

# RAO CONVENTION 2006

## Towards Strengthening State - Civil Society Relations

### Participation in the Budget Process

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#### Introduction

Chairperson, colleague presenters, invited guests, all protocols observed, it is heartwarming for ISODEC to be part of this all-important Convention. We are very grateful to be given the opportunity to have a presentation on 'participation in the budget processes. The questions are: what is participation and what is the budget process?

The budget is an influential policy and legal document that

- Spells out the government's revenue & expenditure plans for the coming year;
- Spells out the government's planning, priorities, & policies (sectoral, fiscal, monetary) for service/goods delivery
- Translates political commitments, imbalances, national development priorities and choices into desired socio-economic outcomes
- Reflects the result of political bargaining and an attempt to balance the competing demands from various social forces for limited resources

Due to its importance, it is imperative that all stakeholders participate in the budgeting process. The national budget process is a circular-flow process, which involves four phases and requires continuous involvement of all stakeholders and key players. For a budget to achieve the desired outcomes three key concepts cannot be ignored and these are participation, transparency and accountability. It is therefore timely for this year's G-RAP Convention to select the concept of participation in the budget process for discussion. Participation is the process by which stakeholders influence and share control over priority setting, policymaking, resource allocations, and/or program implementation. In other words, participation could be seen as a process through which stakeholders influence and share control over development initiatives and the decisions and resources that affect them. There is no blueprint for participation because it plays a role in many different contexts and for different purposes.

Participation in the budget process could lead to more effective, better-developed policies and thus, to better budget outcomes, especially ensuring efficiency, equity and fairness in the distribution of public resources.

## Rationale

The rationale for participation comprises the following:

- First, participation permits policymakers to incorporate the priorities of the people, as well as the views of the relevant stakeholders so as to ensure fair, equitable and sustainable development.
- Second, participation can build partnerships, based on trust and consensus, between government and society at all levels. Trust allows dialogue, and consensus enables all stakeholders to work toward a common goal. Inclusion of, and contribution by, a range of stakeholders fosters country ownership of the strategy and empowerment of stakeholders, particularly at community levels.
- Third, participation can help clarify tradeoffs required with other development priorities and determine which delivery mechanisms and partnerships are most effective in reaching our development goals.
- Finally, feedback of information and continuous improvement in implementation and monitoring enhance transparency and accountability in decision-making, public actions, and expenditures and increase the sustainability of efforts towards development.

## The Budget and Budget Process

In simple terms, a budget may be defined as a statement of projected government income and expenditures in a given period against given policies and priorities. The distribution of society's resources (that is, in general, resources not privately owned) depends in large part on the budget. The question of who gets what, when and how in relation to the proverbial national cake is answered through the budgetary process.

The national budget affects us all: as individual citizens, groups and organizations, employers and employees, consumers, parents, smokers, activists or entrepreneurs. Decisions made about how money is to be collected and spent are at the root of any development initiatives as well as the key to monitoring plans and commitments made by any national government.

There are four main stages of the budgeting process: formulation, legislative, implementation, and monitoring or auditing. The budget process is cyclical; the budget is drafted, debated and approved by Parliament, and implemented, monitored and audited throughout the financial year and beyond. The budget process itself is not divided cleanly into four stages. In practice, the stages overlap. Similarly, the work of budget groups usually spans across more than one stage.

1. The drafting stage is the most closed part of the budget process in virtually all countries and the most dominated by the Executive. There is, therefore, usually little formal opportunity for civil society input prior to the tabling of the budget in the Legislature.

2. The legislative process offers the first formal opportunity for the Legislature to debate and, in some cases, change the budget. This increases the opportunities for direct influence and the demand for NGO services such as training and research. Moreover, in many countries, the Legislature offers civil society direct intervention opportunities, such as public hearings.

3. Implementation is primarily an executive function. For most applied budget groups, the importance of this stage is the opportunity it holds for collating information on expenditure, revenue and outputs that will contribute to the quality of their participation in the legislative stage. However, weak public implementation capacity and accountability mechanisms are driving budget organizations to focus on implementation issues.

4. The primary constitutional actors in the auditing stage are the Auditor-General or Court of Accounts. These agencies are usually required to report to the Legislature as keeper of the purse. The physical and human resources required for a full national audit limits civil society interventions to checking the Auditor-General's findings in discreet areas. The major opportunities for civil society follow from the findings of the audit and the legislative procedure to evaluate these.

Until quite recently the budget has remained the prerogative of the Executive and its technocrats who design and implement the budget. Preliminary estimates are submitted by the MDAs, collated by the Ministry of Finance and Economic Planning, which also holds budget hearings and submits the proposed budget to Cabinet for approval. The proposed budget is presented to Parliament, comprising the people's elected representatives, for debate and approval. At this stage too, memoranda are also invited from the public on the budget proposals.

However, due to Constitutional constraints on the amendment powers of Parliament and the composition of the August House, Parliament hardly makes any serious changes to the proposed budget submitted to it by the Executive. This means that any attempt to influence the budget must be done at the formulation phase through the Executive. The only other opportunity for civil society to participate in the budget process is during the implementation of the approved budget. This can be done through monitoring and evaluation of the implementation, which includes tracking of resource flows from central government to implementing agencies, including ministries, agencies, departments and local authority agencies. The efforts of civil society in this direction can enhance the work of the Auditor General at the fourth phase of the budget process and the oversight role of Parliament.

Although the government has designed an M&E mechanism for its policies, including budget implementation, civil society can also play an important role in the process. This is because monitoring is a continuous and comparative process of collecting and analysing information on a "where is or extent of progress" of a project or policy and government cannot be everywhere all the time or may not be willing to expose itself to ridicule. Evaluation is an assessment tool that seeks to answer concerns on causality or provide information on "why", "how" & compliance questions (on targets & outcomes) usually at the end of a programme

and the views of the beneficiaries of any programmes being evaluated are very important.

In juxtaposition, M&E may refer to the process of tracking, assessing and measuring of inputs, outcomes, processes, and impacts of budgetary provisions: funds, programmes, projects in order to ascertain progress, demonstrate results and take corrective measures to improve service delivery. Within the new development paradigm, there is a strong focus and emphasis on tangible results - outcomes and accountability - stakeholders are no longer solely interested in activities & outputs but 'actual' outcomes such as:

- Have programmes led to desired results?
- Are we on track & how do we know that?
- How can we measure progress?
- How can we tell success from failure?
- How do we take corrective measures?

Critical to understanding and participating in budget M&E is an understanding of the tools and approaches, data collection techniques, analytical frameworks including their purpose and use, advantages and disadvantages, costs, skills, and time required. The M&E of the budget provides government, development partners, and civil society with better means for:

- Learning from past experience,
- Improving service delivery,
- Planning and allocating resources,
- Demonstrating results as part of accountability to key stakeholders
- Obtaining practical responses/feedback from the beneficiaries
- Ensuring transparency and accountability in public transactions

In getting started with budget M&E, one needs to:

- Set policy objectives and targets;
- Outline policy priorities;
- Be familiar with the public expenditure framework;
- Be familiar with extra budgetary funds/expenditure; and
- Be familiar with legal and institutional underpinnings of the budget.

Some tools/frameworks for M&E of Budgets:

- The logical framework approach
- Theory-based evaluation
- Formal surveys
- Rapid appraisal methods
- Participatory methods
- Public expenditure tracking surveys
- Cost-benefit and cost-effectiveness analysis
- Impact evaluation

*Apart from these tools, you can also design a monitoring framework with clearly spelt out goals, indicators and targets.*

In the country, the key actors in the M&E of the Budget and public financial transactions in general are the MoFEP and NDPC through its M&E technical

committee, on behalf of the Executive, the Auditor General, on behalf of the Legislature, and CSOs, NGOs, think-tanks on behalf of the general public, all aimed at improving the quality implementation of the budget and the efficient and effective utilization of our limited public resources.

### **Who Should Participate?**

Linking the earlier discussion on participation and the above discussion on the budget process one is likely to ask who should participate in the budget process. I wish to state unequivocally that all stakeholders have a right and duty to participate. At times for the sake of easy identification, stakeholders, other than state actors, are classified as private sector actors and civil society organizations but this classification is too simplistic because there are so many actors in the private sector and different groups within the CSOs. Within the private sector, for example, the needs of employers may be quite different from those of employees. Within the civil society, we may have religious groups, non-religious groups, community groups and others. While some civil society groups may be interested in education, others may be interested in health or water. Other civil society organizations also focus on some important issues like good governance, gender, trade, child rights, disability, and others.

Stakeholders, other than the state actors, can participate in the budget process in the following ways:

1. Submission of inputs during the formulation stage: If the Executive permits stakeholders' inputs into the budget at the formulation stage, most of the relevant issues affecting stakeholders would be incorporated in the budget. In 2005, the Ministry of Finance and Economic Planning made public announcements inviting the general public, individuals, trade associations, professional and religious bodies and others to submit ideas and contributions that may be considered during the process of formulating the 2006 Budget Statement. This was a good example of promoting participation in the budget process and should be continued. It would also be laudable if civil society organizations, the private sector, donor representatives and other interest parties are entitled to attend budget hearings, and do so freely as is being done in Tanzania.
2. Partnership in implementation: The civil society and the private sector play vital roles in implementing the budget but these are hardly recognised. For example, when the budget mentions employment creation as one of its objectives, it is the private sector that creates the bulk of employment. There are many civil society groups engaged in service delivery complementing projects and programs in the budget. To ensure efficient use of resources, it is vital for stakeholders and the executive to coordinate their activities to avoid duplication. There are instances where some civil society groups have constructed clinics for some communities but the health service could not send staffs to manage those clinics because those communities have not been catered for in the budget.
3. Expenditure tracking and service delivery surveys: It is important to ensure that allocated resources reach the targeted beneficiaries and be utilized

effectively and efficiently for the intended purposes. There is evidence of large leakages in allocated funds between their release from the centre and arrival at the point of service delivery. This observation is based on a pilot tracker study undertaken by two experienced World Bank economists who examined expenditures with respect to the Ministries of Education and Health in FY2000 (Ye and Canagarajah, 2002). In the case of the Ministry of Education, Youth and Sports, they found that an average of only 51% of the non-salary resources which the Ministry thought had been allocated to a given primary school actually arrived there (and only 65% of salaries), while the equivalent figure for junior secondary schools was only 48% (and 75% of salaries). Approximately half of non-salary monies leaked out of the system. The position in Health was worse. On the basis of a survey of 94 health centers, 44 clinics and 34 health posts (i.e. a quite substantial sample), they found for non-salary items that District offices only received 32% of what the Ministry in Accra thought they would receive and that clinics etc at the sub-District level received only 67% of what the District administrations estimated they would receive. The cumulative effect of these two leakages at the point-of-delivery level was a loss of no less than 79%.

This is why ISODEC and other partners embarked upon the tracking of the District Assemblies Common Fund (DACF) in 2003 and 2004, the tracking of educational and health expenditures in 2004 and the assessment of expenditure on poverty reduction in 2005. ISODEC has also collaborated with the Ghana National Education Coalition (GNECC) to assist District Education for All Teams (DEFATS) to monitor the capitation grants in schools. The SEND Foundation also tracks the use of HIPC funds and publishes its findings in the HIPC Watch.

There are a number of challenges that face stakeholders involved in the monitoring and evaluation of budgets and the tracking public resource flows. These challenges include the following:

- Much information essential for budget monitoring and expenditure control does not exist in forms usable by policy-makers or are very difficult to access
- Weak database at district and regional level to serve as baseline data
- Lack of disaggregated data at grassroots and higher levels for meaningful monitoring of progress and comparisons
- Incompatibility/inconsistency of district data and national/ sectoral data
- Difficulty in tracking extra budgetary funds
- 'Political capture' & influence of executive 'champions'
- Capacity constraints; both human & financial

4. Policy Advocacy: The private sector and civil society have key roles to play in influencing policies and programs in the budget that affect their members or constituents. There are a lot of private sector groups and civil society organizations that are working in this area. The Private Enterprise Foundation (PEF) and the National Board for Small Scale Industry (NBSSI) are among the actors in the private sector engaged in policy advocacy. At the CSO level, there are organizations that focus on economic policy like ISODEC, CEPA, ISSER, Ghana Poverty Forum (GPF) and others. On trade, there are some groups like Ghana Trade and Livelihoods Coalition (GTLC), TWN, etc. On gender the list is unending;

we have ABANTU, WiIDAF, Ark Foundation etc. On disability we have Ghana Federation of the Disabled (GFD) and others.

### **ISODEC and the Budget**

Permit me to talk briefly on ISODEC's work in the budget process. ISODEC's realization of the importance of Civil Society's participation in the budget process gave birth to the Centre for Budget Advocacy (CBA), as part of its rights-based advocacy programme. Since its inception in 2000, the CBA has involved itself in and also involved other CSOs and the general public in the Budgeting Process of the country. The CBA has done this through:

- Press Conferences on the Budget statement
- Public fora on the Budget statement (Input into the annual budget statement)
- Monitoring of Public expenditure
- Training of DA members and officials and civil society representatives on budgets, and
- Designing an economic model, the DEEP Model, to assess the impacts of economic policies.

### **Conclusion and Recommendations**

The need to extend our democracy beyond mere casting of votes to cover public finance is urgent and necessary. The less that the general public and civil society organizations know about what decisions are being made and why, the easier it will be to utilize public resources -- "the taxpayers' money" -- for the exercise of patronage, and the less the risk of being held to account, of being exposed.

There are no legal provisions that compel the executive and the legislature to involve other stakeholders like those in the private sector and civil society to be engaged in the budgetary process. Despite this shortcoming, most stakeholders, particularly civil society groups, try to participate in the budget process. In view of the fact that there is no legal backing for other stakeholders in the budget process, the executive may not be compelled to accept any inputs or recommendations from these stakeholders, no matter how important they may be. What is needed is the recognition by the executive of the important role stakeholders can play in ensuring better budget outcomes and involving them accordingly.

To ensure stakeholders play active role in the budget process it is very pertinent for the government to, among others:

- Come out with the relevant laws that would enable other relevant stakeholders in the budget process to participate
- Expedite action on the Freedom of Information Bill
- Ensure timely release of Auditor General's Report and allow civil society organizations to access these documents early
- Expand the scope of data collection to include certain important social issues