make difficult the task of monitoring government expenditures at the provincial/district levels.

Session 3: The Zambian Budget Process

3.1 The Budget Making Process In Zambia

3.1.1 Background

The Zambian budget has its roots in the laws of Zambia. According to the Zambian Constitution [Article 117(1)], the budget should be announced by the Minister of Finance and approved by the National Assembly within ninety (90) days before the end of the financial year as per 2009 change.

For a long time now, the budget process in Zambia has followed a calendar year. However, since the return of multi-party politics, in 1991, with the Movement of Multi-Party Democracy (MMD) took over the reigns of government, the budget process in Zambia underwent some changes. As highlighted in the text box below, the Members of Parliament voted for a change in the budget process so that the budget process would now start before the end of the calendar year.

Change in the Budget Process

During the second republic, the budget process changed so that the budget should be presented, discussed and approved by the National Assembly before the end of the previous year.

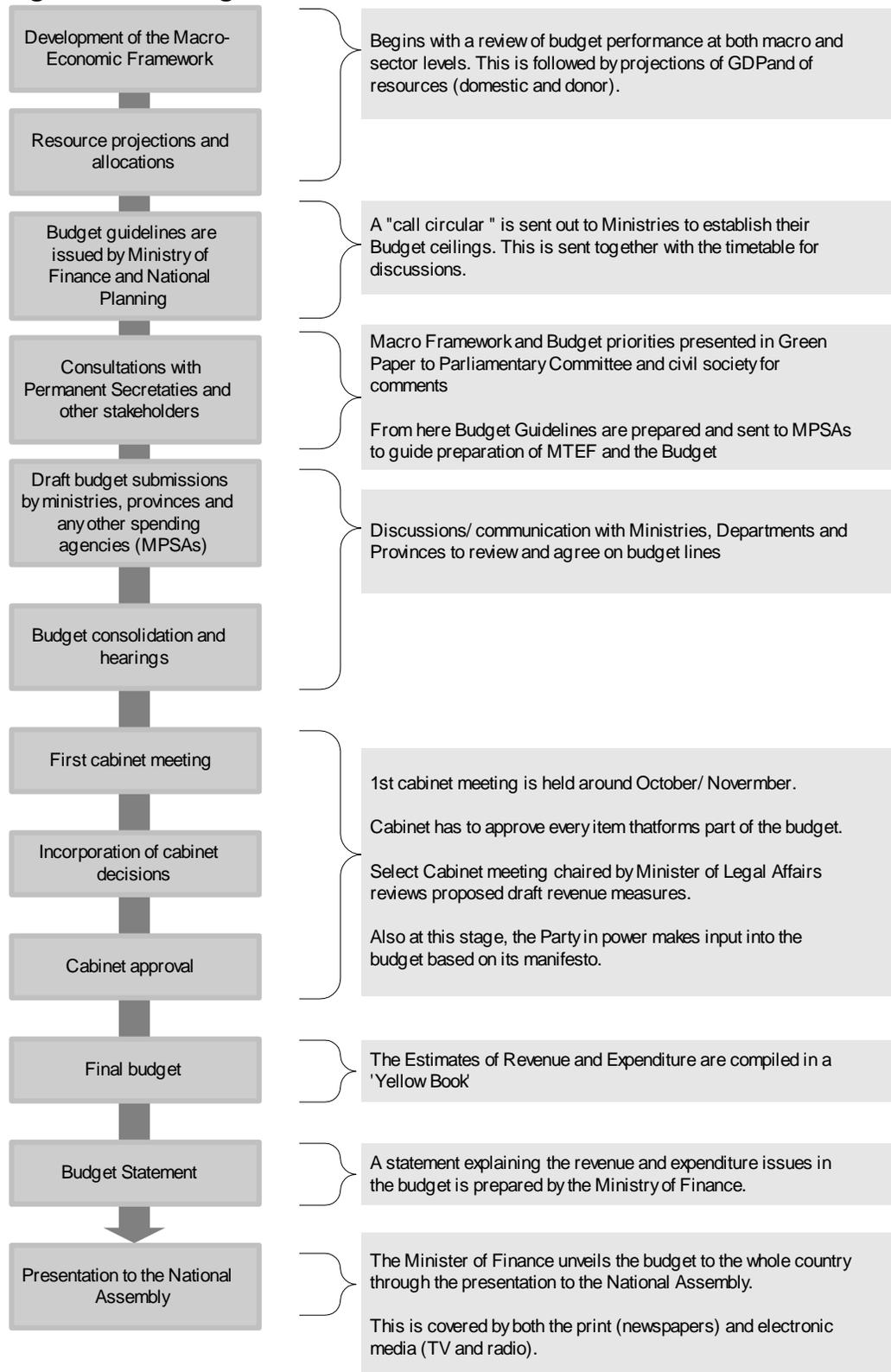
Apart from the fact that the Budget Period coincided with the rainy season, under the old system, capital projects could not take off before April if the budget was only approved in March, which gave them very little time for implementation (only nine months or even less).

The current budget cycle, therefore, follows a calendar year and the process starts before the end of the previous budget cycle.

3.1.2 The Budget Process

The Zambian budget process follows the Medium Term Expenditure Framework (MTEF) as the main guiding principle. Figure 1, below, shows the general stages that the budget follows. The specific complex process mainly involves multi-stage top-down (from MoFNP to MPSAs) and bottom-up (MFNPs to MoFNP) processes that are interjection by participation from other stakeholders including civil society.

Figure 3: The Budget Process in Zambia



3.1.3 The Legal Framework

The Zambian budgeting process is enshrined in the Republican Constitution under article 117(1).

The Constitution, here, requires for the Minister of Finance to present before National Assembly, Estimates of Revenue and Expenditure. These include Capital, Constitutional and Statutory Expenditure for that fiscal year.

The Constitution also provides for the Minister of Finance to introduce Bills in the National Assembly to give authority to the budgetary measures as contained in the Budget address.

The Appropriation Bill, gives authority once approved by the National Assembly, to effect payments for new projects and programmes. Other projects are covered by the provisional warrant.

3.2 **Components of the Zambian Budget**

The Zambian budget, also referred to as the ‘Yellow Book’ currently, has these main components:

- Personal Emoluments
- Recurrent Expenditures
- Grants and Other Payments
- Poverty Reduction Programmes (PRPs)
- Capital Expenditure
- Constitutional and Statutory Expenditure

3.2.1 Personal Emoluments

 [Ask participants to define Personal Emoluments]

These consist of:

- Salaries,
- Wages, and
- Any other emoluments

3.2.2 Recurrent Expenditure

💡 [Ask participants to define recurrent expenditure]

This consists of:

- Allowances
- Purchase of goods
- Purchase of services

3.2.3 Grants And Other Payments

- Grants to institutions like the Zambia National Broadcasting Corporation, University of Zambia etc.
- Other payments include payments by Ministries to international bodies that they are members of.

3.2.4 Poverty Reduction Programmes

- In line with the country's Poverty Reduction Strategy Paper (PRSP), these programmes are aimed at interventions that the poor and vulnerable in the country, such as construction of a clinic in the health sector.

3.2.5 Capital Expenditure

💡 [Ask participants to define capital expenditure]

This budget line will include:

- Purchase of movable assets such as purchase of cars
- Purchase of fixed assets such as buildings
- Projects such as construction of roads

3.2.6 Constitutional and Statutory Expenditure

These are the payments that are enshrined in the Constitution and are mandatory for the government to carry out.

These include:

- internal debt servicing
- external debt servicing
- salaries for constitutional positions such as for Judges
- other payments of a constitutional nature

Table 1: Example

Breakdown of the 2010 Estimates of Revenue and Expenditure.		
	Billion Kwacha	% of total
Personal emoluments:	1,912.50	23.0
Recurrent expenditure:	628.9	7.6
Grants and other payments:	537.4	6.5
Poverty Reduction Programmes:	521.7	6.3
Capital Expenditure:	3,039.30	36.5
Constitutional expenditure:	1,688.80	20.3
Total budget:	8,328.60	

Source of funding for the budget

Domestic resources:	5,287	63.5
External financing:	3,041	36.5

3.2.7 Supplementary Budgeting

A supplementary budget is prepared to support areas in the budget which need further funding either because they under-budget or due to changes in the implementation circumstances. For example, the Ministry of Defence may request for supplementary budgeting in the event of an unforeseen scale of a war breakout.

Like many governments, the Government of the Republic of Zambia also allows for supplementary budget estimates to support items which include:

- grants and or loans received from the donor after the budget has already been finalised

- movement of funds from slow spending departments to faster spending departments
- re-alignment of funds from non-spendable to spendable codes.

For supplementary estimates to become permissible and legal the president has to sign for their approval of any such expenditures.

3.2.8 Activity Based Budgeting

Since 2004 budgets have been described activity-based budgets by the Minister of Finance and National Planning. This means the budget is disaggregated enough to show direct activity lines and their allocations in the budget. This is differentiated from the kind of budget which has block figures allocated at the national level, provincial level or even programme level budget lines.

For Civil Society budget work, an activity-based budget makes monitoring for efficiency and effectiveness much easier because it should allow tracking of funds from the allocations through to implementation much simpler.

3.2.9 Medium Term Expenditure Framework

The MTEF is a public expenditure management tool laid out by the World Bank as the most efficient way for managing and controlling as well as planning for future utilisation of resources.

The World Bank has described (prescribed?) three levels at which budgetary outcomes should be improved. They have also emphasised that all three levels should be dealt with at the same time:

Level 1: Aggregate fiscal discipline, through maintaining a hard budget constraint, both at the aggregate level and by spending ministries.

Level 2: Allocation of resources in accordance with strategic priorities, between and within sectors.

Level 3: Efficient and effective use of resources so as to ensure that governments are able to provide least cost services to the public that enable the achievement of government objectives and targets.

The MTEF, therefore, is aimed at improving linkages between planning, budgeting and service delivery.

Session 4: The Role Of Civil Society In Budget Work in Zambia

Session Objective:

- To introduce participants to practical ways in which civil society can be involved in budget work.

4.1 Types of Applied Budget Work

1. Budget literacy work
2. Assessing the budget process and its systems
3. Analysis of budget policies and Implementation
4. Expenditure tracking and budget performance monitoring

4.1.1 Budget Literacy Work

4.1.1.1 Production of budget guides

- A budget guide is a brief document containing basic facts about the budget, discussion of key budget issues and descriptions of budget of budget process.
- The budget guide will also provide a good lexicon (glossary) of key budget terms as used in the country.
- Can also be very useful as a basis for budget training.
- Budget guides are also helpful as they point to more sources of budget information and training.

4.1.1.2 Budget Training

- A civil society organisation such as PELUM can organise budget training as a way to build the capacity of its members to analyse budgets with regards to relevant issues of poverty and its reduction and related issues such as the monitoring of the PRPs.

4.1.1.3 Other Budget Information Dissemination Means

- Civil society organisations can also make use of simple outreach means such as brochures to package simple information for different sections of society. For example, they can translate main budget items into different languages.

- Use of media (both print and electronic) for presenting well-researched budget analysis is a powerful way of giving information to the members of the public on budget issues.
- Context specific means of propagating budget information may also include things like drama performances at important national events such as the Africa Freedom Day celebrations are suitable in rural provinces.
- Civil society organisations in the provinces can also capitalise on their membership in local development bodies such as District Development Committees (DDCs) as platforms for publishing and sharing budget analysis information and awareness on the implications of budget allocations and expenditures as well as results of their budget monitoring/ expenditure tracking work on local development work.

4.1.2 Assessing Budget Processes and Systems

This involves studies of budget systems looking out for issues of transparency, participation and other important budgeting principles that are outlined in Session 2 above.

4.1.2.1 Budget Process and Systems Studies

Such studies will look at:

- analysis of the budget decision-making process. This type of knowledge will give the civil society organisation greater confidence and thus enhanced influence and participation in the budget process.
- transparency, openness and participation in the budget process; like most governments, the government in Zambia, left to themselves, would prefer to do things in secrecy. CSOs should study the process for areas that need more openness for the budget process to more transparent and participatory.
- budget process and systems studies should lead to the CSOs pressing for budget reforms for less opaque government systems so that the general citizenry has more say in the whole process of the budgeting process.

Some resources on budget studies:

- IDASA, South Africa, The Role of Parliament and Budget, 1998
- IPR, Namibia, How well does the Government Budget, 2001 Budget tracking studies by the Uganda Debt Network

4.1.3 Analysis of Budget Policies and Implementation

🗣️ [Ask participants to name the type of budget policies that they are aware of in Zambia]

Analysis of budget policies focuses on the **implications** of budgets in a country. Analyses can be divided into: analyses that focus on executive budget proposals; sector-specific analyses; analyses of effects of budgets on diverse population groups; analyses of effects on economic and social rights; analyses that focus on the economy in general and; analyses that focus on budget revenue.

A civil society organisation can decide to focus on one or a number of these analyses. Different CSOs can also become specialists at particular types of analysis and synergise amongst themselves on the basis of their different budget analysis strengths. PELUM budget tracking work is basically analysis that looks at the implementation side of the budget.

4.1.3.1 Analysis of Executive Budget Proposals

This involves:

- carrying out both an in-depth and wide assessment of the budget when it is released by the government.
- this analysis should lead to the production of a statement that is released to the general public at a time of heightened interest. This analysis should, therefore, not take more than a week after the executive’s address.
- However, there should also be follow-up of specific budget issues of importance for more in-depth analysis.

More information on post-budget analysis:

Networks and CSOs like the EAZ, Caritas Zambia and JCTR are some of the key organisations that have been known to produce post-budget statements based on such analysis in Zambia.

4.1.3.2 Analysis by Sector

- A sector may be reviewed in relation to other sectors. A comparison may be made on the basis of how much importance it is given in relation to other sectors in the general economy.
- A trends ('before and after') analysis of a sector may also be carried out to tease out how it has been treated in the past.
- Comparisons may also be made among sectors for example Agriculture, Health, Water and Sanitation, Social protection etc. And of a sector across provinces and even districts. The current activity based budgeting (ABB) gives very good opportunity for CSOs to just pick up a copy of the 'Yellow Book' and directly make such comparative sectoral analysis.

Session 5: Quantitative Budget Analysis

Session Objectives:

- To introduce participants to practical calculations that are commonly used in budget analysis.

There are three main calculations that civil society can use in budget analysis:

- Calculation of a component of the budget relative (as a fraction or percentage of) to the whole budget.
- Calculation of the nominal growth rate of the economy.
- Calculation of the real growth rates of the economy

Further, budget analysis will look at the following:

- Inputs (resources such as money, labour and time used to produce desired results).
- Outputs (results from the utilisation of inputs).
- Outcomes (Longer lasting results seen in changes in the quality of life of the target population).

When we measure budgets, we should, therefore, not only measure how much is being spent on things (inputs) and the immediate results (outputs), but also the longer lasting outcomes or **impacts**.

5.1 Basic Budget Analysis

Budget analysis will include calculations of:

- 5.1.1 The percentage of the total budget
- 5.1.2 Trends analysis of share of total (increasing or decreasing?)
- 5.1.3 Real and nominal amounts
- 5.1.4 Real and nominal growth rates
- 5.1.5 Average real growth rates over the medium term

Basic budget analysis will require that the civil society is familiar with how the budget is organised.

5.1.1

Technique 1: Calculating the share of the total budget

It is important to measure how a particular budget line (eg. education) is prioritised against other items. From this type of calculation, we can, therefore, show:

- one ministry as a share of the country's budget
- one programme as a share of the total ministry's budget
- one sub-programme as a share of the total programme

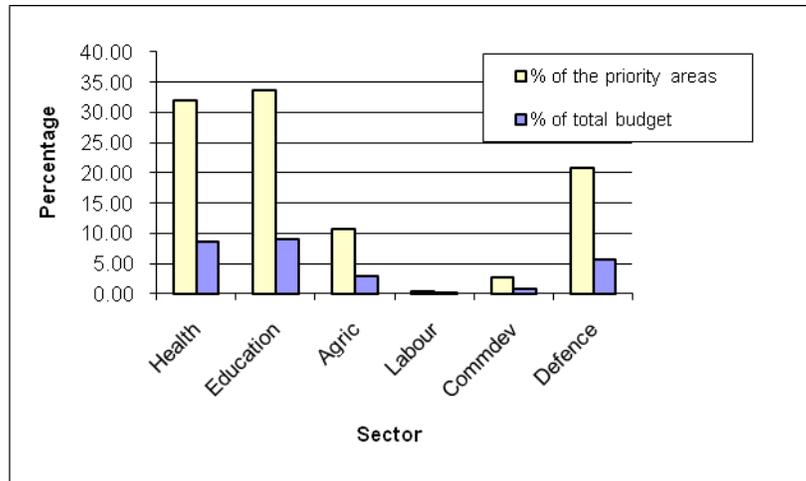
Example

Table 2: Calculating a share of the total budget

Sector	Billion Kwacha	% of the priority areas	% of total budget
Health	719.80	31.93	8.64
Education	756.60	33.57	9.08
Agric	240.30	10.66	2.89
Labour	7.60	0.34	0.09
Community development	59.70	2.65	0.72
Defence	470.00	20.85	5.64
	2,254.00		
Total Zambian Budget	8,328.60		

This information can also be presented in graph form as below:

Figure 4: Showing relative budget shares and relative priorities



5.1.2

Technique 2: Trends analysis of the share

Trends analysis of the shares over the years will show us whether government’s priority to this item has changed or not. This is one of the easiest budget analyses to carry out.

Below is an example of how allocations to one sector can be tracked over the years to check for improvements/changes.

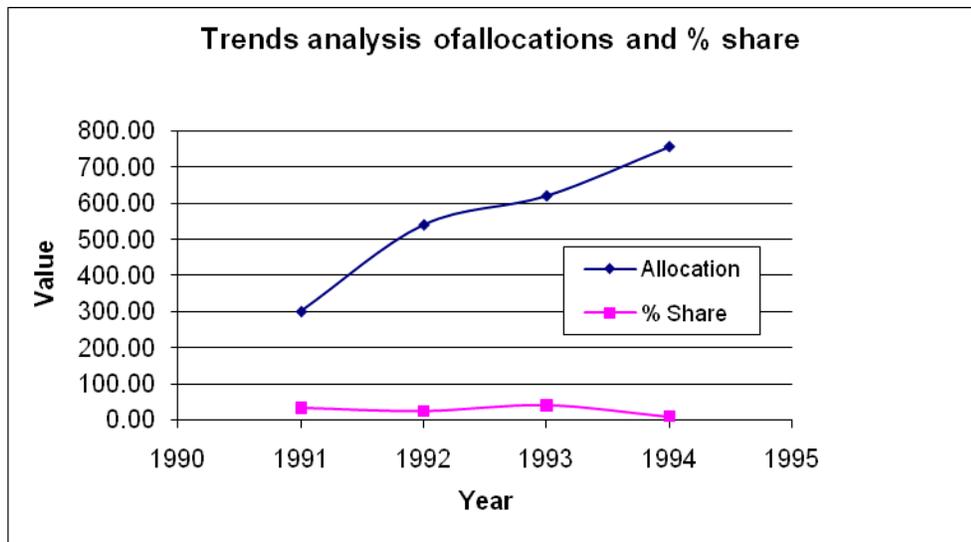
Table 3: Showing an example of how to track allocations♦

Year	Budgetary Allocation	% Share
1991/2	300.00	33
1992/3	540.00	25
1993/4	620.00	40
1994/5	756.00	10

This can also be exemplified in a chart as in fig 5, below.

Figure 5: Example figure of trends analysis

♦ These are mere example figures and are not based on real estimates from the budgets for the years.



This chart shows that even though the annual allocations have been increasing steadily, the percentage share itself has not increased over the years.

5.1.3

Technique 3: Convert an item from its nominal to its real value

Definition: the nominal value of an item is the given value while the real value is the adjusted value after taking into account inflation.

In situations where inflation is ever changing it becomes critical to calculate the real value of a budget allocation as it determines how much purchasing power the allocation will have at the time of expenditure.

Calculating of the real value of an amount, therefore, requires the use of a deflator to determine the value after inflation. The value of the deflator is normally calculated through a more complex procedure and may be given by the MoFNP. The example below shows this nominal to real value conversion.

Table 4: Converting a nominal value to a real value

Year	Nominal	Real Value	
	Value	Deflator	
1991/2	300.00	0.812	369.46
1992/3	540.00	0.902	598.67

1993/4	620.00	1.303	475.83
1994/5	756.00	1.456	519.23

Formula:	$Real\ Value = \frac{Nominal\ value}{Deflator}$
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As this example shows, the real value can vary markedly from the given nominal value.

[Participants should be asked to do their own calculations of these values]

5.1.4

Technique 5: Calculating average real growth rate (over the medium term)

Using the real values calculated in technique 3, above, one can also do a trend analysis of growth over a period (such as the medium term). The example below shows the calculation of average real growth rate.

Table 5: Example of Calculation of Average growth rates

Year	Value	Growth rate	
2004	7198	15.4	Increase
2003	6235	80.4	Increase
2002	3456	-38.3	Reduction
2001	5600		

Average growth rate for this period = 19.19

Session 7: Public Expenditure Tracking Survey

What is Public Expenditure Tracking (PET)?

Public Expenditure Tracking is a careful and intentional ‘watch’ over the use of public resources. It involves close monitoring, assessment and evaluation of the government budget process i.e. from planning, allocations, disbursement, and implementation to the final stage of assessing the effect or rather impact of budget.

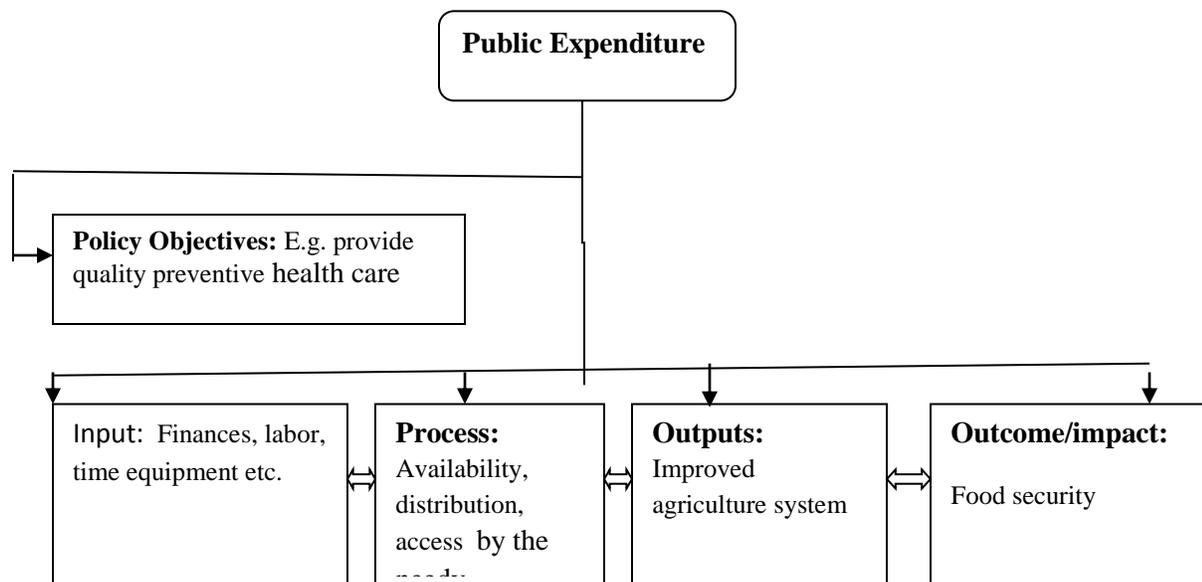
Public Expenditure Tracking sets out to answer the following questions:

- What are the service delivery objectives i.e. policy objectives?
- What is the amount of resources allocated for service delivery?
- Do the funds and material resources reach the intended beneficiaries?
- What are the processes and procedures involved in budget planning, allocation, disbursement, execution and evaluation?
- How efficient and effective the budget process is?
- What is the amount of money spent at each level and how?
- Is there any leakage or diversion of funds? if yes, PET may go further and ask why are funds diverted or leaked?
- What is the impact of the budget on service delivery?

In short, PET looks at the following aspects of national budget:

Inputs

- o Processes
- o Outputs
- o Outcomes/Impact



PET Surveys or Studies, what they are?

These are surveys or studies ultimately intended to provide local communities with information about the amount of resources allocated to particular services in their area and how the resources have been spent to realize the intended objectives. In other words PETS are a tool for providing information on how government or public money is spent.

- PETS assess the flow of resources from the source i.e. the Ministry of Finance and Planning through the various layers of government to the end user; perhaps to the primary school or health clinic
- PETS compare budgetary allocation to actual spending and involves following the money to where is spent, comparing budgetary allocations with records of transfers and receipts at each level of government
- PETS determines the how much of the originally allocated resources reach each level and how long they take to get there. Thus Public Expenditure Tracking Surveys assess the leakage of public funds and can help to assess the efficiency and effectiveness of public spending and the quality and quantity of services.

Benefits of PETS

By monitoring and/ or assessing inputs, processes, outcomes and outputs of government budgets the following can be achieved:

- Improved **accountability** of governments and representatives towards the community.
- Improved **efficiency** by ensuring that those who need it most benefit from public expenditures.
- Improved **transparency, integrity and reduced corruption.**
- Informed **participation** of the community in planning and budgeting policies (this can enable policy making processes to effectively address the needs of the poorest and the powerless.

Basic skills/knowledge needed to be able to conduct PETS effectively:

1. National policies/programs/strategies e.g. Vision 2025, MKUKUTA
2. Knowledge of Planning and budgeting processes in Tanzania (at the national and local government)
3. Basic skills and experiences in participatory methodologies
4. Policy and budget analysis skills
5. Communication skills
6. Basic skills in lobbying and advocacy
7. Public Relations and media relation

Session 6: Community-Based Budget Monitoring

Session Objective:

- To introduce the participants to practical community-based participatory budget performance tracking and monitoring.
- To introduce participants to indicators, their selection, development and application in a monitoring system.

Resources:

- Yellow Book for the fiscal year or the PELUM Summary of PRPs (The Fiscal years’ Poverty Reduction Programmes). E.g. 2010
- Yellow Book for previous year/years – for trends analysis. E.g. 2008/9

7.1 Developing Monitoring Indicators

Like all monitoring work, for community-based budget monitoring to be systematic, there is need to identify and put in place a monitoring and evaluation system*.

The indicators may be tracked at four different levels in a logframe type of structure:

Figure 6: Example showing the indicator levels and levels of monitoring.

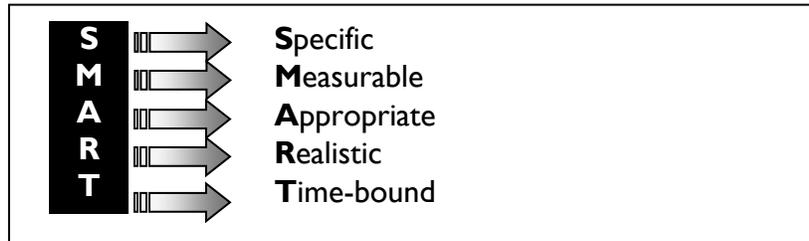
<u>Indicator level</u>	<u>What to monitor</u>	<u>Example</u>
Inputs	Financial and physical inputs	Money to purchase building materials to construct an irrigation
↓ Outputs	Immediate achievements	Dam is constructed.
↓ Outcomes	Benefits from usage of outputs	Number of people accessing the Dam .
↓ Impacts	Long-term change in behaviour	Improvement in off rain season crops.

7.1.1 How to select Indicators

Definition: An indicator is a qualitative or quantitative characteristic that provides a **simple** or **realistic** basis for assessing change, achievement or performance.

An indicator is, therefore, seen as a piece of information measured overtime that can help show change in a specific condition.

When selecting indicators, one has to take care to make sure that these are direct representatives of the object being measured. Good indicators are commonly referred to as SMART indicators:



In other terms, when developing indicators, make sure that:

- the meaning of the indicator is clear.
- the indicator can be measured.
- the indicator or a group of indicators sufficiently represent the results being achieved.
- the indicator shows an expected time for achieving a particular result-information should also be collected in a timely and consistent manner.
- data or information on this indicator is easily available.
- resources for data collection and analysis are readily available within the institution so that there is little reliance on outsiders.

7.1.2

7.1.3 Ten Tips on Monitoring and Evaluation in Practice

What you need...

1. What you want is a system that will give you adequate and correct information (at the time you need it) on whether results are being achieved or not.
2. You should have the means to collect and transfer that information.
3. You should have the means to analyse and disseminate (share) information to stakeholders.

What you do...

4. Develop a log-frame kind of structure that shows the relationships between the means and ends
5. Develop a monitoring plan that clearly defines what information you intend to collect, who is to collect this information, and plans for analysis.
6. Carry out a baseline study to establish initial level of indicators to allow for comparison (trends analysis).
7. Develop instruments for collecting required information. Data sheets may be less costly than questionnaire surveys.
8. Make a concrete plan to move information from the point of collection to the user.
9. Disseminate information to influence the implementation of programme activities using performance information.

10. Hold periodic meetings to analyse the data being collected- to ensure data is of good quality.

Using the logframe format budget tracking in general can be applied as follows:

7.1.4 Table 6: Steps in carrying out lower-level budget tracking

Indicator Level	Activity
Inputs/ outputs/ outcomes/ Impacts	<p>Step 1: The monitor decides the level of analysis that he/she is interested in. Will the analysis be at the national, provincial, district, constituency level or programme level? In the example the analysis is at the district level.</p> <ul style="list-style-type: none"> ➤ This will determine the type of information they need to collect as well as the source of this information. (The current 'yellow book' contains a lot of useful information that is disaggregated at the activity level).
Inputs	<p>Step 2. The monitor collects information on inputs in the sector of interest. In this case, he/she needs to have information on the exact amounts of resources that have been made available for the health sector.</p> <ul style="list-style-type: none"> ➤ How much has been allocated? ➤ Who are the target beneficiaries?
Inputs	<p>Step 3: Preliminary quantitative analysis of the allocations themselves.</p> <ul style="list-style-type: none"> ➤ What is the efficiency in allocation of resources? ➤ What is the prioritisation in allocation of resources? ➤ Has there been a nominal change over the years in the allocation for this sector/ program/ activity? ➤ Has there been a real change in the allocation? ➤ Has the money itself been released?
Outputs/ Outcomes/ Impacts	<p>Step 4: Physical inspection of outputs.</p> <ul style="list-style-type: none"> ➤ Has a dam been constructed, or has construction commenced? ➤ Has the expenditure been according to allocation and priority? ➤ Is there physical evidence of outputs? ➤ Are there any long or short-term benefits being accessed from this output?
Outcomes/ Impacts	<p>Step 5: Get views from other stakeholders on the process that has been taken to produce the outcomes.</p> <ul style="list-style-type: none"> ➤ What has been the participation of the beneficiaries in <i>planning</i> and <i>implementation</i> of the project/ activity? ➤ What benefits are they deriving from the outputs of this activity?
	<p>Step 6: Compile the information collected in a report.</p>
	<p>Step 7: Plan an advocacy/ dissemination strategy. (See options in Session 8, below)</p> <ul style="list-style-type: none"> ➤ Who does the information concern? ➤ What is the change desired?

Inputs/ Outcomes/ Impacts	Step 8: Produce a budget statement based on the analysis in steps 3 & 4. This is a summary of the report in Step 6, above.
	Step 9: Review your dissemination strategy and then <u>disseminate!</u>

Table 7: Datasheet for Local-level Budget Monitoring and Expenditure Tracking

SITE/CONSTITUENCY	SECTOR	ISSUES/PROGRAMMES FUNDED	FUNDING SOURCE	BUDGET ALLOCATION (ZMK)	DISBURSEMENT (ZMK)	EXPENDITURE (ZMK)	BALANCE (ZMK)	RESULTS (OUTPUTS/ IMPACTS)	COMMENTS
Msanjala*	Education	Construction of Kasuma School	ZAMSIF	228,880,767	47,880,767	36,000,000	181,486,969		
	Water and sanitation								
	Health								
	Agriculture								
	Tourism								
	Mining								
	Cross-cutting								
	OTHERS								
	Road infrastructure								

*Example source: Petauke District (Draft) Poverty Monitoring Report - 2004

7.1.5 Some important notes and tips from practical fieldwork experience:

- Programmes at the field level may have various funding sources, and sometimes district implementers may not be sure (nor care) of the funding source for a particular programme.
- Further, there may be noteworthy direct donor funded projects that may be having positive impacts on the community.
- The primary source for much of funding information at the local level is the District Planning Officer (DPO). The PELUM monitor may do well to use this office as the key contact for easier follow-up.
- Similarly, at the provincial level, the Provincial Planning Officer (PPO) becomes a key liaison for the PELUM monitor.
- The District Development Committees (DDC) also play an important role in monitoring the implementation at the District level, and will, therefore, be useful to provide information on budget implementation issues.
- Due to the technical complexities of carrying out quality assessments of implementation results, community and DDC comments and evaluations (through PRAs) of finished products should be noted.

7.1.6 Reporting Format

In order to standardise civil society reporting of budget tracking outputs, civil society budget tracking will follow the following format[^]:

Section I: (General Analysis):

This is mostly desk review that should be carried out even before commencement of fieldwork. This should be carried out during the pre-fieldwork preparatory workshop.

- A. Present a summary (in a **Table I**) of the allocations of Agriculture lines in the current and previous budgets based on two factors:
 - By province (total per province).
 - By sector (total per sector)

- B. Present a descriptive analysis on the following:
 - The % change in real allocations between current and previous years for both sector and province.
 - The implication of the change in the allocation.
 - Is there prioritisation to key sectors in the allocations?

- C. Present a follow-up **Table II**, showing disbursements on each line in the current fiscal year.

- D. Present descriptive analysis on:
 - Variance between allocations and disbursements in the current year[^].
 - Implications of such variances.
 - Highlight differences between the sectors / provinces for prioritisation in key disbursements.

Section II: (Specific Analysis):

This section will contain issues elicited at the field level (province or district)

- A. Relative allocation to the district between current and previous years
- B. Relative allocations to the different sectors in the district.

[^] Agreement may be made on future improvement and standardisation of this reporting format based on field experiences.

[^] Depending on the timing of the budget tracking exercise, this may look at disbursements of the previous fiscal year.

Both of the two, above, should also have some descriptive analysis of prioritisation between sectors in the district.

For each district visited, present per sector:

- Present these issues and how they have been funded in a table as in the datasheet (**Table 7** on page **41**, above.)
- Descriptive analysis
 - a. the specific amounts allocated to various projects.
 - b. how many projects have been funded vs. not funded ones
 - c. relative prioritisation of funding of projects
 - d. level of funding (inflow of cash) – please quote date of funding or inspection.
 - e. progress on the funded projects.
 - f. Any completed projects?
 - g. Are funded/ completed projects having any results– both short and long-term effects yet?



Section IV: Conclusions

Make some brief conclusions on the basis of information collected on these key aspects:

1. How have the general **allocations** changed?
2. What has been the **variance** between the allocations and disbursement?
3. How has been the **prioritisation** to important PRP areas?
4. How have the **disbursements** changed?
5. What has been the **result** of PRP funding of projects at the district/ provincial level.

Session 6: Ways Of Disseminating Civil Society Budget Monitoring Results

Session Objective:

- To give participants practical tips on making a budget statement.
- To review with participants the various means of disseminating budget results.

Moving from Budget Analysis to Budget Statement

After budget information has been collected and analysed, it is now important to make sense of the information.

Whilst there may be a variety of ways to present budget information from a pro-poor perspective, the following are useful ways that the PELUM budget monitor can use in their budget work.

Giving a Bird's Eye View of the Budget at the Local Level

A bird's eye view will give:

- An overview of the total budget, revenues, expenditures and deficits/ surplus.
- An indication of how the distribution of spending prioritises expenditure on social services which are particularly important for the poor.

In giving a budget statement, it is important to note that there will be both positive and negative issues to note in the budget. When giving a bird's eye view of the issues, the following are some key pointers:

- What is the total expenditure of the budget allocated to the province? Has this improved from the previous year?
- Is there any general improvement in the pro-poor budget items in terms of allocations?
- What are the spending plans for areas such as employment creation, infrastructure development, education, health, HIV/ AIDS, and provision of water?
- Are favourable conditions being created for tax earners- eg. tax relief?

Swooping down to specifics

Budgeting specifics that can be looked at mainly consist of program level to activity level allocations and how they have been implemented. Issues of implementation efficiency are critical when reviewing specific budget items. Some of the simple questions that one can look at include:

- What has been allocated to this activity? How does this compare to other activity?
- How much has been disbursed from the allocated?
- Is there efficiency in the allocations made?
- What has been the output from this budget input?
- What impact has this had on the target population?
- Is this an important activity that leads to poverty reduction?

Means of Dissemination of Budget Results

There are various means of publishing budget work results so that civil society views can find their way into policy and decision making.

Public Discussions

Discussions need to start from the community level with policy implementers at that level. From this type of meetings, some issues can also be brought up that can then be taken to higher level discussions, eg. Provincial or national stakeholders' meetings.

Policy Advocacy

Policy advocacy processes can be initiated with identified budget issues. The process of changing policy is not a one-off thing, therefore, patience and consistency is the key. More information may need to be collected on the identified issue. There may also be a need to bring in more stakeholders into play to make the policy change drive carry more stakeholder weight.

Some Tools Used in Dissemination and Advocacy

The following are some of the tools that will be helpful in dissemination of budget work results:

- Newspaper articles
- Radio talks
- Presentation of research findings at forums
- Mobilising and campaigning (Picketing!)
- Public education on budget issues



Group exercise

The group should do an exercise on the process of collecting budget information, analysis and dissemination of results at the community level.

- Ask the participants to separate into groups of at least 3 people each.
- Let participants pick on an issue for tracking (preferably one that is already being tracked in the PRPs) from the Yellow Book.
- Each group should do the following:
 - Identify an issue to track
 - Carry out some analysis on inputs
 - Decide on level of analysis (district or provincial)
 - Carry out some analysis (some imagination required here!*) on implementation.
 - Produce a summary of budget tracking conclusions
 - Produce a budget statement.
 - State a means of dissemination of budget outcomes

