



SOCIAL AND ECONOMIC POLICY
WORKING PAPER

A GUIDE TO ADVANCING THE RIGHTS OF CHILDREN, WOMEN AND POOR FAMILIES THROUGH BETTER PUBLIC FINANCE POLICIES

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OF CHILDREN, WOMEN AND POOR
FAMILIES THROUGH BETTER PUBLIC
FINANCE POLICIES**

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A Guide to Advancing the Rights of Children, Women and Poor Families through Better Public Finance Policies

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Most of the resources on social budget work that underpins the analyses in this paper are also featured in an international database on social budget work that UNICEF, UNIFEM, Fordham University, the African Child Policy Forum and other partners have put together to serve as a global resource in this area: www.fordham.edu/unicef.

Questions and comments on this draft could be directed to Gaspar Fajth (gfajth@unicef.org), Chief of Social and Economic Policy, DPP-PAKM, Ronald U. Mendoza (rmendoza@unicef.org), manager for the policy research project on public finance policies for children, and Radhika Gore (radhikagore@yahoo.com), lead author of the report. Support from the EC to complete this study is gratefully acknowledged. Comments from and discussions with colleagues and partners, notably Assefa Bequele, Cielito Habito, Warren Krafchick, David Mugawe, Samer Al-Samarai, Enakshi G. Thukral, Shimelis Tsegaye and others are gratefully acknowledged. Nevertheless, the usual disclaimers apply with full force. They are not to be implicated in any potential deficiencies in this paper. The views expressed herein are those of the writing team and do not necessarily reflect those of the United Nations Children's Fund (UNICEF).

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Executive Summary

Social budgeting can be defined as a process by which society's goals and priorities, as well as the rights of all of the population, are better reflected in public policymaking, notably in the government budget. This paper provides a review of the background literature on social budgeting, introduces the reader to the different stages of budgeting and public finance management, and presents selected examples of social budgeting initiatives, that together form as a resource guide for undertaking social budget work. It draws upon and is underpinned by policy research undertaken by UNICEF's Social and Economic Policy Unit as well studies, reports and policy engagements in public finance policies by UNICEF's country and regional offices, often in collaboration with other stakeholders in government, civil society, the UN family of agencies and the donor community.

A critical review of the budget process that exists in theory and in reality is provided along with an assessment of the possible challenges that arise while undertaking social budget work, drawing on budget initiatives in different countries. These together, can help donors and development agencies understand the reasons for the discrepancies that exist in budget processes, in order to better plan their support for budgeting initiatives and to help address internal and governance related challenges. The paper is aimed at a non-specialist audience, and it is meant to be broad rather than specialized in its coverage of topics. It is intended as a resource for those engaged or plan to be engaged in social budget work for children.

This paper seeks to reflect some of the latest concepts and practice in social budget work. However, as with all guides and resource materials, this too will need to be revised as new strategies and innovations in social budget work are introduced. Contributions to the practice and evidence base are welcome and will be featured in this website: www.fordham.edu/unicef.

Introduction

Objective

This paper provides a background literature, an overview of strategies and tools, and selected examples of social budgeting that form as a foundational material for a resource guide for UNICEF's social and economic policy staff and a chapter on social budgeting in the European Commission (EC) Toolkit on Child Rights.

The paper is intended for an audience of non-specialists in public finance, including donors, government officials, parliamentarians, development practitioners, and civil society groups. The audience is assumed to be familiar with the objectives of social budgeting, but not necessarily have expertise with its strategies and tools. The paper aims to introduce topics in budgeting and public financial management (PFM) from the perspective of advocating for children's rights.

For donors: The possibility of moving donor aid in a country from project aid to direct budget support depends on the strength of the country's PFM system. The more responsive, equitable, efficient and accountable PFM is, the more feasible direct budget support will be, and the more effective the budget will be in enabling the realization of children's rights. This paper discusses ways in which donors can strengthen their support to social budgeting initiatives.

For government ministries: Ministries of finance typically set budgetary ceilings, and together with line ministries and legislators, decide allocations in the social sectors. Line ministries execute the budget and are accountable for transparency and efficiency of public expenditure. However, not all ministries are equally proficient or politically empowered in making budgetary decisions. This paper highlights the value of making budget procedures more participatory, and for allowing greater participation and monitoring by the legislature and civil society.

For the legislature: Legislative oversight of the budget depends on legislators (parliamentarians) having the capacity to analyze the budget and the legal and political space to contribute to budgetary debates. This paper discusses strategies to strengthen the role of the legislature in the budget process, including ways to strengthen the analytical capacity of the legislature, availability of information, and functioning of legislative committees.

For civil society organizations (CSOs): Civil society participation, including the participation of children, improves the responsiveness of the budget and enables government to be held accountable for budgetary outcomes. This paper highlights ways that social budgeting initiatives led by the civil society can strengthen budgets and PFM.

Methodology

This paper draws upon and is underpinned by policy research undertaken by UNICEF's Social and Economic Policy Unit, as well as studies, reports and policy engagements by UNICEF's country and regional offices. Key findings from this broad resource base are synthesized, and for purposes of brevity, this paper directs the reader to the relevant resources for a more fully elaborated analysis. In addition, this paper also draws from secondary sources for material on

case studies of budget work, analytical tools, and advocacy strategies. Since it is aimed at a non-specialist audience, it is broad rather than specialized in its coverage of topics, and relies on examples of social budget work to illustrate the relevance of the topics for children. Where possible, it points to resources for a more in-depth study.

1. Principles for Social Budgeting

A budget represents, in monetary terms, the policy objectives of the government. The budget is defined as a document that, “once approved by the legislature, authorizes the government to raise revenues, incur debts and effect expenditures in order to achieve certain goals. ... the budget determines the origin and application of public financial resources” (Elson and Norton, 2002: 5). The budget can also be thought of as a “record of the revenues and expenditures of a government during a given period of time. Ex ante, it shows what the government intends to do during that period and how it intends to finance these activities. Ex post, it shows what the government actually did and who had to pay for it and in what form” (Von Hagen, 2007: 27).

The government plays a critical role in achieving society’s goals; and the budget is one of its main instruments for this task. The budget is inextricably linked to most, if not all, facets of public policy. While there is no single definition, the term social budgeting could be described as the process by which society’s goals and priorities as well as the rights of all of the population—including those that could be facing social exclusion and discrimination—are better reflected in public policymaking, notably in the government budget.

Social budgeting is the process by which society’s goals and priorities, as well as the rights of all of the population, are better reflected in public policymaking and notably the government budget.

This is to be differentiated from the use of the term “social budget” which often refers to that part of the over-

all budget allocated towards the social sectors (e.g. education, health, social protection, etc.) Social budget work involves much more than a focus on increasing the social sector allocation, which may or may not be carried out, nor result in the expected impact initially envisioned. It is also possible to view all forms of government spending and investments as having an impact on child rights, through different channels and because resources are scarce. From a child rights perspective, social budget work focuses on building long-term institutions for child-friendly policies and budgets. There are several possible principles that could guide efforts to reflect public priorities and children’s rights more effectively in public policies and budgets.

A. Maximum available resources for children: A child’s right to food, health, housing, education among other rights could be advanced through public finance policy by channelling the maximum available resources for children (Article IV of the Convention on the Rights of the Child). It is possible to concretely reflect this in the following public finance principles:

1. **Equity:** Budgets should emphasize non-discrimination, social inclusion, and an attention to power relations. This implies ensuring that children, women and poor families are not marginalized in both the actual public sector allocations as well as the decision-making processes;

2. Efficiency: That budgeting involves raising revenues, allocating resources, and achieving outcomes with the least distortions and costs.
3. Stability: That budget decisions support sustained and long-term objectives as well as reflect pro-poor countercyclical policies and ensure sufficient social protection during periods of economic volatility. In part, this means that the progressive realization of children's rights is supported through a sustained and adequate allocation of resources over time.

B. Participation and accountability: Participatory decision-making processes could help to ensure that everyone has a voice. Further, public finance management could be underpinned by transparent processes, providing information on the budget to the public in a way that ensures the widest dissemination and enabling their proactive engagement. This, in turn, could help to promote a more accountable policymaking process, and help to promote the proper oversight to achieve equitable, efficient and stable budgets for children.

The following sub-sections discuss the above mentioned principles to achieve a responsive budget, in more detail.

The responsiveness of the budget and the CRC

Implementing the CRC places a clear resource obligation on governments. Article 4 of the CRC obligates governments to “undertake all appropriate legislative, administrative, and other measures for the implementation of the rights” recognized in the CRC. States who are party to the CRC are expected to utilize “the maximum extent of their available resources,” and to do so “within the framework of international co-operation.”

According to Article 3 of the CRC, the best interest of the child is a primary consideration in all state actions concerning children. The institutions, services, and facilities responsible for children's care or protection, such as in areas of safety, health, staff adequacy, and supervision, should conform with the standards established by competent authorities. Ensuring institutional support and maintaining standards for service delivery also has implications for budgetary resources.

When governments seek to implement the CRC, they reform national laws to make them consistent with the principles of the CRC. For legislative reforms to have real impact, budget allocations have to be consistent with policy decisions. Achieving coherence between laws, policies, and budgets is an incremental process. The concept of *progressive realization*, recognizes the fact that a full realization of all economic, social and cultural rights will generally not be achieved in a short period of time (UNICEF Canada, 2008: 73). The responsiveness of the budget to the realization of substantive rights such as food, health, housing, and education would therefore imply a progressive allocation and use of budgetary resources in social sectors such as health, education, water and sanitation.

Another dimension of budget responsiveness is the extent to which it incorporates children's voices and participation in the policy process. In contrast to substantive rights, the realization of procedural rights creates an immediate duty on the state (UNICEF Canada, 2008). “Three major

rights that fall into this category are the right to non-discrimination, the right to legal remedies if one's rights are violated, and the right to participation in the making of policies or laws that affect one's rights" (UNICEF Canada, 2008:73). Children's participation can influence the perspective of national and local authorities to ensure that the views of children and young people enter into policy dialogue (Williams, 2004).

Finally, budgets have to respond to the particular considerations of girls and boys. The international human rights discourse on poverty and deprivation has stressed that poverty is not only about access to material assets, but about people's capabilities and choices to lead a life they value. This shift, in the conception of poverty, brings into focus structural factors in social, economic, and political spheres that can impede people's capabilities (General Assembly, 2001). One such factor is gender disparity, which may work against girls or boys.

For instance, according to a recent study commissioned by the Commonwealth Secretariat (2009), about 55 per cent of the roughly 75 million children not in primary school are girls, but the picture at the secondary school level is more complex.¹ In India, Pakistan and Nigeria, girls fall behind boys in secondary education, while in Malaysia and the Caribbean, despite almost equal access, boys fall behind.

Girls and boys may face varying health and development challenges. According to the UNFPA (2005), this variation can be due to disparities in the way girls and boys are raised and treated. For boys, adolescence can be a time for expanded participation in community and public life. Girls, however, may experience new restrictions, and find their freedom of movement limited. Socially constructed gender roles may give girls little say about their own aspirations and hopes, and restrict them to being wives and mothers.

In addition, young women face more reproductive health vulnerabilities than men. Of particular concern are the dramatic increases in HIV infection among young women, who now make up 60 per cent of the 15- to 24- year olds living with HIV. These stark differences in the situation of girls compared to boys necessitate appropriate interventions and budget allocations.

1.1. Equity

The equity principle seeks to ensure that all population groups, including the poor, minorities, or otherwise marginalized or disadvantaged groups, are represented in budget decisions. Considerations of equity, stems from the role that institutional structures and power relations play in the formulation of economic policies and budgets, which in turn influences their social impact (Çağatay et al, 2000).

One objective of social budgeting that follows from the equity principle is to democratize the formulation of macroeconomic policy frameworks (Çağatay et al, 2000: 2), as exemplified by gender responsive budgeting. Elson and Çağatay (2000) examined types of "macro-level

¹ The Commonwealth Secretariat (2009). *Exploring the bias: New research reveals gender disparities in education*. Accessed on January 8, 2009 from <http://www.thecommonwealth.org/news/34580/34581/211650/290709exploringthebiasgenderpublication.htm>.

systemic, economy-wide entitlement failure,, and found that macroeconomic policy tends to be biased towards conferring social entitlements (such as access to services and cash transfers) upon primary earners in a household who are assumed to fulfill a “norm of full-time, life-long working-age participation in the market-based labor force”. Women’s attachment to paid employment may not fit this norm, with the result that many women are excluded from social entitlements. Economic policies that are based on this norm fail to recognize the distinction between paid and unpaid forms of labor. To address this failure, over the last decade, researchers, women’s groups, elected representatives, and public officials have advocated for government budgets to become instruments for achieving gender equality (Elson, 2004:624).

In countries where direct payments for health care contribute a substantial share of health care finance, as is the case in the low-/middle-income countries, equity is the first issue that needs to be addressed. For instance, considerations of equity would affect the type of questions asked when evaluating fees for health services. It would place importance on the relationship between the ability to pay and proportionality of payments and specifically on, if the relationship is progressive, i.e. whether “health care payments account for an increasing proportion of ability to pay as the latter rises”, or regressive, whereby payments comprise a decreasing share of ability to pay (O’Donnell et al, 2008 :1).

These questions reflect a concern for the balance between health equity and macroeconomic and political priorities, as illustrated by the argument for financing public health services from tax revenues. According to a report by the Global Alliance for Vaccines and Immunization [GAVI] (2002), using general tax revenues to finance immunization services can be equitable depending on whether “the tax code and its enforcement are progressive or regressive, and if funding immunization, imply an increase in the tax burden or a reallocation of existing revenues. If the poor are already disproportionately burdened by taxes (i.e. taxes are regressive), then putting additional demands on the tax revenues does not enhance equity. On the other hand, given that immunization services have a strong potential to provide benefits to poor households, paying for immunization services out of general revenues may be an effective way of increasing the returns that the poor get on their tax payments” (GAVI, 2002: 2).

Equitable budgetary outcomes depend not only on how policy decisions are made, but also how public finances are structured and managed. For instance, biases in allocating transfers from central to sub-national government can result in some geographical areas benefiting more than others. A World Bank (2006) study found that in Thailand, in the education sector budgets were allocated unequally across the country.² Distributions tended to be greater in provinces that had a healthier financial situation, with Bangkok, the capital, receiving the largest share of the budget. By contrast, a public expenditure review in Indonesia found that fiscal transfers introduced through decentralization reforms were designed to minimize fiscal imbalances across region (World Bank, 2007). In Indonesia, transfers to sub-national governments include a non-

² Another finding of the World Bank (2006) study was that the education sector received the largest share of the national budget, but it was unclear whether the distribution of education resources among different income groups was equitable. The poorest 40 percent of the Thai population received 56 percent of spending on pre-primary and primary education, indicating a pro-poor allocation of resources. However, the quintile distribution of spending for tertiary education was regressive: the wealthiest 20 percent of the population received 53 percent of total spending.

earmarked general allocation grant, part of which is based on the gap between fiscal capacity and expenditure needs of each region, where expenditure needs are calculated based on the socioeconomic characteristics of the region (World Bank, 2007).

1.2. Efficiency

The principle of efficiency has several considerations. Achieving technical efficiency implies producing the maximum level of output using available resources at minimum cost (Fox-Rushby & Cairns, 2005). In terms of debt management, efficiency means borrowing funds at the lowest possible cost (Shah, 2007b). Efficiency in allocation refers to how resources are distributed among competing needs, such as by spending more on cost-effective interventions (WHO, 2003).

An assessment of efficiency attempts to place a monetary value on the benefits arising from the activities of a program and compare these with its costs. Where a monetary quantification is problematic or controversial, an assessment of efficiency could focus on ratios, such as the number of lives saved, the number of children vaccinated, or the number of additional households served with electricity per thousand dollars invested, while also indicating the margins of error in these estimates (IEG-World Bank, 2007: 65).

An example of a social budgeting initiative that calculated the efficiency of a child rights intervention is the costing of the Juvenile Justice Bill in South Africa. The Bill was the first piece of draft legislation in South Africa for which the costs of implementation were explored in detail prior to it being tabled in Parliament. Two costing exercises were conducted to assess the cost of implementation of the Child Justice Bill, the second being an update and refinement of the first. The initial exercise, which estimated the cost of implementing the draft Bill introduced in 1998, established a baseline estimate of expenditure on the prevailing juvenile justice system; set up an analytical framework that would review five sectors--police, welfare, justice, correctional services and education--across national and provincial spheres of government; and estimated the costs and benefits of the expected impact of the changes proposed by the draft Bill.

An efficient budget may not be an effective budget, and both are necessary measures.³ While efficiency refers to optimizing the relationship between means and ends, effectiveness refers to choosing the ends that most adequately reflect social, political, and legal values and priorities. Decision-making about effectiveness focuses on adjustments to the social, political and legal aspects of budgeting. What distinguishes effectiveness decisions from efficiency decisions is that the former is characterized by conflicts over values (Thurmaier and Willoughby, 2001: 81). Decisions about efficiency are concerned with converting resources, such as funds, expertise, and time, into results, such that outputs, outcomes, and impacts are maximized. An assessment of

³ For example, Hu and Mendoza (2010) studied the linkages between governance, public spending and health outcomes and found some evidence that public spending under better governed environments are more strongly linked to better child outcomes. While arguing that there is no one clear prescription for making budgets more effective, their study point out that other variables, such as measures for corruption, “democratic accountability” and “bureaucratic quality” may be key catalysts for making public spending impact human development outcomes positively.

efficiency relates the results of a program to its costs (IEG-World Bank, 2007). Effectiveness relates to normative concerns, such as those that are derived from the CRC.

1.3. Accountability

Public finance reform movements emphasize two aspects of accountability, namely budget performance and citizen participation. The performance aspect of accountability is a concern with “clarity on fiscal discretion” and holding “administrators accountable not only for the funds they receive but also for a given level of performance with those resources” (Shah, 2007b: 6). Citizen participation, or the social aspect of accountability, emphasizes the role of citizens in holding the government responsible, increasing the effectiveness of publicly funded programs through access to information, monitoring public services, and partnering with government to improve budget responsiveness (Malena, Forster and Singh, 2004).⁴

Accountability can be enforced by actors both within and outside government. People’s voices can be heard directly through citizen participation in policy and budgetary processes, and indirectly through their representatives in government.

Independent international organizations can aid national actors by documenting evidence of a lack of performance or transparency standards. For instance, the Open Budget Index (OBI), compiled by the International Budget Project (IBP), assigns a score to each country based on the information that the government makes available to the public throughout the budget process (IBP, 2009). The OBI also studies budget expenditures at the sub national level and supports civil society efforts on budget transparency and accountability at the local level.

Another example is the regional network Affiliated Network for Social Accountability in East Asia and the Pacific⁵. ANSA – EAP is currently focused on four countries--Cambodia, the Philippines, Indonesia and Mongolia—and on public infrastructure, education, health, and the environment. Its aim is to institutionalize social accountability, promote networking by joining citizens groups with government for monitoring and problem-solving. It also conducts research, builds capacity, and raises awareness of social accountability in the region.

The legislature⁶ possesses a range of powers, such as the power to authorize budget revenues and allocations, which could be used to hold government to account for its management of the budget (Stapenhurst et al, 2008: 261). Legislatures have to approve appropriations and taxation measures in order for these to be enacted into law. However, the capacity of the legislature to ensure the fiscal soundness, responsiveness, and efficient implementation of revenue and spending measures is often weak (Krafchik and Wehner, 2004) as it is combined with the relatively greater political power of the executive over the legislature. Therefore the weak technical capacity of the legislature to carry out its functions, results in an inadequate scrutiny of

⁴ See also World Bank Small Grants Program, Note on Social Accountability:
www.worldbank.org.kh/pecsa/userfiles/file/English_default_page/Concept_note_on_Social_Accountability_Eng.doc

⁵ See ANA-EAP website: <http://www.ansa-eap.net/?q=about>

⁶ The terms legislature and parliament are used interchangeably here.

the budget (Stapenhurst, 2004). In many developing and transition countries, legislatures are beginning to engage in budgetary activism as democratization and constitutional change has opened up possibilities for legislative participation in many previously closed systems, notably in parts of Latin America, Africa and central and eastern Europe (Krafchik and Wehner, 2004: 1).

In countries that have Poverty Reduction Strategies (PRS), the links between the PRS and the budget cycle are integral to the successful implementation of the PRS and strengthening accountability (World Bank, 2008). When budget allocations and expenditures are examined in relation to their intended results in the PRS, the comparison can help to strengthen accountability of the implementing institutions.

The table below describes the accountabilities of different actors with respect to providing primary education⁷, and the extent to which these responsibilities are met. In order to hold government accountable, civil society organizations have to provide evidence of gaps in services and quality to policy-makers. Parliamentarians need the capacity to advocate for increased funding for education in budgetary debates. Media organizations need to report on the lack of resources devoted to primary education.

⁷ “In 1996, an independent Indian research team undertook a study in the north to find out why so many of this regions children were out of school (30% of all children aged 6-14 – about 23 million boys and 36 million girls). Surveying villages and households, the team created a rich database that uncovered some hidden reasons behind the problems of primary education. Most actors – from parents and teachers to politicians and the media – had not fulfilled their roles, a collective social failure that called for not only changes in state policies but also for local community action” (UNICEF Canada, 2008:72).

Table 1: Accountabilities involved in realizing the right to primary education

Realizing the right to primary education in India—are actors meeting their obligations?			
Actor	Obligation	Measure	Result
Parents	Must be willing to send children to school.	Proportion of parents who think it is important for children to be educated.	<ul style="list-style-type: none"> • 89% for girls. • 98% for boys.
Government	<p>Must provide schools that are accessible.</p> <p>Must provide adequate facilities.</p>	<p>Distance of school from house.</p> <p>Number of teachers.</p> <p>State of facilities.</p> <p>Head teacher attendance and activity.</p>	<ul style="list-style-type: none"> • 92% of rural population had a primary school within 1 kilometer. • 49% of rural population had an upper-primary school within 1 kilometer. • 12% of primary schools had only one teacher appointed. <ul style="list-style-type: none"> • 21% had only a single teacher present at the time of the survey. • 58% of schools had at least two rooms. • 60% had a leaking roof. • 89% did not have a functioning toilet. • 59% did not have drinking water. <p>On the day of the survey visit to the school:</p> <ul style="list-style-type: none"> • 25% of head teachers were engaged in teaching activities. • 42% were engaged in non-teaching activities. • 33% were absent.
Community	Must support school, teachers and parents.	Public discussions.	<ul style="list-style-type: none"> • 49% of village education committees had not met in the past year.
Media	Must report on neglect of basic education.	Proportion of newspaper articles on basic education.	<p>In one year's newspaper articles:</p> <ul style="list-style-type: none"> • 8,550 on foreign investment. • 3,430 on foreign trade. • 2,650 on defense. • 990 on education. • 60 on rural primary education.

Note: The sample consisted of 188 villages, 1,200 households and 236 schools in four northern states of India in 1996.

Source: UNICEF Canada, 2008

1.4. Stabilization

Another principle that drives budget work is stabilization. Pro-poor countercyclical fiscal policies can help ensure sufficient social protection during periods of economic volatility. During aggregate shocks and periods of economic contraction or stagnation, government capacity to carry out commitments or undertake new ones is reduced (Deles, Mendoza and Vergara, 2009). An economic downturn tends to lower households' income and consumption, which in turn reduces tax revenues. In the absence of options to expand fiscal space, this tends to undermine a government's ability to maintain spending on social programs and other vital functions. Therefore, precisely at the time that the most vulnerable sections of the society need social

protection, a government capability to undertake countercyclical fiscal policy is reduced, resulting in low or retrenched social spending.⁸

The recent economic crisis has led some social budget advocates to raise the issue of inadequate resources for social services and social protection. For instance, in Mexico, Fundar raised a concern about the growing strain on the social protection program, Seguro Popular. In South Africa, IDASA published a budget brief in early 2009 that pointed to the risk of social spending being curtailed during the crisis. The call for countercyclical fiscal policies is also evident in a study by the World Bank on the impact of the 2009 economic crisis on Tajikistan, which warns against cutting social service expenditures and emphasized on analyzing possible ways for the country to create fiscal space (Deles, Mendoza and Vergara, 2009: 22). Based on a study of past boom-bust cycles, Doytch, Mendoza and Vergara (2010) find some evidence of trade offs in public spending wherein some social sectors are boosted while others are weakened. Following this analysis, the authors argue that the stabilization principle requires a more holistic approach and that social budgets cannot be considered protected, if one of its components is cannibalized by another.

International financial institutions (IFIs) have put in place facilities to strengthen governments' capacity to undertake countercyclical social spending. For instance, in June 2009 the Asian Development Bank (ADB) established its US\$3 billion Countercyclical Support Facility (CSF).⁹ The World Bank has created a Vulnerability Fund which has about US\$7 billion available for countercyclical financing. The International Monetary Fund (IMF) revised its lending policies to help protect social spending. While social budgeting initiatives do not often explicitly advocate for countercyclical budgets, their work is centrally concerned with social protection and the adequacy of social spending.

It is critical for social budgeting initiatives to consider the entire economic and business cycle (rather than any single budget year cycle) as a platform for advocating policy reforms and strategies that help stabilize and sustain investments in the social sector, with a view to boosting them when they are needed the most (e.g. during crises). In addition, long-term structural trends,

⁸ Doytch, Hu and Mendoza (2010) review the evidence in this area and undertake their own empirical analysis with a focus on education and health spending. They find evidence that low and middle income developing countries exhibit distinct education and health spending patterns. The empirical results suggest that public education spending appears acyclical, and health spending procyclical, in lower- and middle-income developing countries. This pattern appears reversed in low income countries. On the other hand, industrial countries are more likely to exhibit either acyclical or countercyclical education and health spending. These findings suggest the critically important nature of better managing the budget, and in particular, social sector spending and investments, so as to deploy these in a way that supports human development and advances child rights, notably during periods of severe social and economic distress. The interested reader may wish to refer to the Doytch, Hu and Mendoza (2010) for a full elaboration of the methodology, the dataset and the findings from the other literature in this area.

⁹ From Deles, Mendoza and Vergara (2009): To be eligible to access the CSF, a country must be adversely affected by the global economic slowdown, demonstrate sound macroeconomic policies, and have a countercyclical program in place. The Philippines is the first country to tap this financing facility, and it will help bolster the government's countercyclical expenditure program in its 2009 budget, which includes labor-intensive infrastructure projects, and the scaling up of the conditional cash transfer program, among other crisis mitigating programs. Besides the Philippines, Bangladesh, Indonesia, Viet Nam, Kazakhstan, Pakistan and Sri Lanka have applied for CSF support.

such as population trends, the subsequent demographic changes should also be considered, as this could help establish the case for a progressive realization of child rights through stronger social budgets over time. Many low and lower middle income countries currently face this challenge as they are anticipating a youth bulge in their populations.

One Case for Strengthening Social Budgets: Anticipating the Youth Bulge

The global crisis has struck many countries at a critical point in time—a “youth bulge” is emerging in many parts of the developing world. Youth, defined as those aged 15-24 and expressed as a share of the total national population, is presently peaking in numerous low income and lower middle income countries, including Maldives, Zimbabwe, Swaziland, Iran, Grenada and Cambodia. If one defines a youth bulge as a peak in the share of youth in the total national population, then about 71, mostly low income developing countries are undergoing or are anticipating a youth bulge.

Countries could leverage the youth bulge to try and spur a dramatic take off in economic and human development. A relatively young, educated, and healthy workforce not only represents strong human capital assets for a country; this could also foster an environment conducive to supporting dramatic policy reforms. On the flipside, there is a growing concern about the challenges related to lack of employment and the possible links between having a young population and conflict vulnerability. Burgeoning unemployment rates across the industrialized and developing worlds are expected to persist in the medium term, raising the risk that a large cohort of global youth (and a large cohort of youth in some of the poorest countries) will face challenging months and perhaps years ahead.

For those countries whose youth bulges are imminent, pursuing job-intensive policies will be a critical component of a more inclusive social and economic recovery from the crisis. For the rest of the countries in the developing world whose youth bulges are further down the road, there is an equally critical policy challenge to ensure that adequate human capital investments are preserved—if not boosted—during the crisis and recovery period in order to equip future young people with the requisite education, health and other investments. These investments will prove critical in boosting future economic and human development prospects for these countries. They will also help to ensure that infants and children today do not suffer from permanent crisis costs, perhaps pushing them into a life of poverty and disadvantage. The majority of the young people in the world, some 20-30 years from now are presently infants and children in some of the poorest countries in the world today. It is therefore critical that social sector spending and investments in these countries are adequately supported.

Excerpted from: Komarecki, Mendoza and Murthy (2010:3-4).

1.5. Principles: Summing up

The main objectives for social budgeting are to ensure that budgets are responsive, and that public priorities and rights are more effectively reflected in budgets. This can be achieved on two main fronts:

A. Maximum available resources: A child’s right to food, health, housing, education among other rights could be advanced through public finance policy by channeling the maximum available resources for children (Article IV of the Convention on the Rights of the Child). It is possible to operationalize “maximum available resources” through the lens of public finance policy by promoting the following main principles:

1. **Equity:** Budgets should emphasize non-discrimination, social inclusion, and an attention to power relations. This implies ensuring that children, women and poor families are not marginalized in both the actual public sector allocations as well as the decision-making processes.
2. **Efficiency:** That budgeting involves raising revenues, allocating resources, and achieving outcomes with the least distortions and costs.
3. **Stability:** That budget decisions support sustained and long-term objectives as well as reflect pro-poor countercyclical policies and ensure sufficient social protection during periods of economic volatility. Contributing to stability would therefore involve securing adequate resources to sustain investments in the social sectors and promote social protection, notably during times when they are most needed, for example, during crises.

B. Participation and accountability: could be reflected in a participatory decision-making process that ensures everyone has a voice. Further, public finance management could be underpinned by transparent processes, providing information on the budget to the public in a way that ensures the widest dissemination and enabling their proactive engagement. This, in turn, helps to promote a more accountable policymaking process.

2. Research and Documentation: The Budget Cycle

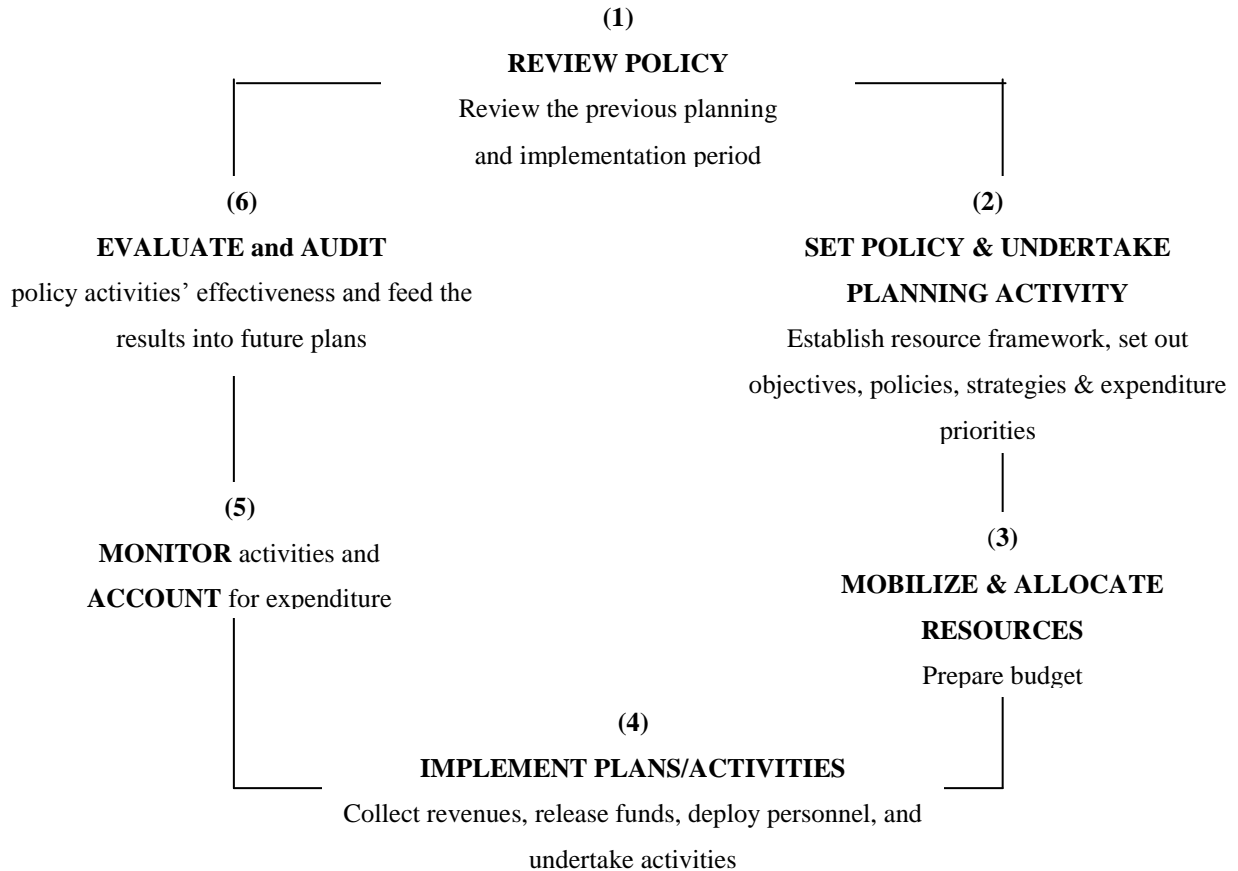
This section reviews the different stages of the budget cycle in theory and presents the discrepancies that exist in reality. The role of the government and civil society to influence the budgets are also discussed in detail under each segment.

Theory and reality of the budget process

Since the public policy process is inter-connected and cyclic. The processes of planning, policy-making, and budget-making and execution intersect, and there exists a dynamic between them, whereby one influences the other. The following diagram illustrates the links.

The policy, planning and budgeting cycle¹⁰

¹⁰ Source: World Bank Public expenditure management handbook (1998).



Initial budget preparation begins as a formulation of a policy statement and is typically the responsibility of the budget division within the finance ministry as well as line ministries. Its content is finalized through negotiations between the executive agencies, who propose the budget, and the legislature, which approves and enacts it into the law. It is implemented by line ministries with oversight from the ministry of finance, and is subject to an independent audit.

The budget is thus an instrument to achieve a plan, to realize policy goals through planned expenditures, but it is not a straightforward exercise in matching funds to intended uses. In the course of its formulation, approval, and execution, the budget is subject to political compromise, diverse social needs, and weak institutional capacity, which can derail the budget process and diminish the intended budget outcomes.

Implicit in the theory of fiscal policy are five main assumptions that provide the basis of the budget process:

1. There is a “nerve center” in government where all economic decisions are made and intra governmental decisions are resolved.
2. The government has the public interest in mind and promotes the social welfare of citizens.
3. The government bases its decisions on sound analysis
4. The Proposed laws are clearly presented to citizens and are matched with appropriate policy instruments and economic objectives

5. The government has sole control over policy instruments.

In reality, however, the budgeting process diverges from the above assumptions in several ways (Tanzi, 1999).

Firstly, the ministry of economy and finance does not single-handedly guide economic policy, and is in conflict with other ministries over budget allocations. Their disagreements over policy issues are not resolved entirely within government institutions but rather through public debate and political compromise.

Secondly, the public interest is not a universal set of objectives but a mixed bag, and its composition depends on the diverse needs of the population and varies by country. The concept of social welfare originated in western European countries with fairly homogenous populations, but the contemporary situation in many countries is one of ethnic, cultural, and economic diversity.

Thirdly, the analysis that informs policy decisions may be biased, incomplete, or lack rigor. Ideology may drive policy decisions more than evidence. Fourthly, government may pass laws that are complex or redundant. A convoluted and politically rife legislative process may result in spending plans that are at odds with initially intended policy aims, resulting in laws that are unclear and inefficient instruments of fiscal policy. Their impact on social and economic objectives can be difficult to gauge. Interest groups, such as business lobbies, may have undue sway over public policy. Consequently, governments do not have sole control over policy instruments.

With national budgets becoming the main channel for delivering services and channeling aid, donors' concerns about efficiency, transparency and accountability in the budget process have grown. For instance, donor agencies have promoted the use of Medium Term Expenditure Frameworks, computerised financial management systems and results-oriented budgeting, in order to improve public expenditure management. In providing general budget support, donors have shifted attention away from conventional budgeting to public expenditure management and therefore from the budget process to budget policies and institutions (De Renzio, 2004). As a heuristic device, it is useful to examine the budgeting process in terms of its stages.¹¹ The planning stage involves the drafting of the budget by the executive. The approval stage involves the deliberation of the budget and its passage into law through a legislative process. The budget execution stage is carried out by the executive over the duration of the fiscal year to which the budget law applies. After the budget has been executed, at the accountability stage, auditors review the final budget documents and check the consistency of the documents with the authorizations made earlier at the time of legislative approval. The following subsections relate the potential failures in the budget process to the politics of policy-making and constraints of institutional capacity. Each subsection examines a stage of the budget and analyzes the potential discrepancy between theory and practice. It describes some of the challenges; identifies strategies and entry points to influence the budget from the perspective of government, civil

¹¹ The budget cycle as presented here is based on that described by Elson and Norton (2002). While the process that they present draws mostly upon Anglophone systems, the general principles are broadly applicable.

society organizations, and development organizations, including UN agencies; discusses the constraints that social budgeting initiatives may face; and where possible, provides examples of children's participation. Finally, it shows opportunities to connect research/evidence to policy and budget decisions.

2.1. Drafting

Overview of budget formulation by the executive

The budget process begins with the ministry of finance preparing a macroeconomic forecast and revenue projections for the year. The economic forecast, along with an assessment of how the budget deficit should be financed, provides guidelines for recurrent and capital spending. These guidelines determine the level of total affordable government expenditure as well as subtotals according to sector or program.

The ministry of finance then sends out a budget circular to other line ministries, which includes guidelines for budget planning and invites bids from line ministries for their spending needs. The budget circular also includes expenditure ceilings for each of the line ministries which essentially quantify budget policy statements into budget allocations (Isaksen, 2005). Line ministries prepare and submit budget requests to the finance ministry, according to constraints and goals as per the budget circular. The finance ministry reviews budget requests and negotiates with line ministries to arrive at a draft budget. The draft budget is then discussed and approved by the legislature (as described in the next section) to be enacted as the annual budget.

Budget formulation and the Medium Term Expenditure Framework

Medium Term Expenditure Framework (MTEF) is increasingly being considered central to Public Expenditure Management (PEM) reforms (Le Houerou and Taliercio, 2002), as it helps connect the policy making, planning, and budgeting processes. It is a “linking framework” that allows expenditures to be driven by policy priorities and disciplined by budget realities (World Bank, 1998: 32). In other words, it is a comprehensive, government-wide spending plan that links policy priorities to expenditure allocations within a fiscal framework—linked to macroeconomic and revenue forecasts—usually over a three-year forward planning horizon (Folscher, 2007: 128).

The MTEF “consists of a top-down resource envelope, a bottom-up estimation of the current and medium-term costs of existing policy and, ultimately, the matching of these costs with available resources...in the context of the annual budget process” (World Bank, 1998: 46). The “top-down resource envelope” is fundamentally a macroeconomic model that indicates fiscal targets and estimates revenues and expenditures, including government financial obligations and high cost government-wide programs such as civil service reform. To complement the macroeconomic model, the sectors then engage in “bottom-up” reviews that begin by scrutinizing sector policies and activities (similar to the zero-based budgeting approach), with an eye towards optimizing intra-sectoral allocations.

Case studies conducted by the Overseas Development Institute (ODI) suggest that the MTEF can help improve fiscal stability, expenditure control, stakeholder involvement, and credibility of

resource constraints Evidence from South Africa and Uganda showed that the MTEF process “stimulated further improvements in budget basics... and increased internal demands for greater budget comprehensiveness” (De Renzio and Smith, 2005). The MTEF also encourages better timing and fewer delays in the budgeting process.

Moreover, when the MTEF is implemented in the context of a PRSP, it has its greatest impact in priority setting and resource allocation (De Renzio and Smith, 2005). In the PRSP process, resource ceilings are prioritized through political engagement, and policy choices reflect the outcome of political dialogue. As a result, resource ceilings are credible when they are translated into budgetary allocations, and the MTEF can produce a realistic and hard budget constraint.

Table 2: Stages of preparing an MTEF

Stage	Characteristics
I. Development of macroeconomic/fiscal framework	Macroeconomic model that projects revenues and expenditure in the medium term (multi-year)
II. Development of sectoral programs	<ul style="list-style-type: none"> • Agreement on sector objectives, outputs, and activities • Review and development of programs and sub-programs • Program cost estimation
III. Development of sectoral expenditure frameworks	<ul style="list-style-type: none"> • Analysis of inter- and intra-sectoral trade-offs • Consensus-building on strategic resource allocation
IV. Definition of sector resource allocations	<ul style="list-style-type: none"> • Setting medium term sector budget ceilings (cabinet approval)
V. Preparation of sectoral budgets	<ul style="list-style-type: none"> • Medium term sectoral programs based on budget ceilings
VI. Final political approval	<ul style="list-style-type: none"> • Presentation of budget estimates to cabinet and parliament for approval

Source: Le Houerou and Taliercio, 2002: 3; World Bank, 1998.

A MTEF is should be the outcome of an approach to budgeting that requires early policy prioritization, a better evaluation of competing policies and programs, and a deliberate matching of current and medium-term plans with available resources through a disciplined process (Folscher, 2007: 128). Instituting a MTEF is only one part of budget reform and therefore it is not an end in itself but rather a tool to achieve the objectives of social budgeting. Recent studies emphasize that the MTEF is not the only way to link development strategies with the national budget. As seen in some middle income countries, attaching a detailed MTEF to a budget is not as effective as a simple, direct and locally-devised approach (OECD, 2008).

Budgeting in decentralized systems

Under decentralization, budget requests may filter up from sub national government levels to progressively higher levels of government. Estimates for expenditures in the draft budget at each level of government are categorized by line ministry, program, and sector.¹² For example, in Indonesia’s budget formulation process, the responsibility for planning and budgeting is divided between the planning agency, known as Bappenas, the ministry of finance, and the line

¹² http://www.budgetmof.gov.af/units/Program_provi_budget/Provi_budget.html

ministries. This division of labor is intended to achieve policy-based budget formulation and a bottom-up approach (World Bank, 2007: 100). Each line ministry prepares its draft work plan, referring to the national government work plan and budget ceilings, while also considering sector specific needs. Following discussions with the parliament, and based on revised ceilings from the ministry of finance, the line ministries prepare their revised work plans and budgets. The bottom-up aspect of the process occurs through broad stakeholder consultations at village, district, and province levels, which are reviewed and consolidated at each higher level of government.

What can happen in reality

The drafting stage has been called the most closed part of the budget process (Krafchik, 2009: 7). The drafting stage is dominated by the executive, particularly the finance ministry, which decides the projected revenues and spending caps. If line ministries and legislative bodies cannot adequately advocate for sectoral needs, then social policy objectives can be overtaken by other political and economic priorities. Imbalances in negotiation power between ministries can lead to budget outcomes that are socially inequitable.

For instance, in Malawi, despite the government's "readiness to reform its policy orientation in the direction of greater poverty reduction and consolidation of public finances, the Malawi Growth and Development Strategy (MGDS) is still not being implemented efficiently. The reason is that it has not been effectively integrated into the national budget. The ministries responsible have not succeeded in setting priorities for this among the numerous measures that are required: their institutional capacities are not sufficient for the planning and management of the reform process or the monitoring of results" (GTZ, 2009).

Another natural conflict in budget formulation arises because several agencies are simultaneously making demands on the use of a common pool of budgetary resources. Since public programs derive their funding from a common tax revenue pool, and since revenues are sourced from many different individuals and groups, the claimants to budget resources, i.e. line ministries, are likely to perceive that their proposed spending programs have a much lower cost than the actual social cost. Consequently, spending ministries are likely to request for a higher level of spending than is socially optimal. This can occur between the central ministry of finance and spending agencies, as well as between the different sub units of the spending agency and the agency itself Folscher (2007).

For instance, in decentralized systems, the common pool problem can occur where local expenditures are financed by the central government. Local authorities may underestimate the real cost of goods and services that are supplied at the local level by the central government, and may demand more for their own jurisdiction than is feasible for the central government to distribute. To avoid excessive local public spending, the central government could set a spending limit for each decentralized entity (Bouton, Gassner, & Verardix, 2005).¹³

Placing constraints on the level of spending allowed by each claimant implies choosing between different claimants and their demands (Folscher, 2007). This choice is highly contextual and

¹³ However, the central government typically faces "moral, political and practical obligations" in enforcing curbs on local level spending (Rodden, 2002: 671).

contingent on prevailing circumstances. In other words, the decision to direct funding towards different regions of the country or to target services to particular social groups should be based on an objective analysis of needs, costs, and benefits. But the decision is often political, based on a weighing of demands from constituencies and interest groups. In countries where “the connection between public policy, budgetary performance, and political survival is stronger, politicians make decisions that are based on their constituencies’ preferences. In countries where this connection is weak, the budget shares for which politicians fight may have more to do with power, political deal making, and access to resources than with optimal policy outcomes related to stated country priorities” (Folscher, 2007 : 111). The result then is that budget allocations and the subsequent outcomes are misaligned with social priorities.

Budget formulation may suffer from insufficient legislative oversight. The Inter-Parliamentary Union conducted a survey of 83 countries in collaboration with the World Bank Institute which showed that legislatures are the least involved in the budget formulation stage relative to other stages of the budgeting process (Pelizzo, Stapenhurst, & Olson, 2004: 7). Results from the 2007 OECD International Database of Budget Practices and Procedures show the limited involvement of the legislature in reviewing the economic assumptions used in formulating the budget (Table 3). If the legislature was more involved and made more informed amendments to the budget at its drafting stage, this could help resolve the dilemma between “technicality and democracy” in budget formulation (Krafchik and Wehner, 2009: 1).

Table 3: Reviewing economic assumptions used in the budget

Which of the following organizations carry out independent reviews of the economic assumptions used in the budget?	OECD members		Non-OECD respondents	
	Number	Percent	Number	Percent
There are no independent reviews of the economic assumptions	18	60	35	57
Independent panel, or similar	3	10	2	3
Supreme Audit Institution	2	7	1	2
Legislature or other legislative body	3	10	7	12
Other	4	13	16	26
Missing answer				
Total	30	100	61	100

*Source: 2007 OECD International Database of Budget Practices and Procedure
<http://webnet4.oecd.org/budgeting/Budgeting.aspx>*

Other research shows that the legislature has less influence in budget formulation in parliamentary systems of government than in presidential systems. The stronger role of the executive over the legislature in budget drafting may depend, in part, on whether the political system is parliamentary or presidential. There is evidence that “legislatures in presidential systems are generally the most active legislatures in the preparation of the budget, while parliaments are the most active legislatures in approving the budget” (Pelizzo et al, 2004: 1). One reason for this is that legislatures in parliamentary systems have more tools for oversight (such as committee hearings, hearings in plenary settings, question time, etc.), and therefore have more oversight potential than legislatures in presidential systems.

Yet evidence on legislative research capacity is uneven across countries, even where they are found to have a formal role to play. For instance, Draman and Langdon (2005) found that legislative committees in Ghana, Tanzania, Niger, and Malawi dedicated little time and financial resources towards detailed budget scrutiny, and their parliaments had no economic policy or budget research offices, which committees in Uganda and Nigeria did have.

Lack of data can compromise the budget drafting process. Budgets need to be based on accurate estimates of revenue and on costing of policies (Schiavo-Campo, 2007). Moreover, the budgeting exercise should produce estimates of funding requirements for the current as well as future years. However, countries may lack the technical capacity or the information systems to make projections about future costs. Inadequate data and a lack of accurate current statistics can make it difficult to estimate demand for public services and funding requirements.

Civil society organizations may lack formal channels for participating in the budget process. Budgeting has long been considered a closed process conducted by the executive, and in many countries inputs from non-government actors are a recent development (Krafchik, 2009). For instance, The 2008 Open Budget Survey conducted by the International Budget Project (IBP) provides a disaggregated picture of release of the public availability of pre-budget documents. It shows that of the countries surveyed, in 33 percent of middle income countries (n=12) and 54 percent of low income countries (n=24), the executive does not release the pre-budget statement to the public (Barraclough and Dorotinsky, 2008: 101). The 2007 OECD International Database of Budget Practices and Procedures shows that in 37 percent of surveyed OECD countries and 31 percent of surveyed non-OECD countries, the methodology used in making economic assumptions of the budget was not available to the public (Table 4).

Table 4: Making economic assumptions of the budget publicly available

Is the methodology used for establishing the economic assumptions of the budget publicly available?	OECD members		Non-OECD respondents	
	Number	Percent	Number	Percent
No	11	37	19	31
Yes, but only to certain parts of the Legislature			3	5
Yes, it is publicly available on request	7	23	20	33
Yes, it is published	11	37	14	23
Other	1	3	4	7
Missing answer			1	2
Total	30	100	61	101

Source: 2007 OECD International Database of Budget Practices and Procedures

<http://webnet4.oecd.org/budgeting/Budgeting.aspx>

Krafchik (2009) lists myths about the budget process which constrain the involvement of civil society: “Budgets must be formulated in secret or they may upset financial markets. Non-government intervention can destroy the integrity of the budget envelope. Legislators and civil society have a greater interest in advancing the interests of their constituents as opposed to the interests of the country as a whole. It is the government’s mandate to produce the budget

internally in a closed process; and its prerogative for it to be rubber-stamped by the legislature” (Krafchik, 2009: 4). These myths are being increasingly questioned by social budgeting initiatives, which attempt to address both the technical procedures and political imperatives behind public finance decisions.

Influencing the budget at the formulation stage

Strategies to make budget formulation more transparent, responsive and participatory, involve strengthening the contribution of line ministries, the legislature, and civil society. The points below on the role of civil society and the legislature in the budget process are based largely on the note by Krafchik (2009).

For civil society

Most opportunities for civil society to participate in the budget drafting stage are informal, based on the organization's initiative and networks, and reliant on departmental and ministerial contacts (Krafchik, 2009: 8). Formal channels include using the media and the PRSP dialogue to broadcast policy debates and voice needs in decision-making process. .

- Learning about the budget process and building contacts with key players is important for CSOs, since “a well-timed release of a research report may be able to influence discussions in the drafting stage”.
- CSOs can rely on the media to capture the government's attention to their advocacy messages.
- CSOs could try to influence the priorities underlying budget policy choices that precede the budget drafting event. For example, in Kenya, the Institute for Economic Affairs (IEA), which is an independent forum for policy debate, coordinates an annual civil society meeting to arrive at a set of priorities. The analysis is presented to the government and used as an input in the drafting stage (Krafchik, 2009: 8).
- Some organizations produce an alternative budget. This is an expensive and technically involved initiative. Krafchik (2009) cites only two efforts (neither is from a middle or low income country): “the Alternative Federal Budget in Canada, prepared by the Canadian Center for Policy Alternatives (www.policyalternatives.ca) and alternative tax proposals produced by the Institute for Fiscal Studies in United Kingdom” (Krafchik, 2009: 8).
- Fiscal devolution may provide opportunities for CSOs to participate in budgeting at the local level. Participatory budgeting has worked better “in towns where the mayor has virtually complete budgetary and administrative power and therefore the space to innovate without the consent of the local legislature” (Krafchik, 2009: 9). For example, part of the reason for the success of the participatory budgeting initiative in Porto Alegre, Brazil, was that the Workers' Party had won the mayoral race in 1989. The initiative has since had varying success across approximately 100 Brazilian towns.
- The PRSP process is another entry point for CSOs. For instance, in Uganda, the HIPC and then the PRSP process provided opportunities for CSOs to get involved in drafting national poverty plans. The government instituted a bottom-up participatory poverty assessment project in 10 pilot districts during the PRSP process, which allowed CSOs to review PRSP priorities based on community level experience (Krafchik, 2009: 9-10). Another example is from Sierra Leone, where UNICEF commissioned a study of the PRSP for 2005-2007, the draft for 2008-2012, and the public finance system. The analysis found that the PRSP paid adequate attention to children's interests, but identified weaknesses in the government's fiscal capacity, the PFM system, and ODA flows (Deles, Mendoza, and Vergara, 2009).

For the legislature

Legislatures can improve their technical capacity, set up expert groups, use the opportunity for dialogue provided by the PRSP to negotiate resource allocations, and channel the concerns of groups who are outside the formal budget process. Access to information is important to enable these means of influencing budgets.

- A “pre-budget statement” can give legislatures and CSOs the opportunity to debate, and for legislatures to possibly vote on, the macroeconomic envelope of the budget. In several countries, governments “publish early details of macroeconomic policy and a broad outline of the forthcoming budget in a pre-budget statement- months before the tabling of the final budget. This has the effect of separating out discussions on macro-policy and the size of the budget from detailed interaction with department budgets in the legislature budget process” (Krafchik, 2009: 10). For instance, in Brazil, Sweden and Switzerland, the legislature must approve the pre-budget statement, while in Peru and South Africa, the legislature can debate but not vote on it. The pre-budget statement can foster early discussion on prioritization and effective and efficient spending.
- Legislatures can become an entry point into the budget formulation stage for CSOs, academics, the business community, and other groups who are outside the formal budgeting process by soliciting inputs from them. This can be beneficial for both the legislature and civil society. For example, in South Africa, the Women’s Budget Initiative was formed by the Parliament’s Finance Committee and two research-oriented CSOs, which enabled the legislature to draw upon the research skills of the CSOs and gave the CSOs access to policy-makers (Pelizzo et al, 2008).
- The legislature can enhance its own research capacity to provide more informed inputs into budget formulation. Pelizzo et al (2008) provide examples of the Congressional Planning and Budget Office of the Philippines and the Parliamentary Budget Office in Uganda, both of which are appropriately staffed with public finance experts.
- Separate legislative committees to analyze and deliberate on the budget can help formulate more informed contributions to budget drafting. This can help complement the restricted role that legislatures typically play in budget formulation in exchange for maintaining the right to oversee budget execution (Krafchik and Wehner, 2009).
- Access to timely and accurate information can greatly help in enhancing the role that legislatures play. Improvements in budget information, particularly with regard to medium term projections, and technical support for the budget committee can help improve legislative oversight in the budget drafting phase (IMF, 2008).
- The PRSP process is another entry point for the legislature. Legislators were mostly excluded from consultations on the first generation of Poverty Reduction Strategies (PRS), but in subsequent rounds, elected officials began to take more responsibility to ensure that PRSs and budgets were pro-poor (World Bank, 2005; Draman and Langdon, 2005). For example, in Ghana, oversight sub-committees of the Public Accounts Committee went into the poorer parts of the country to hold community-based hearings on the PRSP, and in Malawi, the Budget and Finance Committee provided the Malawi Economic Justice Network a forum to report monitoring results assessing PRSP results on service delivery to the poor (Draman and Langdon, 2005).

For government ministries

Governments can improve the accuracy and timeliness of analysis of public expenditure in order to improve policy decision-making and public finance planning.

- Public Expenditure Reviews (PER) are one example of how this can be accomplished. The World Bank in Indonesia found that though the Indonesian government had made substantial progress in developing budget planning and financial reporting systems, it still lacked high quality analysis of public spending trends. “Fragmented budgets and excessive focus on inputs are undermining the effectiveness of budget systems in policy-making and performance feedback” (World Bank, 2009). Particularly in the context of decentralization, to address inequities and poverty reduction objectives, data and analysis on public finance needed to be made available to policy-makers and stakeholders (World Bank, 2009).
- Motivated by the above observation, the Initiative for Public Expenditure Analysis¹⁴ (IPEA) in Indonesia, works as a collaboration between key government ministries, especially the Ministry of Finance, the National Development Planning Agency (Bappenas) and the Coordinating Ministry for the Economy, Indonesian universities, and the Public Finance and Regional Development team of the World Bank. The IPEA is supported by the Dutch government and the European Commission. The IPEA produces analyses of public expenditure in Indonesia in the form of PERs at the national, sub-national, and sector levels.
- In Tajikistan, the World Bank supported government decision-making on how to adjust the budget in light of the present economic crisis by investigating the links between the global crisis and Tajikistan’s economy (Deles, Mendoza, and Vergara, 2009).¹⁵

¹⁴ The IPEA, initially supported by the Dutch government, was subsequently expanded through the Indonesia Multi Donor Trust Fund on Public Finance Management Reforms supported by the Dutch government and the European Commission (World Bank, 2009).

¹⁵ Deles, Mendoza, and Vergara (2010) describe, that the study identified two mechanisms: the unavailability of foreign exchange and the fall in remittances from foreign workers. The first can lead to import constraints, a decline in purchasing power, and reduced lending in the country’s dollarized commercial banking system. The second, namely lower remittances, directly impact private disposable incomes, which lead to lower private consumption and residential construction. The study discussed possible internal solutions for Tajikistan’s lack of government funds, including reduced spending, and domestic borrowing from domestic banks or through printing money. When none of these options were found feasible, the World Bank recommended tapping into external grants and not debt, in the form of budget support. This money should be used immediately to protect fiscal spending for the needs of the poorest and most vulnerable.

A critical cross-cutting strategy would be to use empirical models and simulations that link key social trends with economic indicators that other line ministries—notably the Ministry of Finance—will monitor and thereafter use in outlining their policy strategies. Often, a key challenge would be to make evidence based case for why resources dedicated to the social sectors should be increased (or at the very least, not retrenched). There are a variety of modeling tools now used in development policy and planning, including a wide array of macro- and micro-simulation models.¹⁶ Depending on the data availability, resources and country context, it is possible to draw on these tools in order to develop analyses that are linked to the forecasts of the development, budget and finance Ministries, thus offering further insights on the social implications of broader macroeconomic trends and policies as well as possible alternative scenarios for policymakers to consider (e.g. further boosting social sector investments). An example of a micro-accounting exercise and its possible usefulness in assessing the impact of an aggregate shock (e.g. income shocks due to climate, financial, economic, etc.) is provided here and serves as a background document for this toolkit.

Using Micro-Accounting Techniques to Analyze Crisis Impact and Policy Responses

Macro shocks like those linked to the food, fuel and financial crises of 2008-2009 are likely to be a recurrent feature of the global economy. Spurred by its concern over the social and economic implications of the recent crises, and as part of its ongoing work with developing country partners to strengthen their social protection and other systems in anticipation of future crises, UNICEF engaged in the production and application of policy research tools to:

- a) Examine the social and economic implications of the recent food, fuel and financial shocks, as well as,
- b) Examine the policies that could help protect and advance the rights of children and other vulnerable groups.

As part of that broader effort, one objective is to develop a methodological approach to provide quantifiable first-pass estimates of the impact of the food, fuel, and financial crises on social outcomes in developing countries. There are several possible approaches with different implications on the requisite time, expertise and specificity in the analyses. One possibility is to undertake an analysis based on household survey, conducted using simple methodologies that can be easily replicated, as demonstrated in this study for Mexico and Lesotho.

The analysis contained herein is a micro-accounting exercise, which can be categorized under the larger umbrella of micro-simulation models. Micro-accounting exercises do not explicitly model the macro-impact or in the lingua of economists, “the transmission of an aggregate economic shock”. Instead, the approach here intends to fully utilize the wealth of information in the country’s disaggregated data, particularly on income, consumption, and access to transfers, to illustrate the distributional impact of the crisis.

¹⁶ For a more comprehensive discussion of the limitations and strengths of various approaches, the interested reader may wish to refer to Bourguignon and Pereira da Silva (2003) and Bourguignon et al (2008).

The objective of using this analytical tool is to provide a first pass analysis of potential social outcomes from macro shocks in a timely manner—preferably within 2-3 months of the onset of a shock—even as a more comprehensive model and further analysis may be necessary to consider more complex implications of the ensuing crisis. The goal is to provide timely analysis that could inform country strategies to engage in early crisis response, with the expectation that further information (as well as more comprehensive modeling and more formal analytics where necessary and feasible) would be brought to bear subsequently.

The tool could help policymakers understand how a welfare reduction that results from a food, fuel, or financial shock would affect poor households, in turn affecting broader social outcomes. An understanding of the impact by household can then allow us to come up with appropriate policy responses that a government could undertake to lessen these impacts on the most vulnerable populations. The analytical tool used here could also critically inform public finance policies, through the different scenarios of policy interventions (and the requisite resources) considered.

In addition, this analysis could help make the case for strengthening social protections systems that more effectively buffer populations from future shocks, as well as to develop various countries' capacity to conduct similar rapid analyses. Eventually, this type of analysis can be used when trying to compute the distributional impacts of other macroeconomic policy reforms or shocks. The applications of this tool therefore go well beyond assessing crisis impact; it could also be used to examine the social and economic implications of various policies.

Excerpted from Joshi and Hu (2010: 3-4).

2.2. Approval and enactment

Approval and enactment by the legislature

The finance ministry sends the negotiated budget to the legislature for approval and enactment. The legislature votes on budget appropriations and approves the budget, which is then enacted and comes into force as an annual law. The legislature plays a critical role in analyzing and challenging the budget, though the extent of its influence over proposing changes depends on its powers of amendment (discussed below) and can vary widely. For example, in Mozambique, the legislature formally approves the budget, but lacks the authority to amend or reject it, since the President can dissolve the legislature if the legislature rejects the budget (Johnson and De Schryver, 2008). In France and Nicaragua, the legislature has limited authority and capacity to amend or reject the budget, while the U.S Congress makes the budget and can amend, reject, or rewrite the budget proposed by the executive (Johnson and De Schryver, 2008). The strength and proactive nature of the legislature also determines the opportunities available for civil society participation prior to budget approval.

It is important to note the legislatures in Nordic countries, most countries in continental Europe, Latin America and some countries in Asia, propose modest changes to the budget. (Krafchik and Wehner, 2004: 4). However, even minor changes are significant as it frees up available resources that could be applied elsewhere. Another topic of debate is the level of legislative activism

within public finance. For example, the World Bank and IMF are wary about the fiscal indiscipline that could result from legislative activism. That is, if parliaments are given too much leeway in amending budgets, the desires of individual parliamentarians and groups interests could overshadow the overall fiscal soundness and balance of the budget within a macroeconomic framework. Parliaments are considered to be “sources of financial mismanagement and corruption, resulting from patronage politics, pork-barrel deals, and electoral clientelism” (Santiso, 2008: 244). These factors have reinforced the view that keeping the budget process within the purview of the executive and “limiting the fiscal prerogatives of parliaments [will] improve fiscal discipline” (Santiso, 2008: 244).

While some legislatures may not be successful in striking a balance between being more disciplined and independent in budget matters, there is evidence that institutional engineering can help reconcile legislative activism with fiscal prudence (IBP, 2009). In particular, spending can be kept under control by having the legislature fix overall spending level before considering sectoral spending. Other options are to adopt fiscal rules such as ‘balanced budget’ requirements, or to ensure that legislatures have reliable estimates of the budget effects of amendments over the short and medium term, and when appropriate, the long term. The costs of amendments can stimulate a transparent and thorough consideration of their fiscal effect in particular when these projections are made publicly available (IBP, 2009).

What can happen in reality

The budget approval process represents the first formal opportunity for the legislature to debate and possibly change the budget, and may additionally offer civil society opportunities to directly intervene, such as through public hearings (Krafchik, 2009). Approval by the legislature is a constitutional provision in many countries. However, budget documents are often inaccessible and complex, and legislatures may lack the technical capacity to critique and challenge the budget. Political power and party affiliations within the legislature as well as the relationship between the legislature and the executive, which depends on the type of government system—parliamentary or presidential—in the country, can all affect the influence of the legislature over the budget (Wehner, 2003).

Despite having legal authority to scrutinize the budget, legislatures may be constrained by institutional factors that weaken their contribution at the approval stage: lack of powers of amendment, a weak committee system, lack of capacity for technical analysis of the budget, and the timing of the budget process. These factors are discussed below.

- *Absence of powers of amendment:* The legislature may not have sufficient powers of amendment. Amendment powers can be grouped into unrestricted and restricted powers (Krafchik and Wehner, 2004). A legislature with unrestricted powers is able to increase or decrease expenditure and taxation without the consent of the government. . Examples of legislatures with such powers are the U.S. Congress and legislatures in Nordic countries. Legislatures with restricted powers can amend the budget within set limits.¹⁷ In the UK House of Commons, for example, the legislature cannot increase expenditure or

¹⁷ A sub-category of restricted powers is ‘balanced budget’ powers, as in Romania, where legislatures can raise expenditures or decrease revenue as long as there is a counter-balancing charge to the budget.

revenue items, and can only reduce expenditure or abolish a tax or tariff. Only the government, i.e. the executive, has the authority to introduce or increase an expenditure or tax.

- *A weak committee system:* Legislatures are increasingly realizing the value of consulting with committees¹⁸, which are typically drawn from among specialists within the legislature, in order to improve technical engagement with the budget process (Krafchik and Wehner, 2004,). There can also be a specific budget committee in addition to the sector committees. For example, in India, the budget has been analyzed by specialist sector committees since 1993. However, the joint committees that analyze the resource demands of the ministries and departments are prohibited by the parliamentary rules to suggest amendments in their reports, and the committee reports are expected to have only “persuasive power” (Krafchik and Wehner, 2002: 9).
- *Low capacity for budget research:* Many legislatures lack staff for budget analysis. Legislatures and sector committees can benefit from input from independent research units that have expertise on budget-related issues. Given the size and technical nature of the budget, effective research services are likely to depend on dedicated, specialized personnel.... Some legislatures have small research units that specialize in budget analysis, and some have general research units that can deliver some budget analysis when needed. However, in many legislatures, budget research capacity is negligible or nonexistent (Krafchik and Wehner, 2004: 8& Draman and Langdon, 2005).

The 2007 OECD International Database of Budget Practices and Procedures, had the following findings with respect to specialized budget research capacity of OECD and non-OECD countries (Table 5).

Table 5: Capacity for budget research in the legislature

Is there a specialised budget research office/unit attached to the legislature to conduct analyses of the budget?	OECD members		Non-OECD respondents	
	Number	Percent	Number	Percent
No	19	63	39	64
Yes	11	37	16	26
Other			5	8
Missing			1	2
Total	30	100	61	100

Source: 2007 OECD International Database of Budget Practices and Procedures

- *The timing of the budget process:* When legislatures do not have sufficient time to scrutinize the budget, the discussion of the budget is compromised. By some estimates, legislatures should ideally have three to four months to analyze the budget (Wehner, 2003). Results from the 2007 OECD database showed that in about 55 percent of the non-OECD countries surveyed, the legislature was presented with the budget, less than two months before the start of the next fiscal year. A study on budget practices in Africa used

¹⁸ A potential problem is coordination across sector committees.

the 2007 OECD data and found that in no country was the budget tabled four months prior to the fiscal year, and in a majority of countries the time frame was two months or less (De Renzio and Wehner, 2009) (See Appendix 1).

Moreover, in practice the budget cycle does not flow linearly as described here. The budget cycle of one year overlaps with the next, so that at any time the legislature may be simultaneously approving next year's budget and also monitoring the implementation of the previous year's budget (Wehner, 2003). This further underscores the need for adequate expertise and staff resources within legislatures in order to maintain fiscal oversight over the budget.

Constraints on civil society participation

Access to data presents a primary challenge for civil society participation in analyzing budgets. Perry (2008) describes how the absence of information on education budgets, particularly in a clear, non-technical form, constrains the participation of national and local organizations in budget discussions. In some countries, such as Malawi, Nigeria, and Zambia, there is no law regarding the freedom of information. When a legal provision exists, as in Mozambique, the actual practice of transparency and participation does not reflect the law. Some CSOs and agencies have negotiated this issue by obtaining education budget information from sympathetic officials in Ministries (Perry, 2008: 14).

Civil society participation may also be compromised by weak legislative involvement in the budget approval process. Typically, the budget proposal is first made public at the budget approval stage, in contrast to the budget formulation stage which is dominated by the executive (Wehner, 2003). The legislature can ensure opportunities for civil society interventions through public hearings, and by using the public attention for advocacy and media campaigns. However if the parliament's role in the budget process is not effective, the input of civil society organizations during the legislative stage is unlikely to be effective either (Wehner, 2003: 2).

Influencing the budget at the approval stage

Budget approval is primarily a negotiation between the executive and the legislature. Sector and budget committees in the legislature, civil society groups, and independent experts can provide critical inputs, but legislators are the primary actors. Legislative activism on budget issues has increased in recent years due to political changes, such as public demands for more accountability and transparency and improved government performance, and the "growing prominence of the budget as an instrument of economic management and distribution of benefits" (Schick, 2009: 6).

Strategies to enhance the role of the legislature
<p>The aim is to strengthen the substantive contribution of legislators, through activities such as building analytical capacity and improving data, while framing the imperative of children's rights in neutral terms and presenting the political expediency of prioritizing social concerns as a way to appeal to their constituency regardless of the legislators' party agenda (Stapenhurst, 2003).</p> <ul style="list-style-type: none">• Improving clarity of and access to public finance data, which can highlight critical information about the proposed budget.

- Developing the capacity of legislators to understand, analyze, and critique the budget. UNIFEM’s budget work in Nigeria includes producing a training manual for gender budgeting that is mainly distributed to legislators and government officials involved in planning and budgeting, and conducting workshops to sensitize members of Nigeria’s legislature to gender budgeting.
- Ensuring that analysis from independent experts informs the decisions of the legislature (see below). This includes turning policy analysis into advocacy material, so that evidence reaches decision-makers in a form that is actionable. For example, in the Philippines, the Alternative Budget Initiative (ABI), a CSO network allied with legislators, produces a budget as an alternative to the president’s budget. ABI briefs legislators to orient them on alternative budget proposals, gather their suggestions and input, and gain support for the proposals. ABI monitors budget deliberations and provides legislators with technical notes, data for press releases, speeches, and responses to issues.
- Investigating the causes of delay and introducing measures to reduce delays in the approval process in order to allow the legislature enough time to analyze and debate the budget before approving it.

The value to the legislature of an independent non-partisan budget office

Strategies to enhance the role of legislature in the budget process should consider the creation or strengthening of an independent budget unit to the legislature.

Anderson (2008) describes the growing importance and value of such an office. An independent budget office can help balance the monopoly that the executive has with respect to access to information and analysis. It can simplify complexity, improve budget transparency for the legislature as well as the public, and enhance the credibility of the budget by making its assumptions and methods easier to understand. This openness and clarity of information increases the accountability of the executive, and can help improve discipline in public spending. A nonpartisan budget office can provide objective evidence for policy-making to both minority and majority parties in the legislature. Thus, it can improve the whole budget process.

The core functions of an independent budget office would include conducting independent economic forecasts (which form the basis of all budgets) based on existing laws and policies, analyzing the budget and policy proposals of the executive, conducting costing of policies, identifying possibilities for spending cuts, analyzing the economic impact of tax policies or the long term budgetary impact of economic policies, and providing policy briefs that simplify complex proposals for the benefit of the legislature as well as the media and the public.

Strategies to enhance the role of civil society

Strategies that apply at the budget drafting stage are also relevant here.

- CSOs could conduct independent analysis in order to raise public awareness of budget debates. The functions of an independent non-government organization that produces budget analysis would be similar to that of a legislative budget unit as described above. For example, the Centre for Budget and Governance Accountability (CBGA) in India promotes participatory governance with an emphasis on developing a people-centered perspective in budget preparation and execution (Deles, Mendoza, and Vergara, 2009:

46). The CBGA undertakes a range of activities: budget analysis, expenditure monitoring, research on governance issues, budget demystification, disseminating information, and building capacity of CSO in budget analysis and advocacy.

- Contact with the media is critical to disseminate advocacy messages and broadcast debates.

2.3. Execution

Overview of budget execution

Budget expenditure is authorized by the legislative branch of government and is carried out by the executive branch. Implementing the budget involves the release of appropriations, i.e. legally authorized amounts of funds, to spending ministries. Line ministries and agencies enter into contracts and orders. Goods and services are delivered and verified. Payments are made and transactions are recorded. Ramkumar (2008) described budget execution as a five step process:

- Funds are released to various line ministries or agencies as per the approved budget
- Agencies initiate expenditures directly or by procuring goods and services
- Payments are made for these expenditures
- Expenditure transactions are recorded in accounting books and
- Accounts are maintained throughout the year, culminating with the closure of the accounting books and the production of year-end reports.

While budget formulation is politically the more visible part of the budget cycle, budget execution is the stage that determines the efficiency and effectiveness of outcomes (Jones, 1992). Budget execution is important because it affects “the cost and quality of services, the volume of government expenditure, and the relations between citizens and government. Citizens know their government through the services they receive from it” (Vani, 2007).

Budget monitoring as a part of government accounting

Budget monitoring is one element of a government’s accounting system. It should cover appropriations, apportionments, commitments and obligations, expenditures and payments (for definitions, see Ramkumar (2008) and Allen and Tommasi (2001)).

Monitoring budget implementation helps to keep in check costs and expenditures including, as Tommasi (2007) describes, the following:

- forward costs of multiyear investment projects and the expenditures that are already committed;
- cost of outstanding invoices, i.e. the difference between expenditures and payment;
- information on both commitments and expenditures, which helps to show progress of program and project implementation as well as the government’s financial situation;
- actual payments made and obligations to pay for cash management.

The type of accounting system can affect how well budgets can be monitored. In many developing countries it is common to use a cash accounting system in which “expenditures are recorded once payment has been made, immediately following the issuance of a payment order...such a system makes it difficult to form a comprehensive picture of the government’s

financial situation at any point in time. For example, if the government has entered into a contract to procure an expensive good or service, its financial statements under the cash system of accounting will make no reference to this purchase until payment is actually made, which could be months later” (Ramkumar, 2008: 16).

On the other hand, under an accrual system, “financial transactions are registered when the activities that generate them occur. Thus, expenditures are accounted for when goods and services are delivered (even if the payment has not yet been made) and revenues are accounted for when a tax falls due or goods and services are sold (even if the revenues have not been received). Such a system provides a more accurate picture of a country’s financial situation. Unfortunately, it is much more complicated to use, and few developing countries have the resources to implement it” (Ramkumar, 2008:16).

What can happen in reality

While a well-prepared budget is the first step towards producing a well-implemented budget, a number of factors at the budget execution stage can cause budget outcomes to deviate from policy goals and legislative authorizations, as listed below:¹⁹

Weak service delivery and public expenditure management

Public funds may not reach the intended service delivery facilities for reasons ranging from “competing priorities at various levels of government to misuse of public funds” (Ablo and Reinikka, 1998: 2).²⁰ Budgetary allocations may not get translated into actual spending at the facility level because of lack of accountability and governance (discussed below), as well as factors related to the service delivery system. Ablo and Reinikka (1998) examine public funds for the primary education sector and find that while the funding levels increased, private spending still constituted the major part of primary school financing; parents, on average, contributed 74 percent of total school spending in 1992, 60 percent in 1995, and this amount continued to rise in real terms. Consequently budgetary allocations in primary education sector did not produce the desired development outcomes because of inefficiencies in the service delivery system and an insufficient level of public expenditure.

Poor financial management systems

A weak financial management system makes it difficult to ensure adequate oversight over budget spending. Unpredictability in the availability of funds, weak procurement planning, and weak internal and external audit controls can result in waste and abuse of resources, and delays in accounting and reporting can result in incomplete information for decision-making (Vani, 2007). If the treasury or the finance ministry does not plan its cash flows through the year, then this can result in delays of flows to line ministries or sub national governments. Most of the funds may be

¹⁹ This section draws substantially upon the International Budget Project guide by Ramkumar (2008) on monitoring budget expenditure.

²⁰ A more extensive review of the literature is undertaken by Hu and Mendoza (2010). These authors also empirically examine the extent to which public spending is linked to better child health outcomes while also accounting for the influence of governance. They find mixed evidence on this and note the limitations inherent in the present data in this area.

disbursed towards the end of the year, which can hamper sector activities during the early part of the year, and cause over-spending later.

Ablo and Reinikka (1998) showed that budgetary allocations were a misleading factor representing budgetary outcomes, especially when public finance institutions are weak. In many developing countries, public spending on basic services has increased without increases in officially reported outcomes and output indicators. For example, primary school enrollments in Uganda had hardly increased over the 1990s even though budgetary allocations for education had increased over time. In such cases, service delivery does not commensurate with budgetary allocations because public funds do not reach the intended facilities. Therefore development outcomes do not match the intended effects of budget allocations.

Corruption

The risk of corruption exists all along the budget implementation process. According to the Anti-Corruption Resource Center (ACRC) (2009) opportunities for corruption can arise at the following points:

- **Distribution of budget allocations to the spending units:** This is the point at which the budget funds are released to the spending units or agencies. In some countries, the budget release is provided weekly or monthly, while in others the entire budget is made available at the beginning of the year. Some developing countries operate a cash budget where authorizations are made daily. This phase of budget implementation presents opportunities for corruption for those officials who have discretionary powers to authorize spending.
- **Commitment control:** The commitment control stage serves to ensure that resources for purchasing goods and services are committed only up to the budgeted amounts so that these resources become unavailable for other purposes. This stage may be prone to violations of procurement laws and procedures, such as delivery schedules, terms of payment, and tendering procedures, or the favoring some suppliers over others. Goods and services may be ordered which are not authorized in the budget, or may be diverted to other ends.
- **Verification:** At this stage, checks are performed about the functioning of previous stages. Officials who are responsible for verification checks may use their position for allowing corrupt activities, such as non-compliance with specifications or a lack of budget authorization for a purchase. Without the collusion of these officials, such violations would be discovered at the verification stage.
- **Payment orders:** Payment orders are issued after goods or services have been received. Once the transaction has been verified, officials may be able to “extract bribes from the party awaiting payment”.²¹
- **Cash, debt, and revenue management:** Cash management involves ensuring that the government has the liquidity to meet payments at low cost. In some countries, responsibility for cash management lies with the central bank. The cash may be routed through the banking system or through cashiers’ offices down to the local level. Cash is

²¹ <http://www.u4.no/themes/pfm/budgetprocess/bprocess3execution.cfm>

more likely to be a target for corruption in the latter case.²² Payments made through the banking system reduce this risk. Debt management is also typically undertaken by the central bank, and is linked to cash management. Revenue management involves managing the cash that comes in from revenue collection. In each case, considerable amounts of cash flowing through the cash offices of collecting departments can present corruption opportunities.

- Accounting: The sooner that records are sent to the treasury and consolidated accounts are produced, the sooner possible cases of corruption can be discovered. To some extent, as described above, the type of accounting system—cash vs. accrual-- determines how effectively the financial situation of the government is monitored.
- Fiscal reporting: Corruption may occur if financial reporting is not transparent and fair. At the fiscal reporting stage, financial accounts and annual reports are consolidated and published, either by the treasury or by line ministries and the Ministry of Finance. Lack of transparency at the financial reporting stage can hide discrepancies and violations at previous stages of the budget implementation process.

Fund diversions

Another reason that budget expenditures may not reflect the approved budget is that governments may divert funds into other programs. This may not be a corrupt practice, but may represent the use of legitimate channels to redirect expenditures during the year, such as supplementary budgets (Ramkumar, 2008). In the case of supplementary budgets, the government may issue a request for additional funding. Such requests may indicate poor planning and interfere with open debate on resource allocations, since they are issued outside the regular budget cycle. Supplementary budgets need to be approved by the legislature. However, based on survey of 59 countries, in 22 countries the legislature is consulted only after the funds are spent or not at all (Ramkumar, 2008).

Use of reserves during unexpected events

Governments have contingency funds reserved for unexpected events, such as a natural disaster. Such events would cause budget expenditures to look different from what was planned.

Inadequate funding

The budgeted funds may not be sufficient to cover the costs of a program. For instance, the program may be based on entitlements, such as a social protection scheme under which beneficiaries can apply for program benefits at any time during the year. If circumstances change, and the program has to cover more people or at a higher cost than anticipated, then government could be legally obligated to increase funding during the year.

²² A system that uses a central cashier, or where local revenues are kept at the local office, is more prone to corruption. For example, the cashier's office may pay salaries to ghost employees (nonexistent or deceased), officers in charge of prioritizing spending may use the opportunity to gain kickbacks for making preferred payments, officers may deliberately slow down or halt payments and extract bribes for reinstating them.

Influencing the budget at the execution stage

Undertaking PFM reforms

As seen above, weaknesses in financial management systems can cause many problems at the budget execution stage. Therefore, an important aspect of enhancing budget outcomes is institutional reform of financial management systems. However, changing PFM systems is a complex undertaking. An OECD (2009:28) report notes that most countries have limited capacity to implement many wide-ranging reforms all at the same time, on using country PFM for aid. Among the lessons that it provides from previous experience with PFM reforms are that:

- Introducing an accrual accounting system is not likely to succeed where basic cash-based financial statements are prepared after much delay and/or with several un reconciled items.
- Attempting a performance audit without agreed performance benchmarks and proper systems to record and track performance is unlikely to be effective.
- Implementing an Integrated Financial Management Information System (IFMIS) without first strengthening treasury practices and control systems is likely to increase the risks of fraud and misuse.

Thus PFM reforms to improve budget execution need to be prioritized and sequenced by donors and country governments.

Tracking and analyzing public expenditure

The impact of the budget can typically only be observed after budget expenditures have been made, either because the expenditures are not detailed in the budget or because they diverge from the objectives stated in the budget. For example, education budgets “may not detail the number of teachers to be recruited, and health budgets may not detail the number of new hospitals to be constructed” (Ramkumar, 2008: 3).

Tracking expenditure involves observing if allocated amounts were maintained intact or subsequently changed; whether allocated funds were transferred intact to implementing agencies (ministries, local governments or other agencies); whether those bodies procured in line with the budget; whether they achieved value-for-money; and whether resources procured were applied to the purpose. In other words, tracking budget execution involves analyzing the extent to which funding reaches delivery units and analyzing expenditures compared to allocations (Holland, 2007).

Both the legislature and civil society groups have a stake in monitoring how the budget is spent. From the perspective of civil society, tracking budget implementation is important not only to assess the effectiveness and efficiency of spending, but also to:

- Hold public officials accountable.
- Develop allies in government who have influence over how funds get spent, such as program managers in government agencies.
- Examine how legislators allocate their discretionary spending.
- Relate the final budget outcomes to expected outcomes.

Monitoring budget execution through budget documents

The following budget documents can be used by civil society and the legislature to monitor budget execution and analyze public expenditures (Ramkumar, 2008).

1. **In-year reports:** The government produces regular reports during the fiscal year (monthly, quarterly, or semi-annually) that detail progress on budgetary spending as well as on debt and revenue management.
2. **Actual goods and services delivered:** In-year reports generally do not show whether government expenditures match the authorized allocations in the enacted budget. Evidence from civil society-led initiatives show that by directly observing the outcomes of budget spending, such as the actual goods and services delivered, CSOs may be better able to hold government accountable. For example, Operation Young Vote (OYV) in Zambia produced a budget monitoring tool that was tailored to the needs of local users. The tool was used by communities at the school level, and findings were used to advocate for better use of school resources to the District Education Board office (Perry, 2008).
3. **Supplementary budgets:** The government may revise the original budget during the year if unexpected circumstances arise, such as a natural disaster, or if the original budget does not provide adequate funding for proposed programs. In such cases, the government issues a request for a supplementary budget, which needs to be approved by the legislature.
4. **Year-end reports:** A year-end report provides consolidated information on all government expenditure during the year, as well as on debt and revenues. Analyzing year-end reports in comparison with the originally enacted budget is another way to evaluate budget execution.

Ideally, the public accounting system should generate the above reports and be able to provide information about actual spending (Ablo and Reinikka, 1998). However, in context of weak public finance institutions, including weak accounting systems, data collected from surveys might provide more reliable information.

Public Expenditure Tracking

A Public Expenditure Tracking Survey (PETS) is carried out with the objective to address weak public accounting systems and link public spending and development outcomes. As discussed by Lindelow (2003), PETS are motivated by:

- The observation that the impact of public spending and external aid on growth and human development has been limited, due to inappropriate allocation of resources, resources not reaching service delivery units, poor quality of service delivery, and services not being used by the population
- New approaches to aid delivery, such as general budget support and Poverty Reduction Strategy Papers, have generated concerns about accountability, specifically whether budget allocations are pro-poor, whether budget outcomes are consistent with allocations, and whether expenditures result in intended outputs and outcomes.
- The limited availability of public finance data.

PETS can be carried out as a part of a Public Expenditure Review (PER), in order to track the flow of resources to determine how much of the originally allocated resources, reaches each level. It is therefore useful as a device for locating and quantifying political and bureaucratic capture, leakage of funds, and problems in the deployment of human and in-kind resources, such as staff, textbooks, and drugs. It can also be used to evaluate impediments to the reverse flow of information to account for actual expenditures (Dehn, Reinikka, and Svensson, 2003: 194).

Civil society led monitoring efforts

Though access to clear, easily understood data presents a fundamental problem, CSOs can monitor public expenditure independently, and there are several examples of community monitoring of local level service delivery and spending.

- In the Gambia, the Pro-Poor Advocacy Group (Pro-PAG) took budget tracking to the sub-district level by presenting budget data to communities in a form that could be easily understood and sensitizing them to the “importance, nature, and magnitude of resources made available by central government to the education sector” (Perry, 2008: 21).
- In Malawi, the Civil Society Coalition for Quality Basic Education (CSCQBE) produces a national-level aggregation of school level budget monitoring. Its budget monitoring activities include : (a) efforts to recognize additional flows of funding, especially from donors; (b) analyses on pressing education issues; (c) identification of poorly maintained public school assets; and (d) comment on the timing for the release of funds.
- In the Philippines, the Concerned Citizens of Abra for Good Government (CCAGG) began its monitoring work by focusing on road infrastructure projects in Abra, a relatively neglected region of the country. CCAGG exposed discrepancies in government reports on the road projects. Monitoring government projects to ensure that funds meant for the projects are judiciously used and that projects’ plans and specifications are followed are amongst its objectives (Deles, Mendoza, and Vergara, 2009: 54). CCAGG also fosters active participation by including project beneficiaries in monitoring the projects being investigated.

2.4. Audit and evaluation

Overview of the budget audit

Annual accounts are prepared by the executive branch, typically by the finance ministry, and audited, or verified for accuracy, by an independent agency that is specially mandated to oversee public expenditures. In addition to this extra-legislative accountability agency, known as the supreme audit institution (SAI)²³, some ministerial agencies and local governments may also appoint auditors, and the SAI may appoint private auditors to carry some of the work (Ramkumar, 2008). The SAI is known as the auditor general in many countries, and as the *Cours des Comptes* in francophone countries.

Public sector auditing generally focuses on financial audit and compliance audit. “In financial auditing the auditor assesses the accuracy and fairness of an organization’s financial statements. In compliance auditing the auditor checks whether government revenue and spending have been authorized and used for approved purposes, and whether departments and agencies have conformed to all pertinent laws and regulations” (Wehner and Byanyima, 2004: 36). In addition, audit institutions may also produce “value for money” studies, which study the economy (cost effectiveness), efficiency, and effectiveness of budgetary spending.

The SAI submits the audit report to the legislature. A legislative committee, known as the Public Accounts Committee or PAC, exists in most parliamentary systems. The PAC and other oversight committees, which are often chaired by a member of the opposition, oversee the integrity, economy, efficiency, and effectiveness of government financial management (Stapenhurst, 2003). The PAC is mandated to evaluate the comments in the audit report, question the executive about the audit findings, and propose corrective actions. The entire legislature then debates the proposed corrective actions and finally approves the audited accounts. Ideally, the legislature’s analysis of the audited accounts is used to inform the budget in subsequent years, thus allowing for continuous improvements in public financial accountability (Stapenhurst, 2004). PACs can contribute to oversight of government accounts, but their effectiveness depends on the capacity of their staff and on the assistance and independent expertise they receive from parliamentary budget offices and SAIs.

What can happen in reality

Though SAIs play a critical oversight function in public financial management, their actual role may be limited. Reasons include the lack of SAIs’ independence from the executive, their financial and skill constraints, and poor coordination with the legislature. The following points describe the constraints that SAIs may face and the consequences of those constraints.

²³ There are three models of SAIs: Westminster (or parliamentary), judicial (or Napoleonic), and board (or collegiate). As described by Ramkumar (2008), the Westminster model is found in most Commonwealth countries and a few Latin American countries, such as Peru and Chile. The judicial model is found in most francophone countries and several Latin American countries, including Brazil and Colombia. The board model is found in most Southeast Asian and East Asian countries and a few Latin American countries. See Ramkumar (2008; 103-106) for further descriptions of each.

- SAIs may not legally enjoy adequate freedom from executive interference. Even in cases in which they do have freedom, “they may lack additional investigative powers to enable them to follow-up on apparent violations and ensure the prosecution of relevant agencies or individuals” (Ramkumar and Krafchik, 2005: 6-7).
- SAIs may not have the mandate to decide “what should be audited or how the audit findings should be presented” (Ramkumar and Krafchik, 2005: 6-7).
- SAIs may lack skilled staff, financial resources, and infrastructure such as office space and computers. This may result in its inability to detect fraud using information technology and in audit reports not being produced in a timely manner. When the audit results of the previous budget are delayed, they cannot be used to inform decision-making of the subsequent budget. According to the IMF *Code of Good Practices for Fiscal Transparency*, audited final accounts should be available to the legislature within 12 months of the end of the fiscal year (IMF, 2007). A recent study of budget practices in Africa showed that only in two out of 26 African countries, the audited accounts were published six months or less after the end of the fiscal year (De Renzio and Wehner, 2008). In nine countries in the study, audited accounts were published more than 12 months after the end of the fiscal year.
- Delayed reports “undermine accountability, because officials who are responsible for a loss of public money may have moved on or retired by the time an incident receives attention. Delays may make it more difficult to pursue disciplinary measures. The interest of the public is also likely to focus on more current matters” (Wehner and Byanyima, 2004: 35).
- The legislative committee that is mandated to consider the audit reports may not have sufficient time to fully review all audit reports and findings. Due to poor coordination with the SAI, the committee may not take up critical audit findings, leading to no action taken to follow up on violations or irregular budget practices documented in the audit reports.
- Further, communication between the SAI and civil society organizations may be poor. In many countries, civil society engagement at the auditing stage is limited, even though audit reports and PAC reports are made publicly available, and PAC hearings are open to the public and the media (Stapenhurst, 2003).

As seen above, at the auditing stage²⁴, the legislature plays an important role through its relationships with the executive branch of government and with the SAI. The legislature maintains a two-way relationship of accountability from and support to, the executive, since it approves the allocation of public funds and later reviews the use of those funds. With the SAI, the legislature has more of a one-way relationship, since it receives audit reports from the SAI but may not be able to contribute to the audit process in substantial measure.²⁵

²⁴ Particularly in countries with parliamentary systems, such as United Kingdom, India, and South Africa, where legislative oversight of the budget is relatively weak at the budget approval stage, the legislature usually enjoys greater power in ex post scrutiny of the budget (Ramkumar and Krafchik, 2005).

²⁵ Stapenhurst (2003) has noted that the legislature should have more of a two-way relationship with the SAI as well, and described several reasons why the relationship between the SAIs and the legislature is weak. One reason is the low attendance of members of the legislature to budget audit discussion meetings. Another is the lack of legal protections provided to the SAIs, which constrains the ability of the SAI to carry out investigations of corruption.

In some countries, the role of the PAC is not well established, and the PAC members may not have sufficient capacity or training to carry out their functions. This can greatly hamper the audit function since the PAC is considered to be “the stick” that the SAI carries, i.e. it is through the reviews and recommendations of the PAC that the legislature exerts oversight over budget execution (Stapenhurst, 2003: 14).

Some constraints to the performance of the PAC are as follows (Stapenhurst, 2004):

- A partisan political climate, where the executive does not act on valid complaints.
- Government dislike of legislative oversight.
- Lack of media and public involvement.
- Weak ethical culture within the executive and the legislature leading to a loss of public trust.

An effective framework of powers and practices for the PAC includes:

- Taking a broad scope in perspective, that is, looking at underlying systemic problems in the budgeting process, and not focusing only on symptoms.
- Power to select issues and to initiate enquiries without government direction.
- Power to report conclusions, suggest improvements, and follow up on the suggestions
- Support from the legislative auditor, members of parliament, and research staff that creates a unity of purpose about PAC work (Stapenhurst, 2003).

Influencing the budget at the auditing and evaluation stage

While the SAI and PAC are mainly responsible for oversight at the audit stage, sectoral committees, sub-committees, independent experts, and civil society groups can play a role in providing inputs on assessing budget performance, simplifying budget analysis, ensuring that the executive responds to audit recommendations, and following up on cases of corruption and misconduct.

Strategies for the legislature
<ul style="list-style-type: none"> • In order to deal with the complexity of budget analysis and audit reports, PACs in many countries have created sub-committees to examine particular subject areas such as education or health. In other countries, the PAC and sectoral committees jointly take charge of oversight of government policy. • Follow-up procedures can be structured to ensure that the executive responds to the issues identified in the audit reports and by PAC recommendations. For example, in some countries, government departments have to state how they intend to implement the recommendations arising from audit findings. The stated intentions are then examined in the following years’ audit process. In other countries, the legislature may require interim reporting throughout the year to check progress of the government’s actions (Stapenhurst, 2004). • The legislature may seek additional input from independent experts during its discussions of the audit findings.

Strategies for civil society

- Civil society can support the legislature in examining audit reports by following up on cases of corruption and misconduct. For example, in South Africa, the Public Sector Accountability Monitor (PSAM), a civil society initiative, obtains details about corruption cases, informs the relevant department (i.e. line ministry or agency), follows up with the department a month later, and makes the response, which is recorded and made available on the internet (Stapenhurst, 2004).
- In Indonesia, the Forum Indonesia Untuk Transparansi Anggaran (FITRA) conducts budget analysis and promotes participatory budgeting. The media have used FITRA's analyses to scrutinize corruption cases, a number of which have been brought to trial as a result of FITRA's public campaigns, and the movement's disclosure of corruption at the local level has acted as a deterrent (Deles, Mendoza, and Vergara, 2009)
- Civil society groups may provide input to the audit process prior to the submission of the audit report to the PAC and the legislature. For instance, in Colombia, "the Auditor General's program includes public forums and hearings in which complaints from citizens are heard and public feedback is generated regarding the work of the Auditor General" (Stapenhurst, 2004: 9).
- Civil society may institute procedures for monitoring social indicators and for evaluating performance, such as the Municipal Seal of Approval program in the state of Ceara in Brazil (Fuentes and Nimii, 2002).

3. Practical Programming Guidance

This section highlights the challenges associated with respect to undertaking social budgeting. Understanding the challenges can help donors and development agencies to plan their support for budget initiatives. Key external factors that can help or hinder budget work are described in section 3.1, while ways to support budget work and overcome internal challenges are described in section 3.2.

3.1. Challenges faced by social budgeting initiatives

De Renzio and Krafchik (2007) conducted six case studies of CSO-led budget initiatives and found that the factors that shaped their ability to influence policy belonged to three categories: external factors, such as the political environment, the legal and institutional framework, the role of donors, and the degree of literacy and interest in budget issues in the general population; internal factors, such as the characteristics and strategies of each of the groups; and relationships with other actors, including government, other CSOs, the media and donors. A review of the social budgeting work of UNICEF also identified internal and external challenges to starting and sustaining a budget initiative (Gore, 2008). These studies suggest that some of the key factors that can help or hinder budget work are as follows:

- Openness and priorities of the government with respect to budget work.
- Availability of expertise within and outside government.
- Dominance of the finance ministry, development banks, and IFIs.
- Level of civil society activism and media interest.

Openness and priorities of government

The openness of government refers to the transparency of its budgeting and policy-making process and the public availability of budget data. In countries such as Brazil, government has a long history of being transparent with public accounts, and civil society also has a history of being vocal and active in critiquing policies and budgets. In such a political and social environment, gaining access to data is relatively easy. CSOs can use the data to examine social sector allocations and expenditures, analyze social indicators and budgets at local government level, and raise public awareness.

In other cases, social budgeting activities may be complicated as access to budget information is difficult. For instance, in transitional countries in the CEE/CIS region, budget transparency historically has been limited. In Egypt, Iran, and Sudan, among others, budget data are considered sensitive information. In Panama, the planning capacity in the government has been weak, budget allocations are subject to a top down process, and budget information has not been widely shared. Despite the difficulty of gaining access to data, CSOs have in some cases initiated budget analysis and advocacy efforts.

A lack of attention to social development or human rights issues, including gender equality and women's rights, on policy agendas can also present challenges. For instance, in some CEE/CIS countries, gender inequality is perceived to be an issue in the private sphere, not a priority for the state, and governments are less receptive to gender budgeting. Countries occupied with improving the basics of budgeting establishing gender inequality as a problem in the budget will be difficult. In such situations, it may be strategic to advance social budgeting without an explicit connection to gender budgets. However in countries such as India, the inroads made by gender budget initiatives have proven to be an advantage for introducing child-oriented budget analysis, since the government is already aware of the concept of social budgeting.

In some cases, the issue is not that budget information is closed, but rather that government actors lack experience with budgeting from a children's perspective. Therefore, one of the first tasks might be to convince government officials of the advantages and insights afforded by budget analysis as a whole and further emphasizing the relative importance of social budgeting to achieve results for children.

Establishing credibility in budgeting and public finance issues

Social sector line ministries and CSOs face a situation where the finance ministry, IFIs, and development banks have a predominant position with respect to budget decisions, PFM, and setting economic policy. Where the scope for advocates of children's rights to substantially engage in social budgeting is low, their first task becomes investing in building relationships with the finance ministry and IFIs, and establishing their credibility to analyze and discuss PFM and budget issues in the development community.

Establishing credibility entails demonstrating the capacity to undertake PFM and budget analysis, and specifying the added value of doing so from a child rights perspective. For instance, CSOs or social sector line ministries could analyze budget allocations and expenditures using tools similar to those used by the World Bank, such as PETS, and apply these tools to analyze the impact on children's rights.

Availability of expertise

National research institutes play an important role in conducting budget analysis. National experts possess local knowledge, often have access to government data and officials, and can more likely ensure the sustainability of the social budgeting initiative. However, finding national institutes that can produce high quality and politically unbiased analysis might be a challenge in some countries. Skilled national researchers tend to be in high demand. In countries such as Chad and Sudan, where development agencies are oriented towards humanitarian assistance, there may be limited local capacity for the type of analytical work that social budgeting entails.

External expertise can be brought in to complement local capacity for budget analysis, and may be particularly useful where advocates of budget reform need to establish credibility and gain confidence of the government. However, where governments are hesitant with opening up budget data for analysis, external experts might face difficulty in accessing data. In such cases, convening decision-makers would be a necessary first step.

Level of civil society activism and media interest

In countries where budget data is considered sensitive information and is difficult to access, or where budgeting has traditionally been a publicly closed process, civil society participation and media attention to policy processes might be low. In such situations, the challenge is to demonstrate the value of analyzing budgets from the perspective of children's rights, and to support channels for public participation.

The effectiveness of public participation in budgeting depends on the capacity among CSOs, the media, and community groups to understand budgets and express demands based on budget analysis. This can be a challenge in countries where public participation in policy processes has generally (or historically) been low, where the media is not well developed or free, or where NGO activity is not robust. In such environments, conducting public outreach and enhancing budget literacy through education and awareness programs are essential strategies, as is evaluating the impact of participatory methods.

3.2. Supporting budget work

The external challenges mentioned above can restrict the scope of the tools and approaches that child rights organizations are able to use. Yet as a normative imperative behind social budgeting, a concern with children's rights is an objective that is broadly recognized as a neutral issue. Even in cases where government might be closed to sharing budget information or analyzing the budget, the neutrality and universal appeal of the best interests of children can provide a strategic entry point to address the budget, as UNICEF can attest (see Gore, 2008).

Additionally, some child rights organizations might have technical and field experience in the social sectors which can inform policy decisions, budget allocation choices, and options for public expenditure reform. Concerns about improving social sector indicators can lead directly to addressing budgetary resources, which can be used as a basis for structuring budget work.

However, apart from the external challenges mentioned above, organizations face internal challenges due to lack of capacity, access to information, and strategic partnerships. Child rights organizations need to invest in developing and validating new evidence and document and share what they have accomplished.

Donors' and development agencies' support²⁶ to budget work can help child rights organizations to overcome the external challenges posed by issues of organizational credibility and capacity, government priorities, public awareness, and media interest, and also overcome internal challenges in the following areas:

- strategic guidance
- building technical capacity for budget analysis and advocacy
- increasing access to knowledge networks and opportunities for peer review

Strategic guidance

An organizational strategy on social budgeting can help to structure and sustain activities, develop partnerships, obtain resources, and enhance credibility of the organization in public finance management. Forms of support include the following:

Strategic guidance

- Guidance on research design and strategic planning for budget work, for example, on writing Terms of Reference, identifying research questions, and devising public outreach strategies.
- Guidance on how to apply analytical tools such as PETS, or link with partners on a major exercise such as a PER.
- Coordination of comparative budget studies within and across regions.
- Strategy to expand staff with expertise in social policy and economic analysis.

Enabling access to data and expertise

- Access to data through standard sources such as the IMF International Financial Statistics database, which reports statistics on international and domestic finance for almost all countries. Comparable and reliable statistics are essential to generate credible analysis.
- Institutional partnerships to help position and develop budget work. This could involve building links with organizations such as the World Bank, which have considerable experience in budget analysis.

Building capacity for budget analysis and advocacy

Low levels of expertise in social budgeting, public finance, or economics can constrain the initiation and breadth of an organization's budget work. Complementing existing organizational

²⁶ The support has to be provided without “undermining the long-term objectives of increasing country ownership of public policies and strengthening domestic accountability mechanisms” (De Renzio and Krafchik, 2007: 4). The authors suggested that donors can “strengthen rather than undermine domestic accountability. Given their superior technical and financial capacity, donors easily end up being the dominating voice in the dialogue with government on budget policies, marginalising local inputs and therefore undermining the potential role of civil society, parliaments and the media.”

knowledge and skills can help to leverage technical and field expertise. This requires training program on budgeting and PFM, and opportunities for staff to use learning events for networking and knowledge exchange.

Educating the media, parliamentarians, and other opinion-makers about the relevance and importance of socially-oriented budget analysis can also improve the political climate in which child rights organizations introduce social budgeting.

Knowledge networking and peer review

Organizations undertaking budget work can benefit from exchanging experiences with or even simply learning about the experiences of, other organizations with similar objectives and from having their analysis vetted by experts and peers.

Documented knowledge about social budgeting activities

- Information on how analysis or advocacy was carried out is useful for organizations that are embarking upon this work. The documentation should cover both the process and findings of the budget activities.
- The information should be easily retrievable, particularly from online sources.
- Documents should be available in several languages.

Channels for networking, peer review, and expert advice

- Connecting with national and international partners who have complementary expertise in public finance, economics, and budget analysis, can create opportunities for collaboration, e.g. on gender budgets.
- Partnering with experts in economic analysis can make it easier to introduce the concepts and benefits of social budgeting to ministries of finance.

3.3. A sample of analytical tools

Analytical tools

For an overview of analytical and advocacy techniques that could be applied at different stages of the budget cycle, please see Appendix 0.

Gender budget analysis

Reeves (2003) argued for analyzing the gendered implications of mainstream budget allocations rather than focusing on identifying expenditures that are explicitly oriented towards women, which tends to restrict gender equality concerns to isolated issues. Methodological tools designed for analyzing the budget from a gender perspective have been adapted and used in gender budget initiatives around the world.

A selection of such tools is listed below.

Table 6: Tools for gender budget analysis

Method	Description
<i>Gender-aware policy appraisal</i>	Designed to analyze policies and programs from a gender perspective, and identify the ways in which these policies and the resources allocated to them are likely to reduce or increase existing gender inequalities.
<i>Gender disaggregated beneficiary assessment</i>	Implemented to evaluate the extent to which programs or services are meeting the needs of actual or potential beneficiaries, as identified and expressed by themselves.
<i>Gender disaggregated public expenditure benefit incidence analysis</i>	Used to evaluate the distribution of budget resources among women and men, girls and boys by estimating the unit costs of a certain service and calculating the extent to which this service is being used by each of the groups.
<i>Gender disaggregated analysis of the impact of the budget on time use</i>	Designed to establish a link between budget allocations, the services provided through them and the way in which different members within a household spend their time.
<i>Gender-aware medium-term economic policy framework</i>	Designed to incorporate a gender perspective into the medium-term frameworks of policy development, planning and budgetary allocations, such as by disaggregating variables by gender, combining national income accounts and household income accounts and highlighting and challenging the gender-blind underlying assumptions about how the economy works.
<i>Gender-aware budget statement</i>	This tool refers to reports generated by government agencies on the implications of their expenditure on gender equity objectives.
<i>Disaggregated tax incidence analysis</i>	Used to assess the differential impacts of taxation on women and men, as well as to evaluate the level of revenue raised in relation to the needs and demands for public expenditure.

Source: Reeves (2003)

Institutional change

Institutions are commonly defined as the formal and informal rules that constrain or condition individual behavior. (For a discussion of approaches to the study of institutions, please see Appendix 0.) Budget initiatives that build capacity of the legislature, raise public awareness through media campaigns, or increase budget literacy of the poor, will affect the way that social actors engage with the budgeting process. If, as a result of these activities, the budgeting process becomes more inclusive, participatory, or transparent, then this would reflect a change in formal or informal budget practices, and thus in budgetary institutions.

Once we identify what needs to be changed, we can then measure the extent to which this change needs to be achieved. The questions that are typically asked will aim to map the institutional structure of the budget process, the actors within it, the role they play, and the actors' incentives, influences, opportunities, and constraints. Please see Table 7 in the Appendix (page 1) for the types of questions that could be part of an institutional analysis.

4. Characterizing Budget Initiatives: Some Examples

Since the landscape of social budget work is diverse, initiatives in social budgeting may focus on different goals, spanning efficiency, equity and stability along public finance lines, as well as contributing to accountability and governance.

This section, informed by the experience of UNICEF, characterizes budget work based on (i) the impetus, or initial motivation of an initiative, and (ii) the objectives or primary focus of an initiative. Some initiatives however may have applied more than one method or strategy at once.

The *impetus* for social budgeting is determined by the opportunities offered by the social, economic, and political context of the country. For example: a social budgeting initiative may begin as a strategic and initial response to a crisis. An initiative, may begin as a technical analysis or as an advocacy effort, and then expand further, encompassing both. In a politically closed environment, the initial approach may necessitate convening stakeholders to build a consensus and raise awareness. Partnership opportunities can also spur social budgeting ventures.

The *objectives* of budget work can include improving PFM and budgeting procedures, building capacity of government actors to effectively engage in the budget process, enhancing social inclusion and participation, instituting policy or legislative reform, and enabling cross-national tracking of budget openness.

4.1. The impetus and initiation of budget work

This section covers the ways in which social budgeting initiatives have been initiated:

1. *As a consequence of*: presents examples of initiatives that arose as a response to a situation, for example an economic crises or political events.
2. *Action specific*: some initiatives can be segregated by the action they perform: i) conducting technical analysis ii) convening government actors and international partnerships iii) linking with strategic partners who have an interest in social budgeting.

Responding to economic crises and political events

Some initiatives have come about as a response to immediate macroeconomic concerns or have taken advantage of particular political events, and have evolved over time to expand their scope of work.

For instance, in **Indonesia**, the CSOs involved in budget work were initially formed “to take advantage of and strengthen the new opportunities offered by the political change” wrought by Indonesia’s decentralization reforms (Budlender, 2009: 1). Their work has focused at the local level, in cities and towns across Indonesia, in part reflecting the opportunities provided by Indonesia’s decentralization processes. Most of the organizations describe themselves as having a pro-poor and gender-sensitive approach, reflected in their focus and modes of operation (Budlender, 2009: 1). Many of the CSOs in Indonesia have focused on corruption, and are

moving on to considering how funds recovered from decreasing corruption could be used more effectively for the poor.

In **Ecuador**, UNICEF's budget analysis work began in 1999-2000, prompted by a national economic and social crisis at the time. The first phase of UNICEF's budget work involved presenting an overview of national budget allocations and their impact on children, and promoting a proposal that incorporated social equity as a core guideline of economic policy. In the second phase (2001–2002), UNICEF produced and distributed a bulletin on social spending; supported drawing up of the social budget and public review of the general budget; and promoted the transfer of monitoring social sector spending and institutional capacity building tools to government counterparts. In the third phase (2003-2004), UNICEF intensified its role as a catalyst by providing technical assistance, conducting advocacy, and promoting the rights-based approach, while CSOs took over the management of citizen observatories.

The **Tanzania** Gender Networking Program (TGNP) is a CSO network that aims to promote gender equity in Tanzania (Deles, Mendoza, and Vergara, 2009). The formation of TGNP in 1993 was a reaction to dissatisfaction with the government in the 1980s. Due to structural adjustments programs, many government workers were retrenched and budgets for health care, education, and other social services were cut, provoking wide public dissatisfaction. TGNP began its gender-responsive budget initiatives in 1997.

In **Mozambique**, the end of the civil war in 1992 presented an opportunity for PFM reform, which included, modernizing the legal framework for budgeting, upgrading budget-treasury operations, introducing an improved accounting and reporting system and an integrated and computerized financial management system, and enhancing internal and external controls (Daban and Pesoa, 2007).

Conducting technical analysis

Many initiatives have placed an importance on generating evidence about budget outcomes. They have emphasized budget analysis, sometimes of a particular social sector, as a way to build evidence and engage in budget discussions.

For example, in a report entitled *Child poverty and the budget in South Africa* (Casseim, Perry, Sadan, and Streak, 2000), the Institute for Democracy in South Africa (IDASA) aimed to monitor government performance in delivering on its promises to poor children. The study analyzed **South Africa's** Budget 2000 and its MTEF for 2000-2003. It explored the extent to which governments had delivered on its National Programme of Action (NPA) commitments to prioritize poor children's needs in budget allocations and policy. It analyzed the (i) allocation of revenue across levels of government (ii) allocation of revenue between provinces (iii) budget assumptions and fiscal policy, including the assumptions underpinning Budget 2000 about how the economy is to perform over the next three years, fiscal policy positions and the implications for child poverty and (iv) expenditure trends and new policy initiatives as far as they reflected government's NPA promises.

The Institute of Public Finance (IPF) in **Croatia** was founded in 1970 and was established as a publicly-funded research organization by the socialist regime. Over the years, the IPF has

developed its initial focus on tax issues and local budgets to public finance and economic research more broadly, and has developed ties to international and regional research networks. While it still has a mostly academic orientation, the IPF has links with policymakers and the media and aims to disseminate information about budgets and public policies to a wide audience through regular events, publications, and a website (De Renzio and Krafchik, 2007:4). Thus, IPF has expanded the scope of its activities from a purely academic research standpoint to a more public-oriented analysis of the budget simultaneously maintaining its initial research focus on the budget.

Convening key government actors and international partners

Some initiatives have focused, at the outset, on convening government agencies and key national and international partners. They have brought together major government stakeholders and experts in order to advocate for the importance of social budgeting for children. Taking such an approach might be driven by the closed nature of the budget process, which necessitates building common ground among decision-makers before considering more involved budget analysis and reforms.

For example, in **Kazakhstan**, UNICEF held a brainstorming meeting in 2006 to survey the actors and activities in the area of budgeting. Participants in the meeting, including NGOs at national and local level who worked in the social sectors, shared preliminary data, discussed studies, and provided initial recommendations. In 2007, UNICEF organized a conference, attended by Ministry of Economy and Budget and Planning, which was an entry point to the budget process. It led to the setting up of an informal working group, which involved Parliament and certain government agencies.

Linking with strategic partners

Advocates for children's rights and gender equality have come together to pool together their capacity, resources, and advocacy power. For example, in **India**, gender budgeting is entrenched in the Ministry of Finance; the Ministry of Finance has issued guidelines on it. UNIFEM, UNICEF, and other partners discussed and agreed with the Ministry of Finance to hold joint workshops to examine gender and child budgeting and devise a common approach. This strategy is also necessary at the state level, since the focal agency for gender budgeting is the Department for Women and Child Development, which is not only UNICEF's nodal partner, but also responsible for coordinating cross-sectoral policy and action on children, and for running national programs at the state level.

Also in **India**, HAQ Centre for Child Rights, an NGO that has been working on child focused budgeting since 2001, began its work at the sub national level in three sample states, Andhra Pradesh, Himachal Pradesh, and Orissa. In 2005, it added the state of Jharkhand and in 2006, Uttar Pradesh, West Bengal and Assam. In each of these states, HAQ identifies and supports partner organizations to undertake budget analysis from a children's perspective. This ensures that capacities of state-level organizations are built, who can then carry forward evidence-based advocacy at the local level. In choosing potential partners, HAQ notes that it is not enough to have a proven experience and skill in budget analysis as it is equally important to have an in-

depth understanding of child rights issues to be able to undertake analysis from a child rights perspective (HAQ, 2009).

In **Nigeria**, UNIFEM has established a wide network of partnerships for social budgeting. UNIFEM began its interventions in Nigeria in 2001, two years after the resumption of democracy in Nigeria. Prior to this, the budgeting process was monopolized by the executive, and had little transparency and accountability. The political transition served as an opportunity for organizations to overcome the monopoly practices of the executive. UNIFEM partnered with the Centre for Democracy and Development, the National Centre for Economic Management and Administration, the Federal Office of Statistics, and the Parliamentary Committee on Women. These partnerships allowed UNIFEM to produce multi-faceted interventions.

In the **Philippines**, the Alternative Budget Initiative (ABI), which is now a partnership between 48 CSOs and a number of legislators, began as a network of 22 CSOs that had been independently involved in financing, debt, and budget advocacy. With the establishment of the ABI, they started working together strategically. The CSOs produce research and provide technical input for drafting an alternative budget, and the legislators push for the incorporation of the budget proposals in budget deliberations. Government agencies such as the Department of Education, Department of Health, Department on Environment and Natural Resources, and the National Economic Development Authority are invited to take part in meetings and provide input. The media also plays an important role in disseminating information on the alternative budgets to the public.²⁷

4.2. The objectives of budget work

This section discusses the *objectives* of budget work, which can include improving PFM and budgeting procedures, building capacity of government actors, enhancing social inclusion and participation, instituting policy or legislative reform, and enabling cross-national tracking of budget openness.

Improving PFM and budget procedures

There are variety of components involved in PFM reforms spanning from issues such as better cash management and accounting practices to clearer budget classification and reformed budget system laws, all of which are important in shaping the public sectors over-all capability to manage resources and deliver public services. Budget work may be promoted and assisted by international financial institutions (IFIs), development banks, and donors. For instance, PFM reforms can have major implications for instituting more robust budgeting systems and laying the groundwork for more effective budget execution. In other cases, national public finance institutions may take up budget issues.

²⁷ It is possible to bolster the examination of alternative budget scenarios through the use of different empirical tools and models. Joshi and Hu (2010), for example, develop a micro-accounting technique to examine the impact of aggregate shocks and model possible budget scenarios for blunting the social impact. These tools could for a broader suite of analytical methods that child rights advocates could also use in order to enhance their case in an evidence-based way.

For example, as mentioned above, **Mozambique** undertook an overhaul of its existing PFM system after the end of its civil war in 1992. According to the IMF, Mozambique's donor funded PFM reform program was a key contributor to its post-conflict economic recovery, conducted along with technical assistance from the IMF and the drawing up of the first Poverty Reduction Strategy Paper (PRSP) in 2001. In 2002, Mozambique passed a government-wide organic budget law, known as SISTAFE, aimed at ensuring efficiency and transparency in the use of public funds. Over 2002-2006, the IMF, as executing agency of donor funds, led the design of the computerized integrated financial management information system mandated by the budget law known as e-SISTAFE.

In **Sierra Leone**, UNICEF commissioned Oxford Policy Management to analyze Sierra Leone's PRSP for 2005-2007, the draft for 2008-2012, and how the public finance system impacts children (Deles, Mendoza, and Vergara, 2009). The analysis found that while enough attention is paid to children's interests, the government's fiscal capacity and the PFM system pose certain threats to the realization of the PRSP. These threats include a possible decline in the real value of public resources; concerns with security and infrastructure; the inability to finance capital inputs after spending for recurrent inputs; and the inability of the PFM system to link strategies, resource allocations, and results. It also analyzed ODA trends and priority sectors, noting the low level of flows towards education and health, and delays and unpredictability of budget support.

Developing government capacity for budget scrutiny

Budget systems may fail to produce socially inclusive outcomes if the negotiating actors, such as members of the legislature, are constrained by limited experience with budgeting and lack of access to expertise.

Institutional capacity constraints can limit the scope of work even in the presence of strategic opportunities. For example, in **Zambia**, in 2000, the parliamentary committee structure underwent reforms which theoretically placed greater emphasis on the legislature's oversight mandate with regard to the executive (Wehner, 2001). The Parliament constituted a Committee on Estimates, which was the first time that the legislature had a specialized committee to investigate budgetary matters. However, the budget work of the committee and the legislature overall was hampered by a number of factors, including the absence of supplementary analysis (apart from the Budget Speech), and a lack of access to research capacity (Wehner, 2001: 2).

In **Mexico**, legislators received training on budget analysis from CIDE, a national non-profit research and teaching organization. This proved to be an essential resource during an important political moment when the PRI²⁸ party, which had long been in power, lost its majority, and there was potential for a greater role for legislature in the budgeting process.

The **Inter-Parliamentary Union** (IPU) produced a handbook entitled *The Parliament, The Budget and Gender*, which summarized in an easy and understandable language, the budget process and the value of a gender perspective in budget analysis (Wehner and Byanyima 2004).

²⁸ The Institutional Revolutionary Party (in Spanish, Partido Revolucionario Institucional or PRI) is a Mexican political party that wielded power in the country for more than 70 years until the 1990s.

Social inclusion and public participation

Some initiatives, particularly CSO-led social movements, have sprung from concerns related to transparency, accountability, and other aspects of governance. For instance, the organization known as Development Initiatives for Social and Human Action (DISHA) was founded in 1985 in Gujarat, **India**, as a social movement dedicated to the political and economic empowerment of the poor, particularly tribal minorities, scheduled castes, and landless laborers. Since the mid-1990s, DISHA has used budget analysis as part of its effort, to mobilize its members to demand their rights (De Renzio and Krafchik, 2007: 4). DISHA analyzes government spending commitments and expenditure outcomes in areas of concern to the poor. DISHA's foundational motive of social inclusion provided the direction for its budget work, which is to ensure that the state government adheres to its promises to provide resources and services to marginalized communities.

An example from **Brazil** dates back to 1995, when a number of local and international organizations helped to formulate the *Pact for Children* document. The *Pact for Children* highlighted the importance of monitoring public policy financing that affects children. In 1996, two Brazilian think-tanks detailed a methodology for identifying state actions and resources aimed at guaranteeing the survival, development, and protection of children. The methodology highlighted two types of budgetary allocations: (1) expenditures that provide direct, individual benefits to children (e.g. health, education, social welfare assistance and defense of child rights), (2) social spending that benefits children and also has wider benefits (e.g. sanitation and environmental programmes). In its analysis, the Institute for Socioeconomic Studies (INESC), a Brazilian NGO, focused on the government's direct expenditures for children during 1995 to 1998, and arrived at Brazil's "Children's Budget". The reports on spending for children were disseminated to around 200-300 decision-makers, civil society groups, and individuals. In 1999 INESC began producing a more focused bulletin, *Budget and Policy for Children and Adolescents*, which was disseminated to 2,000 recipients, including media outlets and members of Congress.

In 2003, INESC in partnership with UNICEF and the Abrinq Foundation developed an initiative called *Orçamento Criança* for monitoring budget implementation. The initiative first identifies areas within the public budget that focuses on children's rights, and then begins an advocacy process. Recognizing the importance of assuring the right of adolescents to participate in decisions concerning their lives, *Orçamento Criança* has been adapted and used to educate adolescents about budget drafting and implementation. A project named *Onda*, implemented in the federal capital of Brazil (DF), involves child participation, empowerment, and construction of citizenship in adolescence. It educates public school students and encourages their active participation in the budgeting process. During 2009, more than 70 students from DF participated in workshops regarding the elaboration of the budget within the legislature.

Also in **Brazil**, the children's participatory budget council (CPBC) in Barra Mansa was established through a municipal law in 1998, and implemented by the city council as part of a broader plan aiming to foster citizenship among children and young people aged 9 to 15 (Guerra, 2002). Children elect their peers to a children's council, which makes decisions on how to spend

a small portion of the municipal budget (about US\$ 125,000 in 2002) based on priorities that are determined by the children's council.²⁹

In Indonesia, the non inclusive process of budget formulation was one of the motivating factors that spurred the work of Indonesian Women's Coalition for Justice and Democracy or *Koalisi Perempuan Indonesia* (KPI) in social budgeting. It is a group of 75 women activists, which was established on May 18th 1998 in Jakarta. The program covers gender budget training that targets women across all segments of society, including indigenous, elderly professional and informal workers. In order to maximize its impact on budget in favor of women, KPI collaborates with organizations that share a similar goal and vision. The ongoing work of KPI has resulted in influences in policy making, and the Ministry of the Empowerment of Women adopted a draft of the national plan of action on women's empowerment that KPI had initially provided.

Another organization in Indonesia called the Forum Indonesia Untuk Transparansi Anggaran (FITRA) is a diverse group of concerned citizens who came together for the promotion of a participatory budgeting process and to fight corruption. The organization monitors the budgeting process at the national department and local government level and undertakes budget analysis to increase people's awareness of their rights regarding the budget process. The analysis is presented to the public in a less technical manner so as to be able to provide information in such a way that community groups are aware of and are able to exercise their rights and participate more actively in the budget processes that affect them. KPI, in fact, has collaborated with FITRA to publish a guide to budget advocacy.

Instituting policy or legislative reform

In some cases, budget initiatives have been developed as a consequence of, or concurrently with, policy analysis and legislative reforms. For example, attempts were made to account for the cost of proposed policies and laws in juvenile justice in South Africa, the social protection programmes in Nepal, and to monitor local expenditure on public projects in the Philippines.

A notable example is the costing of the juvenile justice law in **South Africa**. In 1997, the South African Law Commission established the Juvenile Justice Committee to develop a dedicated juvenile justice statute—the Child Justice Bill—for South Africa. The Bill was the first piece of draft legislation in South Africa for which the costs of implementation were explored in detail prior to it being tabled in Parliament. The Child Justice Bill was the first bill to comply fully with section 35 of South Africa's Public Finance Management Act No. 1 of 1999, which requires a “draft national legislation that assigns an additional function or power to, or imposes any other obligation on, a provincial government, must, in a memorandum that must be introduced in Parliament with that legislation, give a projection of the financial implications of that function, power or obligation to the province.”

Two costing exercises were conducted to assess the cost of implementation of the Child Justice Bill, the second being an update and refinement of the first and incorporating revisions made to

²⁹ For more examples of how children and adolescents can participate in public policy, see http://www.unicef.org/adolescence/cypguide/index_policy.html

the initial draft Bill. The initial exercise, which estimated the cost of implementing the draft Bill introduced in 1998, involved (1) establishing a baseline estimate of expenditure on the prevailing juvenile justice system, and setting up an analytical framework that would review five sectors--police, welfare, justice, correctional services and education--across national and provincial spheres of government, and (2) estimating the expected impact of the changes proposed by the draft Bill. In 2000, the draft Bill was revised. A second exercise was undertaken in 2001, which involved re-costing the Bill to update the cost estimates after taking into account revisions made to the Bill.

Another example from **South Africa** is the evaluation that IDASA's Children's Budget Unit (CBU) conducted of the national Child Support Grant (CSG). Though the CSG program had been redesigned to be more inclusive, the CBU found that due to local governments' lack of capacity, it was still not accessible to rural and marginalized communities). The CBU also made other policy recommendations, such as maintaining the real value of the grant, increasing the eligibility age, and allocating additional resources in rural areas. Further, the CBU discussed the findings with government officials, trained CSOs and legislators, and built alliances with child rights organizations. Consequently, the government increased funding for the Child Support Grant in real terms and raised the eligibility to 14 years (De Renzio and Krafchik, 2007).

In **Nepal**, the UNICEF Country Office examined the policy options for structuring a social protection programme, including its cost and financing. A study found that there was a gap of 21 percent between budget allocations and actual expenditures on social sector services in the 2003-2004 budget, which points to low absorptive capacity of the social sectors and room for restructuring the budget and dealing with bottlenecks in the system (UNICEF Nepal and ROSA, 2008).

Abra, an isolated and neglected agricultural region in the Philippines, relies on road transport to deliver its produce to markets. The Concerned Citizens of Abra for Good Government (CCAGG), chose its initial focus on the issue of road infrastructure of Abra motivated by a news story that listed 20 infrastructure projects in the region as being completed. CCAGG decided to verify the information, and in the process exposed discrepancies and anomalies in the government's reports, leading to the suspension of eleven government engineers. CCAGG was founded in 1986 with the objective of monitoring public spending and raising political awareness in local communities. CCAGG focuses specifically on development projects and public expenditures in the Abra region with a view to enhancing public participation in development processes and bringing accountability tools, such as social auditing closer to the people.

UNICEF's budgeting activities in the **Pacific Islands** have been laid out as part of a comprehensive multi-year plan to analyze child poverty and related policies (Gore, 2008). The Terms of Reference outlines four components which provide the baseline for future support to the government of Kiribati, Solomon Islands and Vanuatu in formulating the child-centered policies, plans and budgets: (i) initial analysis of available social and economic data to determine levels and trends in child poverty and areas for future research (ii) analysis of previous economic policy impact (iii) scoping of policy formulation processes to examine potential entry points and capacity building requirements for child-centered policies and (iv) child-centered budgeting,

including analysis of past budget expenditure in two sample ministries. Each component has two parts, a research design phase and an analysis phase which is conducted over two years.

Cross-national tracking of budgets: Surveys and indices

Tracking budgets over time and in relation to other countries provides evidence of progress in budget efficiency and transparency. It also allows cross-national comparisons of budget practices. Examples of budget indices and surveys are as follows:

The **OECD** produces the **International Budget Practices and Procedures Database**,³⁰ which is based on a survey of budget practices and procedures in OECD countries, the 2008 World Bank/OECD survey of budget practices and procedures in Asia and other regions, and the 2008 CABRI [Collaborative Africa Budget Reform Initiative]/OECD survey of budget practices and procedures in Africa. The database contains information on budget institutions from 97 countries, including the 30 OECD member countries and 67 non-members from the Middle East, Africa, Eastern Europe, Asia, Latin America and the Caribbean. The database is a comprehensive source to compare and contrast national budgeting and financial management practices. It includes over 99 questions that cover the entire budget cycle: preparation, approval, execution, accounting and audit, performance information, and aid management within developing countries.

In 2008, **CABRI** and the **African Development Bank** published a report on **Budget Practices and Procedures in Africa**. The report analyses the findings of the CABRI and OECD Survey on Budget Practices and Procedures that was conducted in 26 African countries in 2008. The survey was administered by finance ministry officials through an online platform in participating countries. Each participating country was also requested to respond to peer reviewer comments. The report analyses the survey results for the 26 African countries that participated in the exercise, providing an overview of budget practices and procedures in (a) budget timelines, (b) budget formulation, (c) parliamentary oversight, (d) budget execution, (e) fiscal transparency, (f) off-budget spending, and (g) aid management. The survey enables a stocktaking of budget practices and procedures in African countries and a cross-country comparison of these practices. It also provides a basis for CABRI to observe where reform implementation has improved or is lagging behind, and to identify priorities for budget reform.

The **International Budget Project (IBP)** leads the **Open Budget Survey** and created the **Open Budget Index (OBI)**. The Open Budget Survey was launched in 2006, and is conducted biennially. IBP works with CSOs in 85 countries to collect information on and evaluate the degree of access and opportunities for participation that governments provide to the public at the national level. In order to measure commitment of the countries surveyed to transparency and to allow for comparisons among countries, IBP created the OBI from the Survey. The OBI assigns a score to each country based on the information it makes available to the public throughout the budget process.³¹ Since a significant amount of poverty-reducing expenditures take place at the

³⁰ Available at www.oecd.org/gov/budget/database. The information held in the database is made available free of charge.

³¹ <http://www.openbudgetindex.org/>.

sub national level, the initiative has begun a new effort to support work on budget transparency and accountability at this level.

4.3. Linking children’s rights and the budget process

Please see Appendix for a selection of examples that show how a focus on children’s rights can be applied in budget work. The examples are organized to show how methods have been applied at various stages of the budget cycle, as well as more generally in building the capacity of government and civil society actors involved in budgeting.³²

Budget formulation

Budget formulation
<ul style="list-style-type: none"> • UNICEF China, in 2006, together with Office of the National Working Committee on Children and Women (NWCCW) published a study entitled “China's Budget System and the Financing of Education and Health Services for Children”. It emphasized the need for budget allocations and fiscal transfers to poor counties to reduce disparities in social development. • In 2007-2008 in Kenya, UNICEF set up District Budget Observatories and placed a Social Policy Adviser in the Ministry of Finance. • In South Africa, child rights advocates working alongside public finance experts conducted a costing of a Juvenile Justice Bill, prior to its being enacted as law. • In Kenya, Dupoto e Maa conducted an analysis of the share of pastoralist children in the education budget. The study was further used to advocate for an increased allocation in the central and local budget for pastoralist children. • In India, HAQ Centre for Child Rights has been producing a child-focused budget analysis of the national budget since 2001, and since 2005, the Centre has partnered with organizations at the state level to produce analyses of state budgets.

Budget approval

Budget approval
<ul style="list-style-type: none"> • In Serbia, in 2009, parliamentarians stressed the need to monitor the implementation of laws and budget allocations that directly pertain to children, and requested the government to submit reports to the Parliament and its child rights body on what has been done and what has not been done and why.³³ • In 2007, together with Parliament and the Azerbaijan Economists Union, an NGO, UNICEF Azerbaijan undertook a study of budget policies and investments for children. The study analyzed trends in social sector allocations, compared them across CEE/CIS countries and other countries rich in natural resources. • In Brazil, Save the Children Sweden along with local NGOs supported children’s

³² For more examples and detailed descriptions, as well as references to case studies, please see Deles, Mendoza, and Vergara (2010).

³³ Parliamentary Speaker Slavica Djukic-Dejanovic, the Chairperson of the parliamentary Working Group on Child Rights, Serbia, speaking at a seminar organised jointly by the parliamentary cross-sectoral Working Group on Child Rights and UNICEF, April 2009.

participation in the approval and monitoring of the budget in the city of Fortaleza in the state of Ceara.

- Kenya's Inter-Parliamentary Union held a regional workshop in May 2000 to discuss how the budgetary process was influenced by gender perspectives. Partners included UNICEF and the Commonwealth Parliamentary Association

Budget execution

Budget execution

- UNICEF South Africa began in 2007-2008 a Public Expenditure Tracking Survey of Early Childhood Education (ECD) programs from the central government to provinces and ultimately to ECD service delivery points.
- UNICEF Madagascar worked with the World Bank and the Ministry of Health and Ministry of Education to conduct Public Expenditure Tracking Surveys and to develop the MTEF.
- UNICEF Indonesia, in 2007-2008, worked with government partners at provincial and district level and used official budget data to analyze expenditures in HIV/AIDS with a specific focus on the effects for children.
- UNICEF Azerbaijan, together with parliamentarians and a national research institute, analyzed intra-sectoral expenditures and links between budget expenditures and outcomes for children.
- In Honduras, UNDP has a local level monitoring programme for poverty reduction strategies. UNDP has been leading efforts to draw donor attention to the local level, including for allocating resources at the municipal level to the local governments under Direct Budget Support, and to institute monitoring and reporting on MDGs and PRSP targets at the municipal level (UNDP Honduras, 2007).
- In the Philippines, UNICEF's Local Policy and Institutional Development (LPID) programme, which focuses on the provincial and city level, has a project entitled Local Law, Planning and Advocacy for Children. The goals of LPID include increasing investments for children's programmes and enforcing child-friendly laws and policies. These goals depend on the Local Government Units (LGUs) raising their own revenues and prioritizing spending in the social sectors (Manasan, 2007). The LPID conducted a study to identify policy options and action points that could (i) raise LGU revenues, (ii) increase LGU spending levels by reducing "excessive" fiscal surpluses, and (iii) increase the share of social services, especially children's programs, in LGU spending (Manasan, 2007).
- The Government of Tanzania, in 2004, commissioned a research institute, Research on Poverty Alleviation (REPOA), in Dar es Salaam, to conduct a Public Expenditure Tracking Study, which examined financial and non-financial flows from central government to schools.
- In Kenya, Dupoto e Maa conducted workshops for school management committees to track the use of Free Primary Education grants. As a result, these committees assessed how effective budget allocations were in promoting key education indicators (Perry, 2008).

Audit and performance evaluation

Audit and performance evaluation

- In Ceará, Brazil, the Municipal Seal of Approval was developed by UNICEF to

encourage municipalities to achieve targeted results in social service delivery and to disseminate information about these efforts.³⁴ The Seal of Approval program groups municipalities according to socio-demographic characteristics; monitors social indicators from a baseline study; gives feed-back to each municipality; mobilizes children through campaigns and competitions; and makes rules for comparative evaluation of municipalities' performance.

- In Ghana, the Northern Ghana Network for Development (NGND) involved communities in assessing the performance of community schools using a scorecard method. NGND also collected information on education expenditure in order to assess the quality of service given the costs. The analysis was used for constructive dialogue between communities and the district education directorate on issues such as school infrastructure and management.

Capacity building

Building capacity for budget analysis and advocacy

- In Brazil, a project named Onda, implemented in the federal capital (DF), involves child participation, empowerment, and construction of citizenship in adolescence. It educates public school students and encourages their active participation in the budgeting process. During 2009, more than 70 students from DF participated in workshops regarding the elaboration of the budget within the legislature.
- In May 1999, the Botswana Gender Ministry organized a workshop on gender and budgets for local level planners, researchers and statisticians (Budlender, 2001).
- In Ghana, the Northern Network for Education Development (NNED) was supported by the Commonwealth Education Fund (CEF), and partnered with the Ghana National Education Campaign Coalition (GNECC) and the ISODEC Centre for Budget Advocacy to train community members evaluate budgets, track expenditures and prepare School Performance Improvement Plans (SPIPs). The SPIPs were necessary for the capitation grant disbursements. The trainees then provided NNED and its partners with information on how the capitation grant was used – helping them in their advocacy activities – and assisted in the preparation of SPIPs, which increased the grants given to schools. These groups also analyzed the education budget and published the results.
- In Lesotho, the Campaign for Education Forum trained trainers of budget tracking sessions that were attended by CSOs and representatives of the education ministry (Perry, 2008).
- In Uganda, the Uganda Adult Education Network (UGAADEN) supported adult learners to become involved in school governance. UGAADEN trained participants on education financing and policy issues. Adult learners used the skills to participate in planning and monitoring funds.

³⁴ In order to be certified with the Seal, municipal teams have to direct attention and resources towards improving social indicators within their jurisdiction. Local authorities have to take ownership of their data, and improve the quality of services, public accountability, and performance in the implementation of child and adolescent rights (Fuentes and Nimii, 2002).

5. Monitoring Guidance

Monitoring is defined as activities that are conducted during a project or programme implementation to assess the efficiency and effectiveness with which inputs are used to achieve intended outputs (Bamberger, 2000). Monitoring is thus a continuous management function aimed to provide regular feedback and early indications of progress or lack thereof, in the achievement of intended results (UNFPA, 2004: 7). It tracks actual performance against planned or expected performance standards, and can be used to guide decision-makers or managers about taking corrective action during the course of the budget initiative.

Evaluation can be applied to both ongoing and completed interventions, and is concerned with assessing the extent to which projects or programmes have achieved their intended objectives and have produced their intended changes and benefits in the target populations (Bamberger, 2000). Evaluation is undertaken to answer specific questions to guide and to provide information on whether underlying theories and assumptions used in programme development were valid, what worked and what did not work and why (UNFPA, 2004: 4).

Reliable evaluations can generate empirical evidence to support the claim that budget initiatives make a difference in reforming budgets. The IEG-World Bank (2009) describes development interventions as having a results chain, beginning with inputs through to outputs, outcomes, and impact. Evaluations can focus on some or all parts of this results chain. In other words, an evaluation can determine the relevance, validity of design, efficiency, effectiveness, impact, and sustainability of a program (UNFPA, 2004).

- There can be several purposes for an evaluation:³⁵ To offer a direct assessment of the impact of the program on the welfare of its targeted population and verify whether funds have been spent as intended.
- To provide insights on how the intervention is affecting outcomes, and thus on the relative efficiency of implementing one intervention versus another.
- To inform policy decisions on how to improve existing programs and whether to continue and/or expand them to environments different from those for which they were first designed.

The benefits of impact evaluation

The debate on aid effectiveness has spurred an interest in obtaining better evidence on development results and therefore in *impact evaluation* techniques which can indicate not only whether the intervention had an effect but also the size of that effect (Elbers, Gunning and de Hoop, 2007).

An impact evaluation aims to identify the final effects--intended and unintended, negative and positive--caused by an intervention on households, communities, institutions, or the environment. However, how this applies to the evaluation of budget initiatives, which do not aim

³⁵ Drawn from Gertler, Patrinos, and Rubio-Codina (2007)

to directly deliver goods or services to a population, but rather to affect changes in government institutions, policy decisions, and resource allocations remains a pertinent question.

An *impact evaluation* of a budget initiative would seek to identify the results it has produced in terms of (i) changes in budget allocations and (ii) reforms of budget procedures. It would assess the magnitude of the effect that the budget initiative produced. The effect could be measured in monetary terms as increases in or changes in the distribution of budget allocations, or in terms of institutional change, reflecting reforms in the budget process.

However, attributing effects to a specific budget initiative requires paying attention to the design of the evaluation, particularly to developing a sound counterfactual³⁶ which presents a plausible argument that the observed changes in outcomes, e.g. budget allocations, which are observed in the wake of the budget initiative are in fact due to the particular initiative and not to unrelated factors (Bamberger, 2006). For more on impact evaluation, please see Appendix 0.

Budget initiatives have generally not been evaluated in the manner of an impact evaluation. The examples outlined below describe the impact of budget work in terms of a simple gain score³⁷ at best, or as progressive reforms in budget documents and procedures (e.g. budget priorities for children included in policy statements), or sometimes simply as outputs (e.g. number of legislators trained). Where they do indicate an effect, they are often unable to indicate the magnitude of the effect attributable specifically to the budget initiative. The changes in budget allocations or procedures could be the result of “unrelated factors, such as improvements in the local economy or programs organized by other agencies” (Bamberger, 2006: 3). Appendix sections 0, 0, and 0 provide examples of the types of results that have been associated with budget analysis and advocacy efforts.

The difficulty of implementing rigorous impact evaluation of budget work likely reflects the broader challenge of disentangling various interacting factors behind success or failure in this area. Nevertheless, a combination of qualitative and quantitative (where available) analyses may be possible to piece together, and this is the attempt here.

Evaluating institutional change

Institutions are the informal or formal rules that govern the actions and strategies of individuals (Appendix 0 presents a brief discussion of various approaches to the study of institutions). Budget initiatives aim to influence the budget as an *institution*. Besides bringing about more equitable budget allocations, they aim to reform the *procedures* and *rules* by which a budget is drafted, enacted, and executed. Budget work involves bringing about institutional change, and evaluating budget initiatives should measure this change. For example, even where budget allocations do not change substantially in a given year, a change in the decision-making

³⁶ The counterfactual refers to the hypothetical outcome that would have happened to the project population if the project had not taken place.

³⁷ Gain scores refer to “the pre-project/post-project difference in scores on the impact indicator (single difference). When a control group is used the gain score is the difference in the pre-project/post-project change for the project and comparison groups (double difference).” (Bamberger, 2006).

procedure could affect future allocations and outcomes. Strengthening oversight capacity could improve the transparency of the budget even if it did not increase the size of the budget.

The following examples show how budget advocacy can result in institutional change such as the new guidelines on gender budgeting and an increase in legislative oversight:

- In India, the Ministry of Finance issued guidelines which have effectively entrenched gender budgeting in the budget process. This was achieved through the efforts of UNIFEM, UNICEF, and other partners, who discussed and agreed with the Ministry of Finance to hold joint workshops to examine gender and child budgeting and devise a common approach.
- Mozambique substantially reformed its PFM system after the end of civil war in 1992. In 2002, Mozambique passed a government-wide organic budget law, known as SISTAFE, aimed at increasing efficiency and transparency in the use of public funds.
- In Zambia, in 2000, reform of the parliamentary committee structure placed greater emphasis on the legislature's oversight mandate. The Parliament constituted a Committee on Estimates, which was the first time that the legislature had a specialized committee to investigate budgetary matters. However, the reforms were hampered by "the absence of supplementary analysis (apart from the Budget Speech), and a lack of access to research capacity" (Wehner, 2001: 2).

6. Donors' Role

Budget support and improvement in PFM

When donors contribute budget support as opposed to project aid, the funds are subject to the same decision-making procedures and parliamentary controls as domestic revenue and expenditure (Michel, 2008: 17). Donors provide general budget support and sector budget support to developing countries based on the following eligibility criteria: a well-defined national or sectoral policy and strategy; a stability-oriented macroeconomic policy; and a credible and relevant programme to improve public finance management (Michel, 2008: 34). Eligibility for donor aid is tied to the quality of the country's PFM system and is aligned with social budgeting principles.

In order to monitor and support the desired improvements in PFM, the European Commission, together with a group of donors, has developed a framework to study the performance of a country's PFM, including the credibility of the budget, its comprehensiveness and transparency, policy-based budgeting, predictability in and control over budget execution, accounting and recording, financial reporting, budgetary monitoring, and external scrutiny (Michel, 2008: 35). The framework also includes examining sectoral budget allocations and spending and scrutiny of budget institutions.

Some ways that donors can help strength budget institutions are:

- Invest in data and information systems where these are weak;

- Assess corruption and governance issues;³⁸
- Support the work of the media, audit institutions, anti-corruption agencies, and other oversight institutions
- Track national progress towards creating transparency and accountability by helping to develop cross-national comparative databases and indices of budget openness.

Drawing attention to children's rights

Improved PFM may not by itself ensure that the budget is responsive to children's rights. Aid harmonization, such as through general budget support, is a means to improve aid effectiveness. It impels donor agencies and partner countries to agree upon the substantive priorities to be addressed, the conceptual frameworks and methods to be employed and the sequencing of activities (De Renzio, 2006: 4). The agenda of the Paris Declaration is more oriented towards the way that aid is delivered than the content of aid (Harper and Jones, 2009). As a complement to the aid harmonization agenda, a human rights framework can help to set development priorities, such as the principle of equity; select specific rights or categories of rights on which donors and partners can concentrate aid efforts; and determine criteria for assessing the progressive realization of rights (de Renzio et al, 2006).

If children's rights are viewed as a 'crosscutting' or as a 'special interest' issue and are not already well established in aid programmes, then attention to children's issues may suffer under the new modalities and negotiations on the use of aid (Harper and Jones, 2009: 2). Donors can help keep children's rights on the agenda by supporting budget work as follows:

- Play a convening or advocacy role, getting stakeholders together to discuss the budget so that child rights perspectives are considered in budget policies.
- Make evidence-based policy recommendations, such as on countercyclical social spending.
- Support initiatives that enhance children's participation in the budget process

Budget realism: Aid recorded on national budgets

Aid is more conducive to country ownership when it is well integrated with the national budget, which is the main instrument of resource allocation of the country (OECD, 2009). Donors can use several budget institutions to channel and track aid: budget execution, financial reporting, and auditing. On average, the proportion of donor aid that was recorded by national budgets ("budget realism") has remained approximately 88 percent over 2005-2007. This implies a lack of progress in budget realism, and it places responsibilities on donors, namely to provide timely and reliable information, to reduce the volatility of aid, and to strengthen incentives for budget authorities to capture aid flows appropriately (OECD, 2009).

Donors' use of PFM systems

Donors can align their aid interventions with countries' PFM efforts by adopting internal procedures and incentives to encourage use of country PFM systems and to decrease the use of

³⁸ Dutch Ministry of Foreign Affairs (2007), policy note on development cooperation 2007-2011.

project implementation units (OCED, 2009).³⁹ Many donors have concluded that they could enhance the impact of their aid interventions if they more systematically strengthened the country's systems and practices used for all government expenditures rather than focus on the activities they fund directly (OECD, 2009: 19).

So far, the evidence does not confirm that donors and partner countries have made progress towards this aim. On average, only 45 percent of aid uses country PFM systems, with wide variation among countries, which range from 0 percent in the Democratic Republic of Congo to 77 percent in the Bahamas. (OECD, 2008). Please see

Donors can help improve national budget processes by providing more and better information on their own aid flows. When donor spending is implemented 'off-budget', it is difficult to get a complete picture of total spending on government programs in different sectors (De Renzio and Krafchik, 2007).

Donor efforts to support budget work

As political agents, a key role for donors in reforming budget institutions is to reflexively align their aid delivery systems, as mentioned above. Another critical aspect of their contribution is persistence of support, in recognition of the stickiness of institutions and their resistance to change, as well as of the time it takes to build capacity, networks, and knowledge (Bebbington, Dani, de Haan, and Walton, 2007).

As sections 3.1 3.2 4.1, and 4.2 discuss, donors can support child rights organizations to overcome **internal challenges** by helping them develop strategic direction, build technical capacity for budget analysis and advocacy, and increase access to knowledge networks and opportunities for peer review. They can help child rights organizations to overcome **external challenges** to budget work posed by issues of organizational credibility and capacity, government priorities, public awareness, and media interest.

They can support budget initiatives in achieving their **objectives** to make the budget responsive to children's rights, ensure that social spending is protected during economic downturns, and improve equity, efficiency, and accountability in the budget process. Specific objectives include: improving PFM and budgeting procedures, building capacity of government actors, enhancing social inclusion and participation, and instituting policy or legislative reform.

Finally, donors in cooperation and working with international development agencies, developing country governments, and other stakeholders could also help to develop strategies with a long-term and strategic viewpoint—identifying key global trends and establishing frameworks in a consultative and participatory way so as to address emerging challenges. . For many developing

³⁹ According to the 2008 survey on monitoring the Paris Declaration (OECD, 2008) “donors sometimes establish dedicated structures – so-called project implementation units (PIUs) – to directly manage their programmes. In effect, these structures run in parallel to similar country structures. This practice diverts resources and skills away from public administrations. The result is that while donor programmes might be well managed, partner country capacity to manage public resources is undermined and development is not well served”

country governments, establishing longer-term planning may still be a challenge, and this serves as a key constraint in the nature of development policymaking more broadly, and public finance policies in particular. This helps to underscore the possible role of donors, international development agencies, international (and domestic) civil society and other stakeholders in facilitating discussions and policy strategies to address these challenges.

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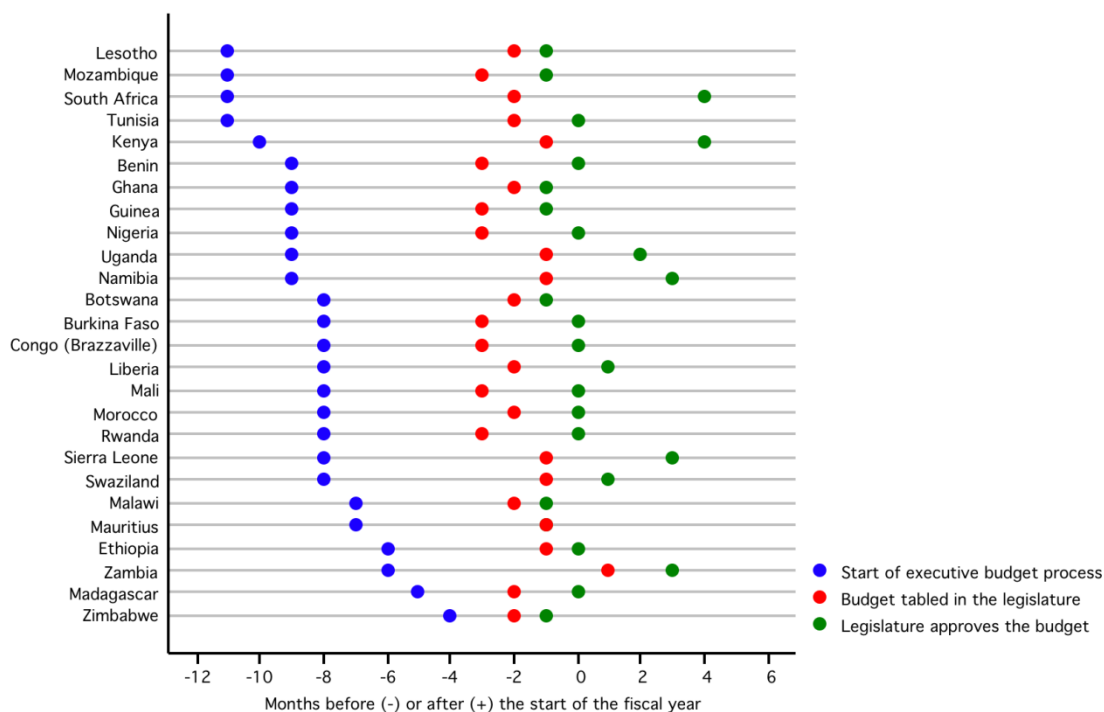
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Appendix

Timing for budget formulation and approval

Figure 1 Budget formulation and approval process timeline for African countries



Source: De Renzio and Wehner (2008)

Analytical tools

This section presents an overview of analytical and advocacy techniques that could be applied at different stages of the budget cycle.

Analytical tools

Analytical tools for influencing the budget drafting stage

- **Costing** of proposed policies or legislation. Estimating future needs and resources to support the planning process.
- **Marginal Budgeting for Bottlenecks**⁴⁰, is a result-based planning and budgeting tool that utilizes knowledge about the impact of interventions on child and maternal mortality in a country, identifies implementation constraints, and estimates the marginal costs of

⁴⁰ This tool has been employed in the preparation of key strategic frameworks for maternal, newborn and child health in sub-Saharan Africa. It was jointly developed by UNICEF, the World Bank and WHO.

overcoming these constraints (UNICEF, 2008). It can be used to set targets for interventions; to estimate the impact, cost per life saved, and additional funding requirements of interventions; and to project the fiscal space required to finance these extra costs.

- Analysis of **sectoral budget allocations**: Sectoral analysis can analyze the impact of the budget on specific sectors or socio-economic groups. Allocations can be compared across sectors or against past levels of support.
- Studies to measure **effectiveness**, which may evaluate how resources are allocated for social services for children and to what extent they achieve the stated policy objectives with respect to time, cost, etc. Cost-effectiveness of a budget refers to a measure of its achieving the desired benefits at an acceptable cost.
- Analysis of **fiscal policy and revenues**. This includes analyzing the distributional impact of proposed taxes or the sustainability or sufficiency of revenue proposals to fund proposed expenditures (Hewitt, 2002).
 - New programmes need sources of funding; the manner in which programmes are financed can be critical for their sustainability as well as for other budget priorities.
 - If direct taxation (e.g. tax on income) is reduced and indirect taxation (e.g. sales tax) is increased, the effect of such a policy shift might have different consequences for different population groups. For example, men and women consume different products and services, and tax structure can have gender implications.
 - In the context of liberalization, a change in the structure of corporate taxes, customs duties, debt servicing, etc., also has distributional effects, and can affect the capacity of the government to promote equitable economic and social development.
- Policy analysis of the effect of **decentralization**⁴¹ and **privatization** of social services, poverty and inequality relate changes in institutional structure to policy decisions and budgetary implications. For example, a study conducted by the Overseas Development Institute (ODI, 2003) draws upon 12 months of primary research in two Indian states, to consider the decentralization plans of the two state

⁴¹ Changes in the structure and responsibilities within levels of government through decentralization can alter the flow of funds through the public expenditure system. Decentralization can shift financial and administrative responsibilities to local governments, and alter accountabilities. The transition to a decentralized system is potentially rife with opportunities for a mismatch between the funds available to a subnational government office and its decision-making authority. The central government may shift responsibility for social services provision to local governments, but not devolve sufficient autonomy for decision-making or without ensuring that there is adequate and efficient financial recourse for the local government to fund its new responsibilities.

governments, how far these plans have been realized, and what effect they have had on alleviating poverty at the local level.

Analytical tools for influencing the budget execution stage

Public expenditure is tracked in order to analyze whether allocated amounts were maintained intact or subsequently changed; whether allocated funds were transferred intact to implementing agencies (ministries, local governments or other agencies); whether those bodies procured in line with the budget; whether they achieved value-for-money; and whether resources procured were applied to the purpose (OPM, 2008). Some analytical tools that focus on budget implementation are as follows:

- **The Public Expenditure Tracking Survey (PETS):** is a method for locating and quantifying political and bureaucratic capture, leakage of funds, and problems in the deployment of human and in-kind resources, such as staff, textbooks, and drugs. A typical PETS of frontline providers (schools and clinics and their staff) and local governments (politicians and public officials) is complemented by central government financial data” (Reinikka and Svensson, 2003: 3). In cases where agents have an incentive to misreport public resources or time spent on services, the PETS deals with data misinformation by (i) using a multiangular data collection strategy (a combination of information from different sources); and (ii) carefully considering which sources and respondents have incentives to misreport, and identifying data sources that are the least contaminated by such incentives. This data collection strategy serves to cross-validate the information obtained separately from each source. The PETS allows us to observe the outputs and actions of service providers, and thereby provide new information to policymakers and beneficiaries on the complex transformation of public budgets to services (Dehn, Reinikka and Svensson: 194).
- **Public expenditure incidence analysis:** is a method to measure the benefits of publicly provided goods to individuals in society. Public goods may be subsidized or freely provided to individuals, and benefit communities as a whole. If they are free or subsidized, it is difficult to determine their value to an individual and their cost to the government per individual served. “Benefit incidence analysis” examines the cost of providing public services and examines how these are used in order to see how equitably public spending is distributed (Demery, 2002).⁴²
- **Beneficiary assessments** are a way to assess public perceptions of how far public spending is meeting their needs by way of opinion polls, attitude surveys, group discussions, organized debates with citizens and a discussion of proposals for the coming year, etc. Through these exercises, concerns about social inclusion and poverty reduction

⁴² In the context of programme monitoring and evaluation, the term “incidence” refers to the distribution of immediate outputs from a particular programme across groups within the population where the programme is active. For example, gender-disaggregated incidence analysis estimates the distribution of budget resources (or changes in resources) among males and females by measuring the unit cost of providing a service and multiplying that cost by the number of units used by each group (Demery, 2002).

can be integrated into public expenditure management, along with budgetary requirements of fiscal discipline and economic growth.

Conducting institutional analysis: A sample of questions

Table 7 Conducting institutional analysis

Identify subjects for change	Understanding their roles	Identify roles in the policy process	Identify changes	Identify incentives	Identify opportunities and constraints
<i>Who needs to be informed and influenced?</i>	<i>At what stage in the policy process do they operate?</i>	<i>What is the role of each subject?</i>	<i>How do they need to change?</i>	<i>What incentives or forces are likely to influence them?</i>	<i>What opportunities and constraints affect this change?</i>
<ul style="list-style-type: none"> ▪ Primary stakeholders (e.g. the poor) ▪ Politicians ▪ Bureaucrats - national and local ▪ Private sector groups ▪ Local elites or interest groups ▪ Policy networks ▪ Academics ▪ Grassroots groups / organisations or NGOs ▪ The electorate ▪ Bilateral partners 	<ul style="list-style-type: none"> ▪ Knowledge generation/ research ▪ Agenda setting ▪ Option identification ▪ Prioritisation of options ▪ Policy formulation ▪ Policy legitimisation ▪ Planning for policy implementation ▪ Review and evaluation ▪ Review of policy and policy implementation 	<ul style="list-style-type: none"> ▪ What are their rights? – to livelihoods, to security, to basic social services ▪ What are their responsibilities? --to the community, to the state, in decision-making, implementing policy, ▪ What are their relationships with other actors – adviser, influencer, dependent, antagonist 	<ul style="list-style-type: none"> ▪ Attitude ▪ Skills ▪ Knowledge ▪ Behaviour 	<ul style="list-style-type: none"> ▪ Political pressure ▪ International pressure/persuasion ▪ Bilateral pressure/persuasion ▪ Bureaucratic pressure ▪ Evidence from action in the field ▪ Private sector pressure ▪ Interest groups e.g. NGOs ▪ Policy networks ▪ Academic evidence ▪ Grassroots pressure/persuasion 	<ul style="list-style-type: none"> ▪ Past policies ▪ Policy complexity ▪ Institutional constraints ▪ Feasibility ▪ Patronage ▪ Rent seeking ▪ Cost ▪ Consensus

Outcomes of budget work

Examples from gender budget initiatives

In the short term, the outcomes of budget advocacy may be apparent only as marginal changes. Substantive impacts are likely to be more clearly discernible cumulatively in the long term. This seems borne out by the research conducted by UNIFEM and the EC, which aimed to investigate how gender responsive budgeting (GRB) tools and strategies have been used in the context of contemporary aid modalities, specifically general budget support (GBS) and sector budget support, in ten countries (Budlender, 2008). The study asks how GRB can contribute to making development more gender-responsive in the context of the aid effectiveness agenda?" (Budlender, 2008: 5).

Uganda: Gender responsive budgeting

GRB was initiated in Uganda in 1999 by a coalition of women's rights and advocacy groups and parliamentarians. The key player was Forum for Women in Democracy (FOWODE), a civil society organization founded by women politicians. FOWODE uses a combination of research, advocacy and activism to influence fiscal policy FOWODE has organized GRB skills-building workshops for legislators and government technocrats and has been invited by the Ministry of Finance, Planning & Economic Development (MoFPED) to participate in the budget process. Some of its achievements are outlined below (adapted from Budlender, 2008: 39).

- In 2003 the Ugandan government included gender and equity budgeting in its "Budget Call Circular".
- In 2004, the MoFPED, in collaboration with the Ministry of Gender, Labour & Social Development (MoGLSD), prepared Gender and Equity User's Manual and Implementation Strategy guidelines to assist in the preparation of sector budget framework papers.
- In 2005, the MoFPED organised GRB capacity building of gender focal persons, planners and budget officers of five sectors.
- MoGLSD and MoFPED, with financial support from donors, collaborated to strengthen the mainstreaming of gender in the Poverty Eradication Action Plan (PEAP). Some gender-sensitive policies were prioritized, and some of the monitoring indicators were gender-sensitive. To ensure follow-up of the gender-sensitive policies in implementation, the ministries, in collaboration with the World Bank, ensured that gender was included in the Poverty Reduction Support Credit (PRSC). In addition, the gender and equity budgeting introduced by MoFPED forms part of the performance monitoring indicators for the PEAP implementation.
- FOWODE is part of the 18-member Civil Society Budget Advocacy Group which lobbied for the establishment and funding of the Equal Opportunities Commission, which resulted in the enactment of the Equal Opportunities Act of 2007.

As shown above, the progression of achievements shows that it takes several years before the impact of GRB is evident as a definitive policy change, reflected in national policy documents such as the PEAP, funding through the PRSC, and inclusion in monitoring indicators for PEAP implementation. The role of other budget advocacy groups and other gender equity advocates is

not mentioned above, but these results could well be due to the efforts of several groups over time.

Mozambique: Gender responsive budgeting

Another example is from Mozambique, where the first phase of the UNIFEM GRB program ran from 2003-2005 and was focused on raising awareness and establishing a group of GRB trainers. The second phase ran from 2005-2008, and focused on integrating a gender dimension in national policy, planning and budgetary processes. The GRB work has resulted in a mention of gender in the national budget guidelines for 2008, where agencies are asked to integrate gender, alongside the other cross-cutting issues of HIV/AIDS and environment, in their budgets (Budlender, 2008: 34).

It took five years, from 2003 to 2008 for the budget initiative before government agencies began to integrate gender in their budgets. Monitoring this type of budget work would require that the progress indicators account for the gradual movement from stage of building awareness to policy change.

Examples from UNICEF's budget work

UNICEF Brazil⁴³

In Brazil, UNICEF's dialogue on budgets began with Adjustment with a Human Face (late 1980s), the World Summit for Children (1990), and the 20/20 initiative. In 1994, UNICEF mobilized federal and state governments to promote a Pact for Children where budget policies and investments for children were included as targets. UNICEF subsequently commissioned a study to set up a methodology to analyze the budget from a child's perspective, and during 1996-1999 produced bulletins on the budget for advocacy. In 1998, UNICEF developed educational material for federal, state, and municipal councilors to build their capacity to monitor the budget. UNICEF continued to produce analyses of the budget, used widely by government and NGOs to promote and estimate child budget figures. Since 2002, a network of 34 institutions, including UNICEF, in Brazil has pushed government to implement the World Fit for Children (2002) goals. This network monitors Brazil's progress and challenges towards the WFFC goals, including budget implementation.

UNICEF's budget work in Brazil has evolved over time, becoming more technically sophisticated and reaching a wider audience as well as involving a wider network of national institutions. The initiative developed and grew as a result of a series of progressive steps rather than as a result of an initial agenda for the long term.

UNICEF Ecuador⁴⁴

Beginning in 1999, as Ecuador was facing an economic crisis, UNICEF Ecuador undertook to analyze the public budget and widely disseminate the analysis. The rationale was that in order to protect children's rights, it was necessary that the government and society understand the roots

⁴³ Adapted from Gore (2008)

⁴⁴ Adapted from Gore (2004)

of the economic crisis. The goal was to minimize the negative impact of recent economic shocks on the poor, especially children, by shaping public policies based on a consensus regarding a society's obligation to its members. The UNICEF Ecuador country office worked in several areas, and achieved results as described below.

- *Budget analysis:* UNICEF brought together an experienced team of international and local consultants to analyze the economic situation and its implications for children, with a focus on the national budget. The study concluded that social sector allocations did not help the poor, because expenditures were uneven and inefficient. The results were presented to key figures in Ecuador, including the president, cabinet members, and political party leaders. Social spending increased by 15.5 percent over the amount originally allocated during 2000, helped in part by a spike in oil income.
- *Monitoring social spending:* UNICEF (1) supported the national Databank of Social Indicators to develop indicators on the situation of children and adolescents, (2) created a "Citizens' Observatory," comprised of an influential group of citizens to monitor the status of children and advise the government, (3) encouraged a form of child rights monitoring at the municipal level in which mayors advocate for their communities with higher levels of government and (4) established citizen-based surveillance groups in indigenous communities.
- *World Bank negotiations:* UNICEF helped the government negotiate with the World Bank to develop an emergency assistance programme financed by government funds rather than loans. Its rights-based approach was incorporated into the government Emergency Social Plan. Ecuador's 2001 social spending increased to \$83 per person, up from \$55 in 2000.
- *Tax reform:* For the 2001 and 2002 budgets, UNICEF produced simple, clear publications to illustrate inequities in the national tax structure and spending during fiscal crises. It used media coverage to focus the debate over tax reform on social justice, rather than simply on balancing the budget. By 2002, taxes grew to 13.7 percent of national revenues, compared to 6.4 percent in 1999.
- *Foreign debt:* UNICEF worked with the Ministry of Social Welfare and an international debt-relief NGO to develop a plan (partly adopted by the Paris Club) to allow the country to swap debt payments for social investment.

After UNICEF disseminated information on the inequities in the tax system and after it negotiated with the World Bank to include rights-based elements into the economic recovery plan, taxes grew and social spending increased. However, it is unclear whether these outcomes can be attributed solely to UNICEF's efforts. For example, an increase in oil prices during the same period helped to increase government revenues. In this case, monitoring the progress of UNICEF's budget work would entail monitoring the intangible gains from its activities (networking, negotiations, capacity building, etc.) such as stronger connections with academics and policy decision-makers, or increased public awareness of budget issues.

Examples from civil society initiatives

Malawi: Civil Society Coalition for Quality Basic Education (CSCQBE)⁴⁵

CSCQBE campaigns for better quality education in Malawi. The group was started in 2000, and found an entry point into budget monitoring through Malawi's PRSP process and its selection of Priority Poverty Expenditures (PPEs)⁴⁶.

CSCQBE monitors national budget allocations for education, and trains civil society organizations to monitor budgets at the district level. Its budget monitoring activities have four aspects: (a) efforts to recognize additional flows of funding, especially from donors; (b) analyses on pressing education issues; (c) identification of poorly maintained public school assets; and (d) comment on the timing for the release of funds.

The group first conducts surveys to measure key indicators for education quality, and obtains information on enrollment figures, number of teachers, and availability of school assets, among other facts. It also compiles information on the budget, including the schedule and availability of government and donor funds, and how these funds are allocated for different education-related expenditures.

- CSCQBE is thus able to monitor additional funds that flow into public education budgets, question the government on how funds are reallocated, and present data on other education sectors that need funding.
- It is also able to identify issues that need attention from the government. For example, it can point to urban-rural gaps in the quality of education and gender disparities in educational attainment. It can also relate these issues to the allocation of the education budget and recommend solutions.
- The group monitors the maintenance of assets. For example, it reports textbook theft and vandalism, and recommends spending for secure storage facilities.
- It recognizes the importance of the timely release of education budgets, and examines the schedule for the release of funds, especially allocations for textbooks.

Results: A major achievement for CSCQBE is partnership with the government; its lobbying has led to an US\$8 million increase in Malawi's education budget. The number of teachers in rural areas has also been increased, consistent with the group's recommendation.

CSCQBE depends greatly on the capacity of its partners at the district level. The role of local civil society organizations is crucial to the success of CSCQBE's activities, and its results are attributable to a collective rather than a single organization. However, since its aims are defined within the education sector, its achievements are relatively easier to discern, as evidenced by an increase in the education budget or a higher number of teachers.

⁴⁵ Adapted from Vergara (2009)

⁴⁶ Spending that is classified as a PPE commands higher budget allocations and is protected from shocks.

Ghana: ISODEC's Centre for Budget Advocacy (CBA)⁴⁷

ISODEC's Centre for Budget Advocacy (CBA) is a civil society organization formed in 2000. It supports other organizations in understanding budgets and engaging governments for pro-poor fiscal spending and taxation policies. Its initiatives largely address the national budget, but there are also practices at district and national levels.

The CBA undertakes a set of activities targeted at the national government (executive and legislative), civil society organizations, and international financial institutions (donors and creditors of Ghana). One activity is the annual budget analysis, which is timed with the formulation of the budget, and is followed by an expenditure tracking activity, where fund flows are followed from central to local level governments. The group pays particular attention to funds for poverty and education-related expenditures.

Another target audience is marginalized population groups whose voices the CBA seeks to strengthen. The CBA undertakes media outreach both before and after the budget is formulated, and conducts press conferences, publishes articles in newspapers, and gives interviews on radio and television shows. It provides formal channels for marginalized groups to voice their opinions and be heard by decision-makers. It organizes forums and workshops in all ten regions annually. It engages local government officials who attend budget training courses. The CBA also gathers the opinions of various stakeholders, which, upon compilation, are presented to the President of Ghana.

The CBA has planned international conferences in order to better target international institutions, where it presents its research on budgeting in Ghana and other countries in West Africa.

Results: There is evidence that the CBA is not favorably viewed by the government of Ghana. For example, the finance minister reacted to the CBA's intervention by issuing a statement that the elected government must have independence in its budgetary decisions. Moreover, its parent organization, ISODEC, faces opposition from other civil society organizations, for advocating for policies that are against free trade. While this hampers its efforts, CBA has allowed for voices of the marginalized to be heard, which in turn can impact government policy. For instance, CBA's Open Letters to the President have included suggestions, compiled from consultations with stakeholders from all the Ghanaian regions, that later become official government policies. The suggestions include possible improvements for generating and using government revenue.

The impact of the CBA's advocacy work might be better measured in terms of the increased awareness and capacity of society to respond to the budget, the diversity of opinions heard in debates on the budget, and the sustained dialogue across opposing views on public policy.

⁴⁷ Adapted from Vergara (2009)

Mozambique: Civil Society Budget Monitoring Forum (FMO)⁴⁸

Founded in 2010, the Civil Society Budget Monitoring Forum (*Fórum de Monitoria do Orçamento* or FMO) is a consortium of various non-governmental organizations (NGOs) involved in applied budget work and analysis in Mozambique.

The FMO founding members sought to combine their areas of expertise, in particular, the forum builds on existing social budgeting and PFM initiatives in Mozambique by: (a) dividing labor according to skills, experience and expertise across member institutions in order to ensure high quality output, and (b) coordinating on which issues to focus on for public debates, thereby gaining a better position – and concerted “legitimacy” – for influencing policymakers towards better decisions; The FMO was created mainly to address challenges in policy-making in Mozambique, especially in strengthening the voice of civil society in the budget process.

Activities: The primary activity of the FMO is therefore to convene social budgeting and public finance management actors across civil society organizations. Apart from sharing information, experiences and outputs, the forum identifies three other activities that can leverage on their cooperation. First, regular workshops are scheduled for building the capacity of civil society organizations in the field of public finance management, allowing them to better understand complex budgetary issues. Second, the group brings together members of the parliament, government officials, donors and international actors (also known as “Friends of the Forum”) for a dialogue concerning public finance management issues. These discussions do not only seek to improve budgeting and public finance systems and practices, but also aim at strengthening the government’s accountability, increasing transparency and participatory planning and budgeting processes and practices. Finally, the forum also coordinates collective action among civil society organizations in order to come up with a united advocacy message, making them more effective in lobbying for fiscal policies that are geared towards poverty reduction, good governance, the realization of the rights and gender equality.

Objectives: Through the activities mentioned above, the forum aims to achieve the following:

- Increase the participation of its member organizations throughout the budget cycle, and effectively represent the interests of vulnerable and marginalized groups;
- Contribute to the transparency of budget processes and information through the sharing of results from budget analyses and monitoring activities, as well as in advocating for transparent budget practices;
- Create synergies among civil society organizations, especially between those geared towards research and analysis, and those with stronger advocacy capacities.

Impact: In spite of its short existence, progress towards the recognition of the forum has been observed. Early in May, FMO members represented civil society in the Government/donor review of the 2010 State Budget. The terms of reference for the forum was shared with the President of the Parliamentarian Commission for Planning and Budgeting and a joint

⁴⁸ Adapted from Eyes on the Budget Website
http://www.fordham.edu/academics/programs_at_fordham_/international_politi1/unicef_collaboration/index.as
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brainstorming session with MPs is scheduled for late August. The forum was also referenced for a World Bank initiative on public procurement monitoring.

Moreover, the newly-formed forum is expected to have the following results:

- Stronger knowledge and capacity for civil society organizations to engage in dialogue around public finance management reforms;
- More transparent planning and budgeting processes, with information access guaranteed by operational mechanisms;
- Increased government accountability on public finance management through the adaptation of inclusive processes and simplified methodologies;
- Identification of synergies among different CSOs working on public finance management.

Conducting an impact evaluation

Evaluating budget initiatives

Impact evaluations of budget initiatives are subject to the difficulty of isolating the effects and attributing results to a specific initiative. A majority of development evaluations are focused on the process rather than on the impact and on recording changes rather than on attribution of observed changes to interventions. Evaluations tend to report to what extent targets were achieved; not all evaluations seek to establish whether the observed changes can be attributed to the particular intervention being evaluated, which leaves the question “*what and how much was achieved as a result of this intervention?*” unanswered (Elbers, Gunning, and de Hoop, 2007).

Methods of impact evaluation

- **Rapid assessments or reviews, conducted ex post:** This method can encompass a range of approaches to endeavor to assess impact, such as participatory methods, interviews, focus groups, case studies, an analysis of beneficiaries affected by the project, and available secondary data.
- **Ex-post comparison of project beneficiaries with a control group:** With this method, multivariate analysis may be used to control statistically for differences in attributes between the two groups — this is one way of estimating the counterfactual situation.
- **Quasi-experimental design, involving the use of matched control and project (beneficiary) groups:** This method involves the use of a “non-equivalent” control group to match as closely as possible the characteristics of the project population – either through propensity score matching or using a multivariate regression approach. This method often involves the use of large scale sample surveys, and sophisticated statistical analysis.
- **Randomized design:** This involves the random assignment of individuals or households either as project beneficiaries, or as a control group which does not receive the service or good being provided by the project. This is also known as the experimental method, and is used in health research, for example, in areas such as evaluating the effectiveness of new drugs and medical procedures.

Source: IEG-World Bank (2009)

There are three key elements required to conduct an impact evaluation:⁴⁹

⁴⁹ Drawn from Gertler, Patrinos, and Rubio-Codina (2007)

1. A theoretical framework which will guide the formulation of hypotheses on the expected effects of the intervention and the mechanisms underlying these effects. This involves clearly defining the intervention and stating its objectives, its target population, and how it will be implemented.
2. Data over an appropriate time frame that measures the response of individual agents to the proposed intervention. The agents could be individuals, public sector employees, communities, or other unit at which the intervention is targeted.
3. An identification strategy that allows the measurement of a counterfactual –in other words - how would the lives of program participants been, if they had not received the program – in order to attribute changes in outcomes only to the program. .

The third element poses a particular challenge. In randomized evaluation designs, the counterfactual is developed by identifying a ‘control’ group that does not receive the intervention or ‘treatment’. Program participants, who could be individuals or communities, are *randomly* assigned to the treatment and control groups, so that the two groups are similar in terms of their observed and unobserved characteristics at the start of the project. This ensures that post-intervention differences in impact can be attributed to the project alone and not to the initial differences (selection bias) in the characteristics inherent in the two groups (Bamberger, 2006:5).

Not all development interventions are amenable to randomized impact evaluations. This is because in many cases, the targeted communities, organizations or individuals are selected according to certain administrative or political criteria (the poorest or most needy or locations where the project is most likely to succeed), the subjects are self-selected (individuals or groups make the decision to participate), and sometimes political considerations make randomization impractical (Bamberger, 2006: 5). For instance, if the budget initiative is directed at the national level, such as a national media campaign to raise public awareness about the budget, then it would be impossible to control which population groups or regions of the country receive the media exposure. If a participatory budget program is rolled out at the municipality level in some regions of the country, it might be possible to randomly select the municipalities or the regions in order to create a ‘treatment’ group of municipalities that receive the program, and a ‘control’ group of municipalities that do not receive it. However, if the program is designed such that municipalities have to self-select into it, then this would pre-empt randomization. Even if it were possible to randomize municipalities, it might be difficult to contain spillover effects from one municipality to another, so that those that do not receive the program could still be subject to indirect effects from the program.

Explaining institutional change

Schools of thought

How we approach the study of institutions matters, because it will determine where we look for drivers of institutional change, how we understand the origin and purpose of institutions, the impact of actors’ on the institutions, and the effect of institutions on human behavior. Hall and Taylor (1996) discuss three schools in the study of institutions thought: historical, rational choice, and sociological.

A central question for each of distinct analytic approaches to the study of institutions is: “how do institutions affect the behavior of individuals?” According to *historical* institutionalism, institutions are the formal or informal rules, procedures, norms, and conventions that are embedded in the organizational structure of the polity or political economy (Hall and Taylor, 1996: 939). In this view, institutions produce regularized, predictable patterns of behavior because they structure human action. From a ‘cultural’ approach, as opposed to a ‘calculus’ approach, institutions are able to structure human behavior because they provide significance to certain actions or strategies over others. Individuals are not entirely goal-oriented but also seek meaning. From a rationalist ‘calculus’ approach, institutions structure behavior because individuals act in strategic, instrumental ways, and over time their strategies ossify or become entrenched within formal organizations. The organizational environment then influences their preferences and conditions their behavior. Institutions thus have both a determinative and voluntary character, in that they structure human action and are also constituted by human action.

The *rational choice* school of institutionalism defines institutions as formal or informal rules that constrain human behavior, with one difference being that individual preferences are seen as fixed, determined outside the institutional framework, and not determined by the institutions. In this view, human action is driven by strategic calculations that are based on individual preferences as well as expectations about how others are likely to behave, and political outcomes are the result of strategic interactions (Hall and Taylor, 1996). Institutions stabilize expectations by, among other things, providing information about the probable behavior of others (Mahoney and Thelen, 2010). Institutions help to resolve collective action dilemmas, in which individuals acting together produce sub-optimal social outcomes, by ensuring complementary behavior of all actors.

A third approach is *sociological*, defined as institutions not just as formal and informal rules and procedures, but as the “symbol systems, cognitive scripts, and moral templates” that provide meaning to guide human action, and enable an interpretation of the behavior of self and others. Unlike the rational choice institutionalism, where preferences are externally given, here institutions can determine preferences. Further, institutions are said to exist not because they efficiently resolve collective decision-making problems, but because each culture specifies organizational forms and procedures differently. This approach sees institutions and individuals as highly interactive and mutually constitutive. When individuals act as social norms dictate, they are reinforcing those norms.

Sociological institutionalism breaks down the conceptual distance between institutions and culture, in that it equates institutional rules, procedures, and norms that structure human behavior with the cultural routines and symbols that provide templates for human behavior. Some rules or norms have greater legitimacy than others, which they could acquire either through a source of imposed cultural authority, or through a process of deliberation and discussion among social actors.

Sources of institutional change

What the above approaches to institutions have in common, is that they all see institutions as persistent and relatively enduring features of political and social life (rules, norms, procedures)

that structure behavior and that cannot be changed easily or instantaneously (Mahoney and Thelen, 2010: 4). A conceptualization of institutions as enduring does not preclude institutional change or the creation of new institutions. The three approaches conceive of different mechanisms for institutional change (Hall and Taylor, 1996:950-955), but they each posit that the factors that cause institutional change will be exogenous or external to the institution, not generated endogenously⁵⁰ by it or within it (Grief and Laitin, 2004; Hall and Taylor, 1998).

This means that in a given context, if certain rules, norms or procedures are to change, they will most likely change as a result of a ‘shock’ to the system that arises from outside of that particular context. For example, an economic or financial crisis motivates new regulation to be introduced, or the end of civil war may create a break from years of conflict that allows PFM reforms to be introduced.

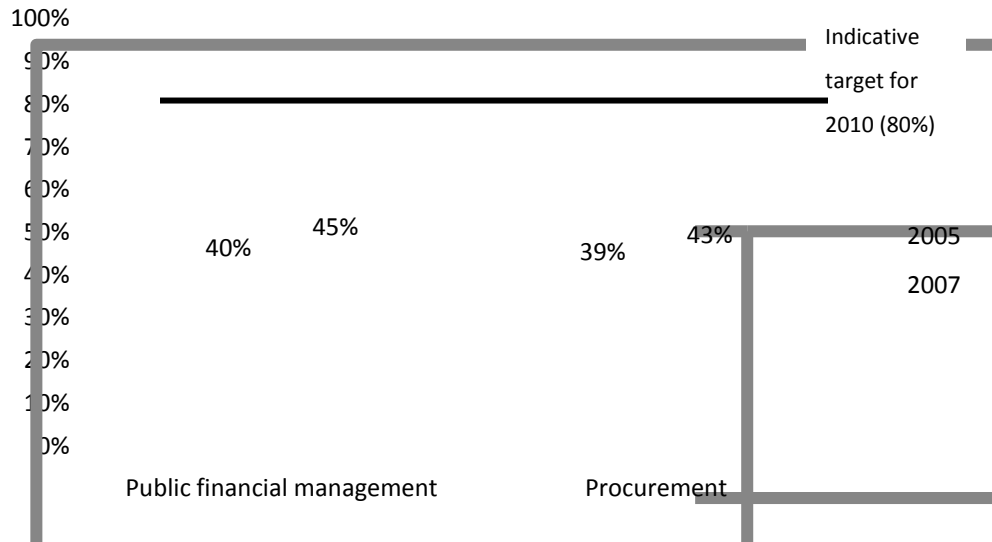
Institutional change can come about through a change in people’s preferences over alternatives. Preferences depend on the underlying beliefs and motivating reasons, which can change due to new information or due to a changing ability to imagine different aspects of the world, which can affect the salience of the available alternatives (Dietrich and List, 2009). For example, greater public awareness about (low) levels of investment in social services can increase the importance that people attach to petitioning politicians. Greater information about how public funds are spent can strengthen demands for transparency and accountability.

Power, politics, and informal rules may be more decisive of budget outcomes than the formal procedures of budgeting. Mahoney and Thelen (2010) write that institutions are inherently “fraught with tensions because they inevitably raise resource considerations and invariably have distributional consequences. Any given set of rules or expectations – formal or informal – that patterns action will have unequal implications for resource allocation”. In other words, though dominant actors or groups might design the rules of budgeting according to their preferences, budgetary outcomes are not circumscribed. Instead, outcomes such as final sectoral allocations may reflect the result of compromise among groups who may have different goals, but who are able to coordinate their efforts based on agreed procedures.

⁵⁰ Endogenous change can occur if the institution is self-undermining, so that the processes it entails “cultivate the seeds of their own demise” (Grief and Laitin, 2004: 634).

Donors' use of PFM systems

Figure 2 Donors' use of country systems: Percent of donor aid reported in national PFM and procurement systems



Source: OECD (2008)

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