

Budget basics and budget analysis: techniques and tools



*When you give
to older people*

they give back



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age helps

HelpAge International helps older people claim their rights, challenge discrimination and overcome poverty, so that they can lead dignified, secure, active and healthy lives.

Acknowledgements

Budget tracking training was provided for 18 woredas: Mullo, Dandi, Ejere, Girja, Dugda, Lehida, Sawena, Ephrata Gidim, Malie, Zeway Dugda, and Melmera, Arsi Negelle, Adami Tulu Jido Kombolcha, Mullo, Sululta, Habru, Kewet and Soutn Arri, but actual pilots were run in two woredas only, Zeway Dugda and Melmera.

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Action for Development



Rift valley Children and Women Development

Budget basics and budget analysis: techniques and tools

Published by HelpAge International in Ethiopia

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Written by Wubshet Ergetie

Front cover photo: Community water point

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1. Introduction

The government budget has become central to consolidating democracy, but it is traditionally a closed process. Therefore, it seems only natural that NGO work has begun to focus on government budgets. The budget is the most important economic policy instrument for governments. It reflects a government's social and economic policy priorities more than any other document, translating policies, political commitments and goals into decisions on where funds should be spent and how funds should be collected. A well-functioning budget system is vital to the formulation of sustainable fiscal policy and facilitates economic growth. In many countries, economic problems are exacerbated by weak budget systems and faulty budget choices.

While a government's budget directly or indirectly affects the life of all its citizens, frequently people with modest means are influenced the most. They tend to be harmed the most by weak economic growth or high inflation. The current wellbeing of those with low incomes, and their future prospects, can also hinge on expenditure decisions in areas such as health and education. Yet budget cuts tend to fall on programmes that benefit the poor, as other items such as interest on the debt or the public-sector wage bill are more likely to have first claim on scarce funds. Moreover, even when funds have been allocated to anti-poverty programmes, weak expenditure and programme management – and the lack of political power among the poor – can mean that the money never reaches the intended beneficiaries.

The budget process and budget system in a country also are crucial in determining the degree to which it has an open, democratic, and participatory system of governing. In many countries, the general absence of information on budget issues – particularly in accessible, non-technical forms – has seriously hindered the efforts of national and local organisations to participate in the discussion on the distribution of public resources. In addition, the ability of civil society to participate in the budget discussion can be thwarted by legal, institutional, and political barriers. NGOs can work to address these deficiencies in budget information and the budget process, and thus improve the structure of their government's decision-making process.

For all these reasons – the importance of the budget to the overall functioning of a country's economy, to anti-poverty and other government policies, and to open decision-making processes – organisations and researchers have much to gain from a knowledge of budget issues. Because the reach and impact of budget decisions are so sweeping, researchers and NGOs interested in almost any specific issue can be more effective in their work if they understand the formulation of the budget, how it becomes law, and how it is implemented. Combining an in-depth knowledge of a policy issue such as health or education, with a solid knowledge of budgets has proved to be an outstanding method of influencing policy decisions.

This document, therefore, aims to give the basic understanding of the budget process, budget tracking and monitoring budgets at a community level. Government budgets, at all levels of government, are the key documents for understanding priorities and tracking implementation of pro-poor programmes. Hopefully this guide will provide the information and key skills to enable civil society organisations like AAE to engage in this process.

Section 1: Understanding Poverty

In 2002, the World Bank conducted a study in which around 80,000 poor people worldwide were asked how it felt to be poor and what it meant to them in their everyday lives. The responses of poor people are extremely significant for development practice. The perception of poor people pointed clearly at the fact that poverty was not merely the absence of commodities and services to meet basic needs, but rather a question of powerlessness. Apart from the importance of material assets, health and education in improving people's lives, the poor mentioned the influence of factors such as emotional integrity, respect and dignity, social belonging, cultural identity, organisational capacity, and political representation and accountability.

It is now well recognised by all major development actors that poverty is multidimensional and complex. It is a human rights issue rather than just deprivation of basic needs. The following paragraphs give definitions and perception of poverty from some intergovernmental and governmental agencies and NGOs.

Poverty is thus no longer just a matter of calories or of pricing a consumption bundle. It has to do with the poor defining and achieving their well being themselves and living a life in a participative society where the State is an enabling rather than a hindering institution. ... The dignity of the poor requires that they enjoy human rights and that they involve in any decisions that affect their lives. Thus participation is as important as food. (Desai, 2000)

- Poverty: a human condition characterised by the sustained or chronic deprivation of the resources, capabilities, choices, security and power necessary for the enjoyment of an adequate standard of living and other civil, cultural, economic, political and social rights.
Economic deprivation – lack of income – is a standard feature of most definition of poverty. But this in itself does not take account of the myriad of social, cultural and political aspects of the phenomenon. Poverty is not only deprivation of economic or material resources but a violation of human dignity too.
UNHCHR, www.unhchr.ch/development/approaches-04.html
- A fundamental human freedom is the freedom from want. Poverty is a human rights violation, and freedom from poverty is an integral and inalienable human right.
UNDP www.magnet.undp.org/Docs/Policy.html
- Poverty is hunger. Poverty is lack of shelter. Poverty is being sick and not being able to see a doctor. Poverty is not being able to go to school and not knowing how to read. Poverty is not having a job, is fear for the future, living one day at a time. Poverty is losing a child to illness brought about by unclean water. Poverty is powerlessness, lack of representation and freedom.
As poverty has many dimensions, it has to be looked at through a variety of indicators – level of income and consumption, social indicators, and now increasingly indicators of vulnerability to risks and of socio/political access.
(www.worldbank.org/povertyindex.htm)
- Poverty is a state of powerlessness in which people are unable to exercise their basic human rights or control virtually any aspect of their lives. Poverty manifests itself in the inadequacy of material goods and lack of access to basic services and opportunities leading to a condition of insecurity.

- All poverty is almost always rooted in human action or inaction. It can be made worse by natural calamities, and human violence, oppression and environmental destruction. It is maintained by entrenched inequalities and institutional and economic mechanisms.
(Towards Global Equity: Oxfam International Strategy 2001-2004)

1.1 What is development?

Development is not a theoretical exercise to transform a certain amount of money into some other commodity, or some more money. Development is about people and deals with people's lives. However, until very recently, people have tended to understand development through economics. Per capita income and development were usually viewed as being interdependent variables. However, many failed to recognise that economic growth did not necessarily indicate full development. Amartya Sen's "Development as Freedom" introduced a new discourse in development. Rather than using economics as a means of measurement, Sen chooses to use "Freedom". Sen defines development as "the enhancement of freedoms that allow people to lead lives that they have reason to value". The hierarchy that places economics above other variables is one of the greatest challenges in defining development.

"The truth is that development means the development of people. Roads, buildings, the increase of crop output and other things of this nature are not development; they are only tools of development. Development brings freedom, provided that it is development of people. But people cannot be developed; they can only develop themselves. For while it is possible for an outsider to build a person's house, an outsider cannot give the person pride and self-confidence in themselves as human beings. Those things people have to create in themselves by their own actions. They develop themselves by what they do; ... by making their own decisions, by increasing their own knowledge and ability and by their own full participation – as equals – in the life of the community they live in ... There is only one way in which you can cause people to undertake their own development. That is by education and leadership."

Julius Nyerere

"Development is a process in which a community of people strives to make it possible for all its members to satisfy their fundamental human needs and to enhance the quality of their lives.

Development is about people and the way they live, not about objects, things or services given to them. No one can develop other people; it is something that a community or a society does for itself. The energy and values rise from within and express themselves in everyday activities, and in concrete plans and action. However, it is possible to facilitate a community process in which people come together ..."

A. Hope and S. Timmel, Training for Transformation: A Handbook for Community Workers

Development is a comprehensive economic, social, cultural and political process, which aims at the constant improvement of the well being of the entire population and of all individuals on the basis of their active, free and meaningful participation in development and in the fair distribution of benefits resulting therefrom.

(The United Nations Declaration on the Right to Development)

www.unhcr.ch/html/menu3/b/74.htm

1.2 What is a right, and a human right?

A right is a “justified claim or entitlement”. It is a justified claim on someone, or on some institution, for something which is owed. The Oxford English Dictionary suggests a threefold definition of a right:

- that which is morally or socially correct or just; fair treatment
- a justification or fair claim
- a thing one may legally or morally claim; the state of being entitled to a privilege or immunity or authority to act.

The claims derived from rights can be either moral or legal or both, but in either case, they are claims that call forth duties from other members of society directed towards right-holders. Rights provide the basis for 'justified' claims of the actual enjoyment of certain liberties, goods, powers or immunities by persons or peoples to be protected by society against standard threats. For human rights purposes, it can be said that a right is:

- A *right*, if and only if society has a duty to protect its enjoyment and redress its violation;
- A *human right* if, and only if being a human is sufficient reason or condition for possessing that right.

The human person possesses rights because of the very fact of being a person, a whole, master of itself and its acts. Consequently they are not merely a means to an end, but an end in itself, which must be treated as such. By virtue of natural law, the human person has the right to be respected, is the subject of rights and possesses rights.

These words invoke a crucial concept of human rights as natural law. They reflect a fundamental principle which emphasises the worth of individual human beings and recognises their rights simply because of their being human.

1.3 “The Wheel of Fundamental Human Needs”

In this section we attempt to contextualise the study of rights-based approaches to development. We attempt a definition of development which links it directly to human rights. We use the Wheel of Fundamental Human Needs tool which was adapted from an article entitled “Human Scale Development” by Manfred Max-Neef (1989).

The tool was originally developed as a framework for creating awareness on development issues. These include the vision of a developed society, the process of development and the linkages in development. The application of the Wheel of Fundamental Human Needs tool to the definition of human rights is entirely my innovation. The use of the Wheel tool is very apposite for establishing the linkage between development and human rights.



The difference between needs and satisfiers

Fundamental human needs are universal. They apply to all people (regardless of their economic or social condition, geographic location, race, etc), at all times, and in all cultures. According to Max-Neef, food, water, clothing, shelter and fuel are strictly speaking not needs, but means of satisfying the need for subsistence.

Though human needs are limited in number, the ways of satisfying these needs are innumerable and vary from culture to culture and at different times in the same culture. Therefore, it is important to distinguish between needs and satisfiers. The way a community satisfies the fundamental human needs is in fact the basis of its culture. The satisfiers may involve things we are, things we do, things we have, or opportunities to interact with other people.

True and false satisfiers

Sometimes people try to satisfy their needs in ways that are destructive, and that prevent people from satisfying other needs, for example, trying to meet the need for protection by buying more guns leads to greater insecurity. These are called false satisfiers.

There are also satisfiers that meet a single need (such as food aid in a time of famine). Other satisfiers meet many needs at the same time (such as breastfeeding, which meets the needs of subsistence, affection, identity and protection). The search for true satisfiers is an essential part of the development process and requires love, creativity and commitment.

Subsistence needs must be met, so economic development is important, but if the other needs of a community are not also met, they will not be able to meet the subsistence needs

either. The purpose of the economy is to serve the people. People should not be forced to serve the economy.

When these fundamental human needs are not met for any length of time in any part of a society, collective pathologies develop. The most common of these community sicknesses are apathy, fatalism, alcohol and drug abuse, crime and violence. One can only solve these problems through holistic approaches to development which seek to restore the fabric of society by satisfying all the fundamental human needs.

The fundamental nature of rights

Human beings have certain fundamental needs. These include the need for sustenance, freedom, participation, creation, identity, understanding, idleness and affection. These needs are fundamental because they ensure the human being's survival, enhanced agency and ultimate flourishing. Certain things go to satisfy these needs. For instance, the fundamental need for sustenance can be satisfied by an adequate supply of food, shelter and perhaps fuel but the latter are themselves not the fundamental needs. It is sustenance which is the fundamental human need. Likewise the fundamental need for freedom is satisfied by the ability to speak freely, move freely and associate freely. Again, the fundamental need to participate is satisfied when avenues are created for the human being to participate in the determination of all matters which affect his life. Each of the fundamental human needs has a set of possible satisfiers.

Human rights are essentially guarantees of these satisfiers of the fundamental human needs. Ordinarily, human beings should, working on their own, satisfy these fundamental needs. But the reality is that through no fault of their own, some are unable to satisfy these needs. As a result, some consensus has emerged at varying levels that in certain cases, those who on their own are not able to satisfy their fundamental human needs should be able to make a claim on the state or the rest society to the satisfaction of these stated fundamental human needs. It is the ability to make these claims that we refer to as human rights.

Because we have a fundamental need for sustenance, we have a set of rights guaranteeing access to the satisfiers of that fundamental need – hence the right to food, housing (shelter) and so on. Likewise, because we have a fundamental need to participate, a certain category of rights have been guaranteed to ensure our participation in the determination of matters that affect us. These rights include, for instance, the right to vote and be voted for and other forms of participatory rights. The fundamental need for freedom is satisfied by a set of freedoms. Thus we have the guarantees of the rights to freedom of expression, free movement and freedom of association.

Human rights are fundamental because they satisfy fundamental human needs. They are inalienable because their alienation means our inability to satisfy our fundamental human needs, which will result in our death individually or the literal death of our societies. Individually, we face certain death in the absence of food and shelter, the satisfiers of the fundamental need for sustenance. When we deny the fundamental need for participation and freedom, the results are far-reaching. The ensuing struggles to satisfy these needs result in social and political anarchy as evidenced by societies torn by civil wars and revolutions.

Table 1.1 Relationship between fundamental human needs, satisfiers and human rights

FUNDAMENTAL HUMAN NEEDS	SATISFIERS	HUMAN RIGHTS
Subsistence	<ul style="list-style-type: none"> • water • food • clothing • shelter 	<ul style="list-style-type: none"> • right to food • right to housing • right to clean air or environment • right to life
Freedom	<ul style="list-style-type: none"> • expression • movement • association • demonstration 	<ul style="list-style-type: none"> • anti-slavery rights • freedom of expression • freedom of movement • freedom of assembly • right to privacy
Participation	<ul style="list-style-type: none"> • vote and be voted for • involvement in decision making 	<ul style="list-style-type: none"> • right to vote and be voted for • right to take part in decision-making
Creation	<ul style="list-style-type: none"> • artistic work • wealth • property 	<ul style="list-style-type: none"> • intellectual property rights • right to own property • protection from interference • right of migrant workers • right to work
Idleness/Leisure	<ul style="list-style-type: none"> • holidays • rest • maternity leave • break time 	<ul style="list-style-type: none"> • labour rights • compulsory annual leave • right to daily break in the course of work • maternity/paternity leave
Identity	<ul style="list-style-type: none"> • ethnicity • family • religion • culture 	<ul style="list-style-type: none"> • self-determination • cultural rights • right to a name • right to nationality • right to religion • right of ethnic minority • freedom from genocide
Affection	<ul style="list-style-type: none"> • family • marriage 	<ul style="list-style-type: none"> • right to marry and to form a family
Protection	<ul style="list-style-type: none"> • personal harm • damage to property • bodily and emotional integrity • reputation • absence of discrimination • natural resources 	<ul style="list-style-type: none"> • right to personal dignity • right to security of one's person and property • freedom from torture, unlawful arrest and double jeopardy • presumption of innocence and right to due process of law • protection of natural resources
Understanding	<ul style="list-style-type: none"> • access to information • education • research • participation 	<ul style="list-style-type: none"> • freedom to seek, receive and impart information • right to education • freedom of thought, opinion and expression

1. 4 The rights-based approach to development

A rights-based approach (RBA) views development as the process of realising fundamental human rights and freedoms, thus expanding people's choices and capabilities to live the

lives that they value. Upholding human rights is crucial for guaranteeing people's wellbeing and securing a humane and non-discriminatory society – and for enabling an active and engaged citizenry. Consequently, a rights-based approach integrates human rights concepts in the development process effectively to target human freedom. Specifically, it integrates human rights principles, the normative content of human rights, and human rights obligations, particularly state obligations, in development policies and programmes.

RBA puts the poor, marginalised, vulnerable groups at the core of policy and the focus of capacity development strategies. For example, gender analysis is an intrinsic part of RBA, not an add-on.

- The rights-based approach “means describing situations not in terms of human need, or areas of development, but in terms of the obligation to respond to the rights of individuals. This empowers people to demand justice as a right, not as a charity.” (Mary Robinson, “Introduction.” In a Human Rights Conceptual Framework for UNICEF, by M. Santos Pais, Florence, Italy: UNICEF, 1999, p. iv)
- A human rights based approach constitutes for UNDP a holistic framework methodology with the potential to enrich operational strategies in key focus areas. It adds a missing element to present activities by enhancing the enabling environment for equitable development, and by empowering people to take their own decisions. It brings in legal tools and institutions – laws, the judiciary and the rule of law principle – as a means to secure freedoms and human development. It is further based on the recognition that real success in tackling poverty and vulnerability requires giving the poor and vulnerable a stake, a voice and real protection in the societies they live. RBA is not only about expanding people’s choice and capabilities but above all about the empowerment of people to decide what this process of expansion should look like. (Weerelt, 2002. p. 2)
- A rights based approach to development is a conceptual framework for the process of human development that is normatively based on international human rights standards and operationally directed to promoting and protecting human rights. Essentially, a rights based approach integrates the norms, standards and principles of the international human rights system into the plans, policies and processes of development

A rights-based approach is therefore a framework that provides both a vision of what development should strive to achieve (to secure the freedom, wellbeing and dignity of all people everywhere), and a set of tools and essential references (human rights standards and principles). It is essentially based on the values, standards and principles captured in legally binding international human rights conventions/treaties. Human rights are moral norms, standards of accountability and weapons in the struggle for social justice (Weerelt, 2001).

1.5 Principles of a rights-based approach to development

Linkage to rights

The definition of the objectives of development in terms of particular rights – as legally enforceable entitlements – is an essential ingredient of human rights approaches; as is the creation of express normative links to international, regional and national human rights instruments.

- RBAs are comprehensive in their consideration of the full range of indivisible, interdependent and interrelated rights: civil, cultural, economic, political and social.

This calls for a development framework with sectors that mirror internationally guaranteed rights, thus covering, for example, health, education, housing, justice administration, personal security and political participation.

By definition, these approaches are incompatible with development policies, projects or activities that have the effect of violating rights, and they permit no “trade-offs” between development and rights. (Office of the High Commissioner for Human Rights (OHCHR), www.unhchr.ch/development/approaches-04.html)

Accountability

- RBAs focus on raising levels of accountability in the development process by identifying claim-holders (and their entitlements) and corresponding duty-holders (and their obligations). In this regard, they look both at the positive obligations of duty-holders (to protect, promote and provide) and at their negative obligations (to abstain from violations). They take into account the duties of the full range of relevant actors, including individuals, States, local organisations and authorities, private companies, aid donors and international institutions.

Such approaches also provide for the development of adequate laws, policies, institutions, administrative procedures and practices, and mechanisms of redress and accountability that can deliver on entitlements, respond to denial and violations, and ensure accountability. They call for the translation of universal standards into locally determined benchmarks for measuring progress and enhancing accountability. (Office of the High Commissioner for Human Rights (UNOHCHR) Draft Guidelines: A Human Rights Approach to Poverty Reduction Strategies)

- Rights and obligations demand accountability: unless supported by a system of accountability, they may become little more than window-dressing. Accordingly, the human rights approach to poverty reduction emphasises obligations and requires that all duty-holders, including States and intergovernmental organisations, be held to account for their conduct in relation to international human rights. While duty-holders must determine for themselves which mechanisms of accountability are most appropriate in their particular case, all mechanisms must be accessible, transparent and effective. (UNOHCHR Draft guidelines)

Empowerment

- RBAs also give preference to strategies for empowerment over charitable responses. They focus on beneficiaries as the owners of rights and directors of development, and emphasise the human person as the centre of the development process (directly, through their advocates and through organisations of civil society).

The goal is to give people the power, capacities, capabilities and access needed to change their own lives, improve their own communities and influence their own destinies. (UNOHCHR Draft guidelines)

- The essential idea underlying the adoption of a human rights approach (RBA) to poverty reduction is that policies and institutions for poverty reduction should be based on the norms and values set out in international law of human rights. ... The human rights approach offers an explicit normative, compelling framework – that of international human rights.

One reason why this framework is compelling in the context of poverty reduction is that the norms and values enshrined in it have the potential to empower the poor. It is now widely recognised that effective poverty reduction is not possible without

empowerment of the poor. The RBA to poverty reduction is essentially about such empowerment.

The most fundamental way in which empowerment occurs is through the introduction of rights itself. Once this concept is introduced into the context of policy-making, the rationale of poverty reduction no longer derives merely from the fact that the poor have needs but also from the fact that they have rights – entitlements that give rise to legal obligations on the part of others. Poverty reduction then becomes more than charity, more than a moral obligation – it becomes a legal obligation. This recognition of the existence of legal entitlements of the poor and legal obligations of others towards them is the first step towards empowerment.

The obligation deriving from rights may be analysed by reference to the duties to respect, protect and fulfil. The duty to respect requires the duty-bearer not to breach directly or indirectly the enjoyment of any human right. The duty to protect requires the duty-bearer to take measures that prevent third parties from abusing the right. The duty to fulfil requires the duty-bearer to adopt appropriate legislative, administrative and other measures towards the full realisation of human rights. (UNOHCHR Draft guidelines)

- The term empowerment has different meanings in different social and political contexts. Local terms associated with empowerment include: self-strength, control, self-power, self-reliance, own choice, life of dignity in accordance with one's values, capable of fighting for one's rights, independence, own decision making, being free, awakening, and capability. In its broader sense, empowerment is the expansion of freedom of choice and action. It means increasing one's authority and control over the resources and decisions that affect one's life. As people exercise real choice, they have increased control over their lives. Poor people's choices are extremely limited, both by lack of assets and by their powerlessness to negotiate better terms for themselves with a range of institutions, both formal and informal. Since powerlessness is embedded in the nature of institutional relations, in the context of poverty reduction, an institutional definition of empowerment is appropriate. (World Bank, 2002)

Participation

- RBAs require a high degree of participation, including from communities, civil society, minorities, indigenous peoples, women and others. According to the UN Declaration on the Right to Development, such participation must be "active, free and meaningful" so that mere formal or "ceremonial" contacts with beneficiaries are not sufficient.
- RBAs give due attention to issues of accessibility, including access to development processes, institutions, information, and redress or complaints mechanisms. This also means situating development project mechanisms in proximity to partners and beneficiaries. Such approaches necessarily opt for process-based development methodologies and techniques, rather than externally conceived "quick fixes" and imported technical models. (UNOHCHR Draft guidelines)
- A human rights approach to poverty reduction also requires active and informed participation by the poor in the formulation, implementation and monitoring of poverty reduction strategies. The international human rights normative framework includes the right to take part in the conduct of public affairs. This is a crucial and complex human right that is inextricably linked to fundamental democratic principles. A democratic social order based on constitutionalism and free and fair elections is an

essential prerequisite for enjoyment of this right. However, effective participation by the poor requires more than a functioning democracy. It calls for specific mechanisms and detailed arrangements at different levels of decision-making that help to overcome the impediments that the poor, and marginalised groups in general, face in playing an effective part in the life of the community. (UNOHCHR *Human Rights in Development*, para.10)

The right to participate is the right to claim other rights. Understanding participation as a right, rather than an instrument for greater aid effectiveness, has been one of the biggest shifts in agency thinking in recent years. It means switching from a technical to a political understanding of development.

Perceive people as partner citizens rather than as voiceless beneficiaries. ... promote democracy and better governance, ... Agency staff need to develop skills in political analysis and diplomacy. Because all countries are members of the UN, UN agencies have greater legitimacy and credibility with government on human rights than do NGOs based in the North. (Working Paper Rights Based Approach and Beyond/Challenges of Linking of Rights and Participation, No. 234, IDS, 2003)

Equality, non-discrimination and attention to vulnerable groups

- The human rights imperative of such approaches means particular attention is given to discrimination, equality, equity and vulnerable groups. These groups include women, minorities, indigenous peoples and prisoners, but there is no universal checklist of who is most vulnerable in every given context. Rather, RBAs require such questions be answered locally: who is vulnerable here and now? Development data need to be disaggregated, as far as possible, by race, religion, ethnicity, language, sex and other categories of human rights concern.

An important aspect of RBAs is the incorporation of express safeguards in development instruments to protect against threats to the rights and wellbeing of prisoners, minorities, migrants and other often domestically marginalised groups. Furthermore, all development decisions, policies and initiatives, while seeking to empower local participants, are also expressly required to guard against reinforcing existing power imbalances between, for example, women and men, landowners and peasants, and workers and employers.

The twin principles of equality and non-discrimination are among the most fundamental elements of international human rights law. It follows that the international human rights normative framework has a particular preoccupation with individuals and groups who are vulnerable, marginal, disadvantaged or socially excluded. Thus, the human rights approach to poverty reduction requires that laws and institutions that foster discrimination against specific individuals and groups be eliminated and more resources devoted to areas of activity with the greatest potential to benefit the poor. (UNOHCHR Draft guideline, para 9)

Rights are inalienable. Migrants or refugees have rights as much as the citizens of the country. Nevertheless, rights do imply responsibilities, for example paying taxes. In highly exclusive societies, many people pay taxes but do not perceive themselves as citizens with rights. They are clients dependent on extracting concessions from more powerful patrons who run the government and control the resources. Rights-based approaches are challenging. They reveal difficult issues concerning the legitimacy of action, the practice of power and lines of accountability. Working Paper Right Based Approach and Beyond/Challenges of Linking of Rights and Participation, No. 235, IDS, 2003)

Section 2: Why should civil society be involved in policy processes?

2.1 Looking at policies

Looking around in your community you can see there are problems that need to be addressed.

- Children do not go to school.
- Old people may be hungry.
- Members of the community are sick.
- There may be no roads to take products to markets.
- Prices may be increasing due to inflation.

NGOs, CBOs and communities are all trying to address these problems through their own work. However one major actor that can have significant impacts on all these problems is the government. Government policies affect everyday life. Policies on education affect children's schooling, policies on health affect people's wellbeing and policies on trade and taxes can affect the price of goods. Therefore if citizens want to change their situation they need to engage with the policies that affect their lives.

Policies can have a big impact on poverty. The government of Ethiopia has also signed up to the Millennium Development Goals (MDGs) – a set of eight goals which the international community has decided it will try to reach in order to reduce poverty. It also has a commitment to produce a poverty reduction strategy to gain access to debt relief. The Plan for Accelerated and Sustained Development to End Poverty (PASDEP) is the government's five-year policy that sets out its poverty reduction strategy and how it will reach the MDGs. Through the PASDEP the government has signalled its clear commitment to ending poverty through various initiatives in different sectors.

However policies do not always manage to achieve their goals around reducing poverty. This could be for a number of reasons – perhaps funds were not allocated for the policy's activities, perhaps the activities were not carried out well enough (i.e. clinics were built too slowly or roads were not of a good enough quality) or perhaps the activities outlined in the policy were not enough to address the whole problem (i.e. more schools were built and fees reduced to increase education for girls but more girls did not attend as their parents were worried about abuse from teachers).

2.2 What is the role of civil society?

No government can predict exactly how their policies will turn out, nor can they have perfect information systems. Governments are also not the only ones working to reduce poverty in a country. Therefore the work can be more effective if everyone works together – citizens, community-based organisations, civil society organisations, the private sector and government.

Civil society organisations have a particular role as they are often focused on poverty reduction and have close links to the communities in which they work. Therefore they can help communities to understand and monitor policies and bring the perspectives and voice of those communities to the process.

2.3 What can civil society do?

Civil society can therefore be engaged in various ways. Finding out what policies exist and what they cover is a first step. Informing people about the policies that concern them and engaging them in the process is also a useful role for civil society. Then civil society can monitor the policy to see if it is being implemented properly and help to address any problems. The basic steps for this include

- gathering evidence
- analysing the evidence
- advocacy and influencing the policy process, based on the evidence.

2.4 What is your focus?

If civil society wants to engage in the policy process it is useful to think about the focus you will have. All organisations are coming from a particular perspective or hoping to see a particular change. What are the key issues for you and what are the changes you want to see? Deciding on your focus can help design your work. The government has a huge number of policies and many impacts on the ground and it is impossible to track all of them. Therefore having a clear focus will help you to decide where to look and what evidence to gather. Examples of particular focuses could be

- **Child rights** Organisations working for children's rights might analyse policies to ensure child rights are addressed. They might want to monitor the impacts of policies on the rights of children on the ground, i.e. do they ensure children can access healthcare?
- **Gender** Organisations working on gender might want to analyse the impacts on women of different policies. For example, do agricultural extension services reach and benefit women-headed households?
- **Livelihoods focus** Organisations working to support community livelihoods might want to consider how a range of government policies – from infrastructure development to the development of marketing systems – will support the livelihoods of community members.

2.5 Why the budget?

So why are we focusing on the budget? The budget is the basic way in which policies are turned into action. For the promises written down on paper to be translated into schools or hospitals or roads they need resources. However, the government only has a limited number of resources and has to decide where to spend them. The budget sets out the plan for government spending and therefore shows what will be delivered. It highlights the priorities for the government as these are the areas where scarce resources are being spent.

The budget therefore provides a useful tool for civil society to monitor government's commitments to pro-poor spending and to implementing policy commitments. Understanding budgets and following their implementation gives civil society a unique opportunity to comment on the system. This can help civil society reveal the problems and give evidence to back up their arguments.

Section 3: Budget processes

It is difficult to conceive of any public policy that can be carried out without money and the way money is allocated to policies is through budgets. Therefore the budget is the key to the implementation of all policies. To monitor or track a budget and to assess its impacts on policy implementation it is important to understand the budget process. Before we go to a discussion of the budget process, readers need to know what the budget is, and why it is important.

3.1 What is the budget and why does it matter?

What is a budget?¹ We have all used budgets in various forms – from planning how to pay the bills at home to developing project budgets at work. At the national level, a budget refers to a state’s allocation of resources taking account of economic, political, administrative, and human rights perspectives.² A budget from political perspective is a reflection of a country’s policy priorities and political commitments to expenditure. From an economic perspective budget is a representation in money terms of the state’s activity or preferences in national policy. A budget is, therefore, the “most important economic and political instrument”. From an administrative perspective, a budget is understood as a resource plan that serves for the utilisation of financial, manpower, material, and other resources. From a human rights standpoint, a budget can also be defined as a process through which financial resources are allocated in compliance with state obligations to respect, protect and fulfil human rights as prescribed by human rights conventions and associated laws.

There are various types of resources – financial, material, natural, and human – and a budget may include all these types of resources. For the purpose of this manual we only focus on financial resources and use the term “budget” as a process by which state’s financial resources are planned and controlled. The budget is, therefore, a financial statement which includes revenue, expenditure and the balance between the two. We will mainly be focusing on the expenditure side, so for our purposes we define the term “budget” as a process through which state resources are allocated. These allocations guide the expenditures which are made in order to reach various targets.

What determines a budget? There are various factors that determine the total budget envelope – i.e. how much money is available to spend. These are baseline figures from previous year, need (as reported by government offices), cost of programmes, cost effectiveness research, equity, and capacity to spend. Policy priorities (political), constitutional obligations (legal framework), and rights may determine how the envelope is going to be spent (sectoral allocation).

Why do government budgets matter? Government budget decisions affect everyday lives and the future of every citizen. To put it simply, budget decisions influence where we work, what transport we use, what healthcare is available, the education our children receive, whether we have clean water and sanitation, electricity, and other services. It determines what services the government provides and what taxes we have to pay. The government (be it federal, regional or woreda) is also a powerful actor in the economy. Thus, how it spends the money is a large determinant of economic development with redistributive impact. This gives it the power to influence the level and direction of economic

¹ The word budget is derived from the French *bougette*, a bag or purse, and is applied in modern times to the statement of revenues and expenditures (including the balance between the two) of governments, for the fiscal year.

² For details see Wildavsky, cited in Diokno, 1999.

activity. It is the most important economic policy instrument of government, and as such can be a powerful tool in transforming the economy to meet the needs of the poorest.

The budget is also a fundamental tool in the implementation of public policy. It is the major indicator of the priority accorded to fighting poverty or tackling other issues. It is therefore a key area to consider when looking at how a government is implementing policies or legislation.

3.2 Principles of an open budget system

A budget process needs to be governed by principles like participation, transparency, accountability, equity and inclusiveness. These are the ideals but not all budgets follow them. Each budget system should be considered in terms of these standards.

Participation This is the level of involvement of all stakeholders/actors in the budget process, directly or through legitimate intermediaries. The process of budget preparation, approval, implementation, and review needs the participation of various stakeholders. It is through participation that people's perspectives can be brought to the attention of the policy makers. It also allows citizens to hold the government accountable, to identify weaknesses in a budget, to build consensus³ and to mobilise the community effectively to meet a budget target.

Participation in a budget process is not a luxury; it is rather a basic right of all citizens. It allows members of the community to raise issues that are important for them and hence, influence budget allocations. It also allows different layers of government to which are the most important unmet demands of the community. By doing so, the government and the community can mobilise resources, provide more equitable distribution of budgetary allocations (without discrimination based on gender, ethnicity, region, rural/urban, and vulnerable groups) and effectively spend the resources. Thus, participation is an essential ingredient in the budget process to ensure efficient provision and more equitable distribution of budgetary allocations. Through active participation in the budget process, people could stop money or resources being allocated to activities that would threaten their economic rights or ensure they receive compensation for rights they have been denied.

Different budget systems have different levels of participation. One of the best examples in participatory budgeting is the case in Porto Alegre city in Brazil. Here forums made up of citizens regularly meet to discuss the budget and its formulation. Through this process, "city dwellers have been able to decide about virtually anything related to public resources under the municipal domain from streets to be paved to reform of the city's public market, from supporting cultural initiatives in peripheral areas to the publication of a book telling the history of a specified community, from sanitation systems to pay policies regarding municipal civil servants."⁴

Transparency This refers to the provision of comprehensive, accurate, timely and frequent information in useful formats on a country's economic conditions and its budget policies. It is also related to the existence of clearly spelt-out rules, procedures, and forums on the basis of which budget decisions are made. The principle of transparency is crucial to the budget process, mandating that information affecting budget decisions (budgetary and fiscal information, information on development thrusts and programmes, etc.) should be accurate,

³ Consensus is a broad understanding of the common good and the modalities of working to that end.

⁴ Zander Navarro "Participatory Budgeting—The Case of Porto Alegre (Brazil)" Paper presented to the Regional Workshop: Decentralization in Latin America—Innovations and Policy Implications, Caracas, Venezuela, May 23-24, 1996 [Revised June 1996].

true and portray the genuine state of the economy. In addition, this information should be made available and accessible to the general public, open to public scrutiny, written clearly and readily understood by the public. Availability of information on budget policies, expenditures, and outcomes allows the public to hold the government accountable, motivate citizens and civil society to participate, and helps to mobilise the community effectively to meet budget targets.

The principle of transparency is important in the budget process. Transparency is a prerequisite for public debate; if budget information is not available, it is difficult to discuss. Transparency allows the analysis of state policies and facilitates the identification of weaknesses leading to the adoption of necessary reforms. Transparency can increase faith in the state, and can contribute to consensus building and commitment. Transparency enables citizens and civil society to hold the government accountable, which they can only do if they have information on budget policies, practices, expenditures and outcomes.⁵

Accountability This refers to answerability of decision makers and implementers with regard to budgetary processes at the formulation, approval, implementation and performance review stages to those whose interests are affected by their actions or inactions.

Resources mobilised for expenditure comes basically from three sources: taxes, external aid and external borrowing. Taxes come directly from the people and aid is given to the government on behalf of the people of Ethiopia. Loans are raised in the name of the population and the whole population will be responsible for repaying them. Thus, the money the government is spending is not its own but belonging to everyone. This means the government should be accountable not only for how it spends these resources but also for budget outputs and outcomes. This makes accountability an important ingredient in a budget process.

Accountability in the state budget has several dimensions: accountability for objects of expenditure (what the state spends on), state performance and results (achieving results or meeting objectives for which public funds are spent), and budget processes that result in best value, quality and service for public money. In general accountability requires a robust financial management system, robust financial management legislation, an independent auditor general and a strong parliament, active civil society, strong media, and aware electorate.

Equity and inclusiveness This refers to the need to ensure opportunities that will maintain and improve the wellbeing of diverse groups in any given social or political setting in terms of budgetary allocations. Budgets should also be governed by the principles of equity and inclusiveness without discrimination. Budget allocations should be fair and just, and should apply to all citizens equally, without discrimination based on gender, ethnicity, social class, age, geography, etc. In particular, vulnerable sectors of society should not be discriminated against in a budget.

⁵ The principle of transparency is recognised by the IMF, in its "Code of Good Practice on Fiscal Transparency – Declaration of Principles" 1998. See Barry H. Potter, "Fiscal Transparency: The IMF Code". Paper submitted to the Second International Budget Conference on Transparency and Participation in the Budget Process, Cape Town, South Africa, February 21 -25, 1999. Copies of the IMF transparency documents are available at the IMF transparency web site at <http://www.imf.org/external/np/fad/trans/>.

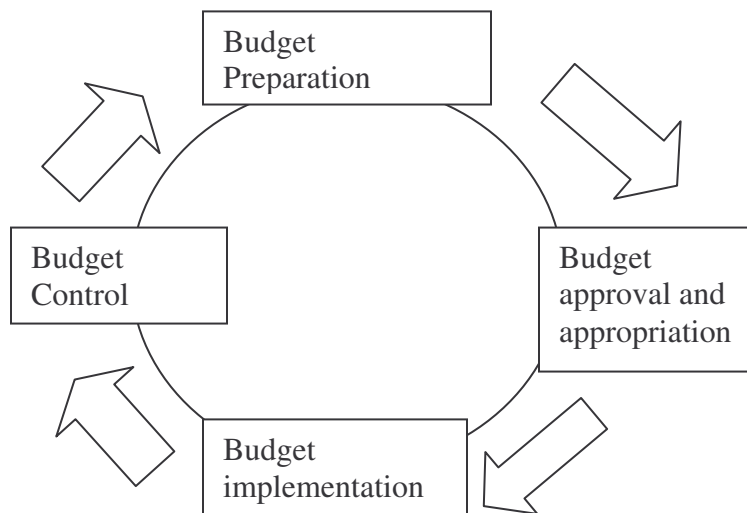
3.3 Stages of budget process/cycle

There are four stages in the budget process/cycle at any level of jurisdiction. These are

- budget preparation (drafting/design process)
- budget approval and appropriation (legislative process)
- budget execution (implementation process)
- budget control (performance monitoring - audit and evaluation process).

The complete picture of the cycle is presented by Figure 1.

Figure 1 Budget Cycle



Budget preparation The central agency (usually ministry of finance) circulates a budget call letter and guideline to all public bodies. Every public body is required to prepare their budget requirement and submit it to the central agency. The central agency is responsible for summarising and consolidating the national budget and finally presenting it before the council of ministers and/or parliament.

Budget approval and appropriation In the second stage, once the recommended budget is reviewed and adjusted by the council of ministers, it is then presented to the parliament for debate and approval. Annual appropriation of the approved budget will then follow.

Budget execution/implementation The third stage is disbursement of the approved budget to the relevant agencies, implementation of planned activities, and recording of expenditure. This is the process of the transfer and spending of the money which ensures that activities can happen to reach the required goals.

Budget control The fourth stage in the budget process/cycle is budget control/performance monitoring. This involves monitoring activities in terms of annual public bodies' reports and audit reports to the parliament, i.e., accounts for expenditure, evaluate and audit. This stage provides information that can be feed into future plans.

How the budget is linked with policies and priorities In some countries there is called the Medium Term Expenditure Framework (MTEF) which provides the linking framework between policy making, planning, and budgeting. MTEF rests on three pillars

- the top-down multi-year projections of resource envelope targets (what is available)
- the bottom-up multi-year cost estimates of sector programmes (what has to be financed, with a focus on performance)
- the institutional decision-making process to integrate the above two pillars (making the necessary trade-offs).

This process allows the budget to follow the priorities in the development strategy for growth and poverty reduction.

3.4 Ethiopia's budget process

The budget process is guided by a directive (known as the Financial Calendar) issued by the Ministry of Finance and Economic Development (MoFED) to all entities listed as public bodies. This directive has a schedule to ensure that planning and budgeting are prepared, approved, appropriated and executed accordingly (for the schedule see Annex 1).

Budget preparation is guided by a document known as the Macro-Economic and Fiscal Framework (MEFF) prepared by MoFED.⁶ The MEFF provides a forecast of government revenue and expenditure, expenditure financing, the split of aggregate expenditures between federal and regional, and the split of federal expenditures between recurrent and capital for the next three years.

Based on this three-year MEFF, MoFED prepares an annual fiscal plan by January 24, which includes identification of total resources (foreign and domestic) – known as the resource envelope; the amount of money needed, known as the expenditure requirement; setting the block grant amount for regional governments and administrative councils from all sources (domestic and foreign), and splitting the federal share between the capital and recurrent budget. MoFED then prepares the totals of the annual subsidy budgets and notifies the regional governments and administrative councils by February 8 at the latest. This is the starting point of the budget preparation.

As discussed in the preceding section, Ethiopia's budget process has the same four stages (budget preparation, budget approval, budget implementation, and budget control) at all level of jurisdiction (federal, regional, and woreda governments).

The first stage: budget preparation This stage has four phases. First, all public bodies are required to perform all the budget preparation activities, including mid-year programme review for the current fiscal year, preparation of unit costs and the work plan for the upcoming fiscal year. This phase facilitates the second phase, submission of the budget request on time.

The second phase of budget preparation includes a budget call letter issued by MoFED/BoFED to all public bodies. The budget call letter includes recurrent and capital budget ceilings, priority or focal areas to be considered in preparing the budget, the submission date of the budget request by public bodies to the respective finance and economic development institutions at all jurisdictions. Public bodies are required to respond to the budget call by preparing their budget according to the guidelines in their action plan.

⁶ MEFF shall be reviewed and approved by the executive body, the Council of Ministers.

If a public body fails to submit its budget request within the time specified in the budget call letter, MoFED/BoFED will recommend a budget based on the information it has.

The third phase is conducting a budget hearing (public bodies with MoFED/BoFED). Based on this discussion and government policies and priorities, the total expenditure ceiling, and allocated ceilings for each public body, the requested budget will be reviewed, adjusted and consolidated. The last phase is summarisation of the recommended budget by MoFED/BoFED/woreda to be presented to the executive body – the council of ministers, regional council, and woreda council. The executive body reviews and recommends the budget.

The second stage: budget approval and appropriation After the recommended budget is reviewed and adjusted by the respective executive body at all levels, it is then presented to the legislative bodies – the federal house of people’s representatives, the regional house of people’s representatives, and woreda house of people’s representatives – for approval and annual appropriation of the approved budget at all levels. These legislative bodies review, amend, and approve the budget.⁷

The third stage: budget execution Once the budget is approved and appropriated by the legislative bodies, MoFED/BoFED prepares the budget allocation guideline and the notification to public bodies and their budget institutions of the source of finance and line item of expenditures for the disbursement of the approved budget. The institutions then use the budget to carry out their activities for the year.

The fourth stage: budget control This stage deals with performance review. This includes activities such as ensuring whether the revenue utilisation is according to laws and regulations, ensuring that disbursement is made according to budget, that public property is kept safe, and the recording and accounting procedures are up to standard.

The office of the general auditor is in charge of auditing public bodies and presents its findings before the House of Peoples Representative.

Does Ethiopia observe budget principles in the budget processes?

A budget process needs to be governed by principles like participation, transparency, accountability, equity and inclusiveness. Ideally, each stages of budget process/cycle should be subjected to all budget principles.

What is your experience or observation with regard to the budget principles in the Ethiopian budget system? Do you think that civil society and citizens have access to influence what goes into the budget, influence the budget debate, and monitor and evaluate the budget performance?

Do civil society and citizens know whether the actual expenditure is according to budget and policy priorities and whether disbursement is made according to budget? Is there a room for civil society and citizen participation in most of the budget stages? How do you feel about the Ethiopian budget system with respect to budget transparency and budget accountability?

⁷ The appropriation at federal level specifies the total of the federal capital budget, recurrent budget, and regional subsidies and the total subsidy for each region. Subsidies to region are based on three indicators: population size 60 per cent, level of development 25 per cent (four sub-development indicators are considered here: agricultural sector, education sector, health sector, and water sector indicators), and revenue collection effort 15 per cent.

Section 4: Budget tracking and the rights-based approach

4.1 Budget tracking

A thorough and detailed review of the budget and actual expenditure is known as budget tracking. Budget tracking, as pointed out by Lav (1999, as quoted by Diokno 1999), "... involves the collection, study and interpretation of budget data, the correlation of budget data to other relevant information such as state policies and programmes, and the establishment of findings and results. Its aim is to provide analysis and information that is credible, accessible to a wide range of audiences, and makes a timely contribution to policy debates, with the purpose of affecting the way budget issues are decided and the decisions that are made."

Budget tracking is the assessment of whether or not a state's allocations in the budget and their implementation are in compliance with its obligations or specific policy objectives. It uses the information from budget proclamations and reports to analyse the actions of the government.

In what follows important points to be considered in budget tracking at each stages of budget process are identified.

1. Budget preparation
 - government commitment to stated policy priorities in allocations
 - trends in the budget
 - priority given to vulnerable groups
 - the adequacy of the budget
 - progress in the budget (whether government's response for specific purpose is improving)
 - equity issues (whether resources are allocated fairly among various sectors and regions/woredas) along with criteria/process for allocating resources among regions.
2. Budget approval and appropriation
 - transparency and inclusion of non-state actors
 - conformity of processes with laws and the constitution
 - criteria and process for allocating resources among regions.
3. Budget execution/implementation
 - operational efficiency (how much of the budget is spent? what happened to funds that are unspent?)
 - funding flows and bottlenecks, ensuring accountability and transparency (corruption? wastage?)
 - trends in actual expenditure and its adequacy (is actual expenditure in compliance with government's policy priorities?)
 - expenditure for specific purposes (special interest) in relation to resources spent in other areas (for instance defence)
 - progress in actual expenditure (is government's response for specific purposes is improving?)
4. Budget control (performance monitoring - audit and evaluation)
 - allocative efficiency (are the right programmes being funded? Are they the most cost effective programmes?)
 - outputs of the budget (is the budget meeting its target goals?)

- outcomes (what impact has the budget had on the lives of the citizens and the economy?) Is there transparency and inclusion of non-state actors in monitoring and evaluation of budget?

4.2 Using the human rights-based approach

One focus for tracking budgets can be the human rights-based approach. From a human rights framework, a national budget can be defined as a process through which financial resources are allocated in compliance with state obligations to respect, protect and fulfil human rights. In this approach the status of human rights and compliance with state obligations become the key determinants of the choices made relative to financial resource allocation. So, while budget tracking can link various policies with the budget and its implementation, budget tracking from a rights-based approach specifically links the budget with state's commitments and obligations to human rights.

The Ethiopian government has ratified international conventions on human rights including child rights. These rights are also included in the constitution. Where there are rights there are associated obligations which the government is duty bound to by the conventions. The government is therefore obliged to undertake all actions and policies to enforce and protect the rights it has committed to. Therefore the realisation and protection of rights should be taken into consideration in the national budget.

Budget tracking from a rights-based approach tracks public allocations to determine their impact on economic, social and cultural rights and concomitant state obligations in a variety of ways:

- Public allocations may be probed to determine whether the expenditure mix, geographical and spending level patterns, state programmes, categories of current expenditures and compensatory measures comply with state obligations to respect, protect and fulfil rights.
- Public allocations may be scrutinised to find out whether the state has appropriated funds to protect rights.
- Public allocations may be compared with the status and condition of economic, social, and cultural rights to determine whether state allocations are geared towards the satisfaction and realisation of these rights.
- Public allocations may be compared against international standards for rights expenditure and national standards related to the enjoyment and exercise of specific rights.
- Public allocations may be compared against expenditure from a rights perspective.

In general, budget tracking from a rights-based approach may use the following budget indicators:

- budgetary allocations: capital expenditures, current expenditures and subsidies from the federal government; imbalance in categories of current expenditures – disproportionate or unequal spending on budgetary items, which result in breaches of human rights
- composition of expenditure among different state functions: for example, priority may be given to national defence and security or debt service with less resources allocated for education and health
- changes in public allocations observed in time series data.

Budget tracking, therefore, involves description and analysis of budget drafting, process, implementation and description of budget indicators that may be applied to a rights-based approach to budget tracking. It should be noted, however, that monitoring the progressive realisation of human rights through budget analysis entails a multi-year comparison of the state's budget.

Section 5: Budget analysis

5.1 Introduction

This section aims to give participants the specific skills to be able to analyse a budget. These skills could be applied to different types of analysis, for example, budget tracking from a human rights-based perspective. The purpose of this part of the budget work is to introduce participants to some of the key calculations that are frequently used in analysing budgets. These include looking at the size of a component of the budget relative to the budget total, or calculating nominal and real growth rates, both year-on-year and over the medium term. It also deals with per capita budgets, comparing allocations to actual expenditure, and interpreting the results.

5.2 Techniques of budget analysis

Preparatory work for budget analysis Before getting into the budget analysis one has to be clear on the budget process and way the budget is presented. Organisations should

- look at the budget law and corresponding guidelines and learn the process by which the government's budget is prepared and approved (covered in the first section)
- familiarise oneself with various terms in the budget and to know how to read the budget. You need to know: how the budget is classified and what each classification entails; and how to read the figures in order to determine their implications
- look at the government's policies and plans to understand what the government is trying to achieve.

Quantitative techniques One way to analyse budgets is to look at the allocations to different sectors or different regions. Sectoral/specific budget areas (for instance, education) can be analysed to measure

- the priority given to that sector compared to other sectors in the economy
- changes in the amount allocated to that sector over time (also taking account of inflation)
- the amount allocated per person in that sector
- whether the money allocated to that sector was spent.

As well as considering specific sectors you could also look at regional or woreda budgets and compare them to national averages or other regions and woredas.

In what follows we shall discuss some specific techniques/tools which can give you the information on the above. Exercises are included to complete these tools for which you would need the regional budget for the following years: 2002/03, 2003/04 and 2004/05.

Method 1: Percentage share of the budget (indicates priority)

The term "share" refers to the size of a slice of the pie in relation to the entire pie. We use share to measure how much the government prioritises a certain item in the budget. We express it in terms of a percentage of the total. For example, if the total national budget is Birr 20 billion and Birr 4 billion is spent on education, we say education's share is 20 per cent, i.e., we divide 4 by 20 and multiply by 100 to change it into percentage. The formula is as follows

$$\frac{\text{share of budget for sector}}{\text{Total budget}} \times 100$$

We often use a percentage to express:

- one sector (e.g. education) as a share of the country's (region's) budget
- specific spending breakdowns as a share of the total sector budget (e.g. what share of the education budget goes to the recurrent and capital budgets and within the recurrent budget what share goes to wages and salaries and teaching materials? What share of the health budget goes to primary healthcare or HIV/AIDS?)

Looking at shares over time can tell us more about how government's priorities are shifting.

Exercise 1 Calculate the recurrent budget for education as a share of total recurrent expenditure for in 2003/04 and 2004/05.

Would you say that the priority given to education is increasing or decreasing?

Method 2: Calculating growth rates (indicates progress)

The growth rate describes how much the size of an allocation changes from one year to the next. Comparing one year's budget with the next year's allocations may indicate changes in the state's policies and priorities. It is expressed as a percentage of the original allocation and is called the annual growth rate. The basic formula is:

$$\text{Growth rate in percentage in 2004/5} = \frac{(\text{amount in 2004/5} - \text{amount in 2003/4})}{\text{amount in 2003/4}} \times 100$$

Exercise 2 Calculate the growth rate for education in the recurrent budget, from 2002/3 to 2003/4, and from 2003/4 to 2004/5. Does the recurrent budget for education seem to be growing faster?

Method 3 Converting from nominal values to real values (adjusting for inflation)

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

Budgets from different years can give a distorted picture as inflation means that what money can buy across different years varies. Therefore we need to remove the impact of inflation to determine the real figures.

To take out the effects of inflation we use the "deflator". This is a figure set by the Ministry of Finance that is based on the rate of inflation. If we want to convert everything to 2002/3 purchasing power, we make 2002/3 the base year. The deflator for the base year is 1 because we are using the base year as a benchmark and comparing everything to that year. As a result of this nominal and real values are equal at the base year. In order to get the real amount for each year, divide the nominal amount by the deflator for that year.

The following example is derived from Table 5.1. For 2004/5, Birr 20,000 million (nominal) divided by 1.44 (deflator) equals Birr 13889 million (real terms).

Table 5.1 Nominal and real values

	2002/3	2003/4	2004/5
Nominal values	15000	17000	20000
Deflator	1	1.12	1.44
Real values	15000	15179	13889

As may be observed from the table, inflation reduces purchasing power of Birr over time, i.e. Birr 100 this year buys less than Birr 100 last year, because prices are increasing. This makes straight comparison of amounts between different years inappropriate. We convert nominal amounts into real amounts to adjust for inflation.

Exercise 3: Calculate the real budget figures for the regional recurrent budget for education. Then calculate the annual growth rate for the nominal and the real budget and reflect on the two growth rates. Is the budget for this programme keeping up with inflation?

	2002/03	2003/04	2004/05
Nominal figures for education			
Nominal Annual growth rate			
Real figures			
Real annual growth rate			

Method 4: Calculating annual average nominal/real growth rates (progress in nominal/real terms)

This gives a broad picture of what is happening over the medium term. For the above given data, the annual average growth rate is the average growth rate over the three years, i.e., you add annual growth rates and divide for the number of years.

$$\text{Average growth rate} = \frac{\text{growth rate in year 1} + \text{growth rate in year 2} + \text{growth rate in year 3}}{3}$$

Exercise 4 Calculate the average growth rate for education for the real and nominal amounts over the three years. Is this similar or different to the growth rate for each year?

Method 5 Per capita budgets (equity and adequacy):

To check that there is equity across the population it is necessary to work out the amount of spending per person. To do this, divide the budget figure by the total population in the area the budget refers to (i.e. for per capita spending in education in Amhara, divide the education spending by the population in Amhara).

$$\text{Per capita budget} = \frac{\text{Budget figure}}{\text{population}}$$

Exercise 5

Find the population for your region. Divide the education budget by the population figure. This gives you the amount spent per person in your region on education. Calculate this figure for the different years (remembering to check the different population figures). Is the spending on education keeping up with changes in the population?

Method 6: Percentage difference from the average (region/woreda equity in per capita budgets)

You may want to analyse whether an equitable amount is being spent per person in different regions. To do this you could compare the per capita spending for that particular region to the national average.

- Take the per capita budget figure for a sub-budget (region, district, or municipality).
- Calculate the per capita spending nationally.
- Calculate the difference between the sub-budget per capita spend and the national per capita spend.
- Express the difference between this amount and the average per capita budget figure for the countrywide as a percentage of the countrywide average.

$$\text{Percentage difference for SNNP in 1998} = \frac{(\text{per capita budget for SNNP in 1998} - \text{per capita budget for Eth. In 1998})}{\text{average per capita budget for Ethiopia in 1998}} * 100$$

A negative sign indicates a lower per capita budget than the countrywide average, while a positive sign shows a higher per capita budget than the countrywide average.

Method 7: Comparing the approved budget to actual expenditure (spending/utilisation rate → efficiency)

What is in the budget may not be what is actually spent in reality. It is therefore necessary to look at actual expenditure as compared to approved budgets. The spending rate for recurrent budgets (recurrent expenditure to recurrent budget) is usually high because most of these expenditures are wages and salaries. The spending rate for capital expenditure is usually low for Ethiopia. This can be also calculated for specific sector or sub-sector.

To analyse the utilisation of the budgets you will need to compare budget reports to the budget proclamations. The rate of utilisation can be found by dividing the actual expenditure by the approved budget. To express this as a percentage of the approved budget divide the result by the approved budget and multiply by 100.

$$\text{Rate of utilisation} = \frac{(\text{actual amount spent on X in the approved budget})}{\text{approved budget for X}} * 100$$

5.3 What do we learn by looking at different quantitative methods of budget analysis?

The following can give an idea of how these methods can be used to inform our wider analysis.

Adequacy How much is budgeted?

- Nominal terms can tell us if the allocation is enough by looking at the per capita figure (Method 5).
- Real terms tell us if the allocation is keeping up with inflation. (Methods 3 and 4).

Priority To see if the stated policy priorities are reflected in the budget and to determine if the government is keeping its promises (policy commitments)

- Percentage share calculation shows if priority is being put in the right place (Method 1).
- Real and nominal growth can show how a government is placing more or less priority on a sector (Method 3).

Progress Is government's response on this issue improving?

- The rate of growth of allocations to a sector tells us if the government is putting more into a sector (Methods 2 and 3).

Equity Are resources being allocated fairly?

- The per capita measure compared to the national measure shows whether the regional allocations are more or less than the national (Method 6).

5.4 Thinking about the budget document

- In your exercise and observation do you think that the budget book enables readers to establish the relationship between functions and allocations and thus to check the rationale behind the allocations?

- Is the budget structure okay for effective budget analysis or for effective assessment of policies and budget outcomes?
- Does the budget document have enough breakdowns for effective budget analysis?
- Looking at budget reports:
 - Does the budget document give information on funds that are spent for purposes other than those that are authorised?
 - Does the budget document give information on the source of funds for expenditures that are larger than the allocated funds?
 - Does the budget document give information on the unutilised portions of the allocations for expenditures less than the allocated funds?

Section 6: Budget monitoring and evaluation

6.1. General overview on budget monitoring and evaluation

The main aim of budget monitoring and evaluation is to gather information on budget implementation to provide an assessment of how the budget is being implemented compared to the plan. This can then be used to

- ensure fair and appropriate allocation of budget among different sectors and people is taking place
- improve budget outputs and outcomes
- reduce the gap between approved budget and budget disbursements, authorised budget and actual expenditure.

Monitoring is the routine collection and analysis of information on implementation/progress vis-à-vis original plans and its follow up. Hence, budget monitoring is looking at what has actually happened to the budget. It is a continuous assessment of implementation of the budget in relation to originally agreed resource allocation. Evaluation is concerned with budget outputs (the direct results of budget implementation or what that money did) and budget outcomes (changes in the quality of life in society that result from budget outputs). It is an assessment of whether intended objectives of the budget have been met.

Monitoring and evaluation is not something that we think about at the end of the fiscal year. A monitoring and evaluation plan should be formulated during the design and planning of the budget, with the participation of the stakeholders. It has to state what is going to be evaluated, what evidence is needed to answer key evaluation questions, and should consist the following: a conceptual framework, definition of essential variables of budget performance and indicators, methods, time frame and dissemination strategy. Thus, formulating the broad aims of your budget monitoring work and core monitoring question are the key to get started on budget monitoring. This allows people engaged in monitoring and evaluation to know ahead of time

- the purpose of the budget
- what type of output and outcome is expected at what level
- what processes and activities are being used to spend the budget
- what external influence should be taken into consideration (e.g., war, drought which takes up the time of most institutions)
- who has a stake in the budget.

Monitoring the budget can help civil society to have oversight over the actual implementation of the budget. Civil society can also help engage citizens in these activities to give them the information and understanding of what is happening to the resources being spent in their name.

6.2 What is budget monitoring and evaluation?

What is budget monitoring?

The budget that a government produces is only the plan for what they intend to implement over the coming year. It does not tell us what actually happened. It is therefore necessary to monitor and evaluate budget to assess what has actually happened. Did it fit with the plan and is what is spent achieving all it is supposed to? Specific reasons for monitoring and evaluating budgets:

- to provide crucial information about budget performance (What is the total envelope and sectoral allocation – did priority sectors get enough? what improvements in

sectoral allocation are required? Is sectoral allocation focused on the right elements?, Is the community owned the process and committed?)

- to provide information on whether the budget is aligned with expenditure
- to provide information on whether the expenditure is aligned with policies/priorities
- to check the level of compliance by the government with its economic and social rights obligations
- to provide a view over time on the status of programmes supported by public resources,
- to identify potentially promising programmes or practices
- to identify and take action to correct weaknesses in budgetary allocation and implementation
- to provide timely and frequent information on budgetary performance.

What do we mean by budget monitoring and evaluation?

1. Tracking budget principles entails looking into the level of participation, transparency, accountability and equity issues in the budget process.

2. Tracking changes in the budget situation

- evaluate accounting procedures, including documentation of expenses and incomes.
- compare budget with actual expenditure.
- compare expenditures with policies and priorities.
- compare budgets/expenditures with changes in inequities.
- detect deviations/discrepancies.
- identify reasons for the deviations/discrepancies.
- suggest corrective actions if things are going wrong.

6.3 How to carry out budget monitoring and evaluation

First it is necessary to put in place a monitoring and evaluation system. In order to develop this, the following major issues need to be addressed.

- There must be a clear understanding and systematic analysis of the budget process, objectives, policies and priorities of the government.
- Develop the logframe⁸ which shows the logical relationship between the means and ends.
- Develop a monitoring and evaluation plan that clearly defines what information you intend to collect.
- Carry out a baseline study to establish initial level of indicators to allow for comparison (trend analysis).
- Develop instruments for collecting required information, plans for analysis and develop indicators that will be used to verify if the budget process have been aligned with budget principles, if the budget objectives have been achieved.

6.4 What are the indicators for budget monitoring and evaluation?

Indicators are central and form a major part of budget monitoring and evaluation system. In selecting indicators, one has to take into account whether the indicator is easily measurable, clear, and time-bound, and directly representative of the object being measured. Budget monitoring and evaluation indicators can be tracked from budget process, inputs, outputs, and outcomes as outlined below.

⁸ Logframe which is also referred as Logical Framework is a kind of matrix structure that presents the budget inputs-outputs-outcomes in a logic and systematic way. It reflects the causal relationship between the different levels of objectives, indicating how to check whether these objectives have been achieved or not.

Inputs to monitor financial inputs through financial indicators and to check disbursements – what was actually received and spent, i.e. how much money has been allocated and disbursed for healthcare in a particular region or woreda.

Outputs to monitor immediate achievements through achievements/performance indicators - checking what was produced – looking at number of schools and hospitals built, number of children educated, number of roads built, what clinics have been built or health services provided in that region or woreda.

Outcomes to monitor benefits from usage of outputs by looking at improvement indicators in the standard of living, education, health, working conditions, etc.; checking what the budget has done, does spending translate into better services, such as improved status of health and education and reduction of poverty, e.g. has the community in that region or woreda received better healthcare? Have their rates of illness decreased?

Process to monitor the budget cycle through the budget principles indicator on participation (civil society), transparency (was the process transparent, and information accessible?), accountability (are public bodies subject to internal and external audit and accountable to the public?) and equity (sectoral proportions, per capita budget, rural/urban).

6.5. Community-based budget monitoring and evaluation

In the preceding sections we have discussed budget monitoring and evaluation in general terms. We will now discuss community-based budget monitoring and evaluation. Let us be clear first what we mean by the community. Community is a group of people living together, sharing common facilities and facing similar problems.

Community-based budget monitoring and evaluation refers to the tracking of public expenditure in the community, whether budget disbursement in the community is aligned with the budget approval; whether actual expenditure is aligned with the authorised budget; whether public expenditures are producing the anticipated outputs; whether public expenditures are contributing to the desired outcomes; and whether there is a requirement to make changes to the budget plan in the subsequent years to ensure that outcomes are achieved. If these activities are carried out by community members themselves, it will give them a real opportunity to engage with the budget process.

How to carry out community-based budget monitoring and evaluation

Like all general budget monitoring and evaluation work, community-based budget monitoring and evaluation needs a monitoring and evaluation system to be in place. The issues raised in the preceding section regarding the development of a monitoring and evaluation system and identifying indicators also apply here.

Thus, monitoring and evaluation of public expenditure, in the community in general or in specific projects within the community, is included in the logframe where the levels, people, processes, documents and information used to monitor and evaluate the intervention are defined.

Using the logframe format community-based budget monitoring and evaluation can be applied as shown in Table 6.1.

Table 6.1 Steps in carrying out community-based budget monitoring and evaluation

Indicator level	Activity
Inputs/ outputs/ outcomes	Step 1: Analysis at community level to decide which areas of the budget will be monitored i.e. which sector or service will be the focus. This will determine the type of information to be collected as well as the source.
Inputs	Step 2; information is collected on budgetary inputs in that specific sector – exact amount of resources that have been made available for that sector. How much is allocated? Who are the target beneficiaries?
Inputs	Step 3: Preliminary quantitative analysis of the allocations themselves. What is the efficiency in allocation of the resources? What is the prioritisation in allocation of resources? Has there been a nominal change over the years in the allocation for this specific sector? Has there been a real change in the allocation for the sector? Has the allocated budget for the sector been disbursed?
Output/ outcomes	Step 4: Physical inspection of outputs Looking at what has actually happened on the ground – i.e. has the clinic been constructed? Has the expenditure been in accordance with allocation and priority? Are any long- or short-term benefits being gained from this output?
Outcomes	Step 5: Get views from other stakeholders on the process that has been taken to produce the outcomes. What has been the participation of the beneficiaries in planning and implementation of the activity in the sector? What benefits are they deriving from the outputs of this activity? i.e. do they now have access to better health services?
	Step 6: Compile the information collected in a report.
	Step 7: Plan an advocacy/dissemination strategy Who does the information concern? What is the change desired?
Inputs/outcomes	Step 8: Produce a budget statement based on the analysis in steps 3 and 4. This is a summary of the report in step 6, above.
	Step 9: Review your dissemination strategy and then disseminate.

6.6 Country experiences

Uganda

Monitoring evaluation of public expenditure on primary education in Uganda has significantly improved the utilisation rate of the education budget. Flows of funds were tracked through different tiers of the government and at the community level. From 1991-95 only 13 per cent of earmarked funds reached schools. Both general budget monitoring and community-based budget monitoring and evaluation brought this issue to the attention of the government and public at large. Due to the work highlighting the issue, the government began publishing monthly inter-governmental transfers in newspapers, making radio announcements, and requiring schools to post information on their walls. As a result of this, the funds reaching schools increased to 80-90 per cent for the period 1999-2000.⁹

⁹ Arianna Legovini (2005) 'International Experience in Impact Evaluation' paper presented in Impact Evaluation Workshop, August 26- 31, 2005, Serena Beach Hotel, Mombasa, Kenya

Part of this work was the community-based budget monitoring exercise in Tororo District by Uganda Debt Network (UDN) in November-December 2002. UDN was formed in 1996 as an advocacy and lobbying coalition of Ugandan NGOs, institutions, civic groups and individuals. It has been actively involved in budget monitoring.

UDN recently launched the Budget Advocacy Initiative (BAI) for pro-poor budget policies. It has mobilised civil society and communities to participate in the formulation of budget policies by empowering them to monitor the use of public resources through process of participatory learning and action. UDN developed a participatory community-based budget performance monitoring system through a pilot exercise based on participatory methodologies. This allows the community to understand the budget policies, budget processes, budget performance monitoring, and establishing monitoring and evaluation system and developing indicators.

The pilot exercise was participatory in the sense that the team had a one-day community meeting to discuss the budget monitoring and evaluation. It was reported that the community was aware of various funds spent and intended to be spent in their community and clearly informed the meeting of their concerns on what needed to be monitored and their priority areas. This was followed by a three-day workshop on participatory community-based budget monitoring and evaluation, central and local government budget processes, and capital and recurrent budgets.

Participants formed a budget monitoring committee and developed a general guideline for the participatory community-based budget performance monitoring and evaluation and identified priority areas to be monitored. They then developed their own monitoring and evaluation tool with indicators in terms of a monitoring score card. Below is an example of the score card containing the desired objectives (priority area is universal primary education) and indicators developed by participants and used in monitoring budget performance.

By using this monitoring score card, findings on primary education and lower level health facilities were presented to a larger audience, including the local government officials.

Some of the findings for education included

- poor infrastructure and inadequate desks in schools
- unpredictable release of funds to schools which meant one school had to borrow funds for the end of the school year
- some schools displayed the funds they received while others did not

This helped the monitoring teams to debate these problems with the authorities.

These kinds of exercise can face some difficulties. The exercise in Tororo district, for instance has faced hostility from some local officials and reluctance to provide information. Despite these difficulties, it was found that participatory community-based budget monitoring and evaluation is an effective strategy for increased accountability, transparency, and in general for improved local governance. Generally there was a positive reaction from the authorities. They found it helpful to find out what was actually happening in the community. One government official said that

"There is something wrong somewhere considering what has been reported. So let us not be defensive, let us remove all the wrong however small. We want greater community responsibility and this programme guarantees this."

Table 6.2 Budget monitoring score card

Objectives	Indicators	Score (out of 5)
1. To ensure that released funds are properly utilised	no of planned activities against the activities done	
	no of pupils against released funds	
	extent of record keeping and accountability	
	evidence of purchase	
	value of purchase items against budgeted funds	
	knowledge of staff and committees about usage of funds	
2. To ensure transparency in utilisation of released funds	no. of accomplished activities	
	information flow within the staff and the management committee on the money released	
	level of transparency and accountability	
	availability of documents and reports	
	minutes of management committee	
3. To ensure that proper procedures are followed during the budget process	funds clearly/publicly displayed	
	involvement of finance/management committee	
	parents' involvement	
	student involvement	
	availability of supporting, Minutes, receipts, and other records (including contracts)	
4. Ensuring good/ conducive learning environment	availability of a good latrine, kitchen	
	no. of desks	
	availability of learning materials	
5. To make sure that extra curricular activities are being promoted in school	no. of uniforms or playing kits bought	
	music instruments in schools	
	no. inter school game and sports activities	
6. To improve administrative coordination	no. of visits to the head office	
	no. of school purchases carried out	

Note: Grading (score): 5-very good, 4-good, 3-fair, 2-poor, 1-very poor, and 0-nil

To avoid problems such as the difficulty of getting officials to share information, the monitoring team should inform the authorities of what it is doing first and build alliances with them.

Although there is no empirical support for this particular exercise, since the establishment of UDN, the combined pro-poor budget (education, health, agriculture, rural roads, and water and sanitation) has increased from 32.2 per cent in 1994/95 to over 42.1 per cent in 1999/00 and is projected to increase to 48 per cent in 2003/04.

Tanzania

Hakikazi Catalyst, a non-governmental social and economic justice organisation established in 2000, is involved in monitoring budget inputs, outputs, outcomes for the PRSP priority sectors of education, health, agriculture, water and roads. Its main aim is to advocate for social and economic rights that promote sustainable livelihoods.

Hakikazi Catalyst have undertaken participatory community based budget monitoring in selected areas of Arusha Municipal and Arumeru districts in Arusha region. It begun by

analysing the 2003/04 budget of Arusha Municipal and Arumeru districts to determine recurrent and capital expenditure for poverty reduction priority sectors. It also collected information on poverty reduction targets, indicators, and activities by using a community score card.

The process involved mobilising support from local authorities, other parts of civil society working on poverty reduction, community-based organisations and community leaders. It held community-based poverty reduction strategy debates in which the community selected a poverty reduction strategy monitoring committee for each community from all categories of people (older people, women, and youth), who were then trained. Each monitoring community selected two poverty reduction strategy priority sectors to monitor and evaluate with the community score card.

Findings The grassroots communities involved in the monitoring have confirmed that the local government is making a difference in the priority sectors. They also found out that resources allocated are not adequate to meet the demand of services required. Resources for poverty reduction are not fairly allocated. Vulnerable members of the community like people living with HIV and AIDS, single and widowed women, orphans, and youths have difficulty accessing basic services such as education and health.

Hakikazi also found a lack of transparency in terms of comparing what resources had been allocated versus actual expenditure. Data in the budget documents was not disaggregated and no breakdowns were given of expenditure for individual items.

Challenges Hakikazi found the budget format was not helpful for quick review and detailed analysis. It made the analysis very difficult and time consuming and obstructed an effective process of monitoring and evaluation.

Output of the monitoring: Before the monitoring activity communities were not provided with information on allocation of funds and expenditure and they were not participating in the development and budget process. After the intervention of Hakikazi Catalyst, communities are empowered to monitor and evaluate poverty reduction activities and demand accountability.

6.7. Why involve civil society in budget monitoring and evaluation?

The role of civil society in budget monitoring and evaluation is critical. It should be noted that for effective engagement of civil society in budget monitoring and evaluation, their participation in policy formulation and in various stages of the budget process is critical as it opens the way for possible influence on budgetary allocations and priorities in budget allocations. In general, the role of civil society in budget monitoring and evaluation and the subsequent budget advocacy is as follows:

- to ensure the priority needs of the poor are addressed in policies and interventions, thereby championing and protecting the interests of the poor and marginalised
- to influence what goes into the budget or to influence decision makers on key budget-related policy issues or problems that concern the citizens, and hence to ensure the allocation of adequate public investments to community concerns
- to ensure that the beliefs, values, norms and culture of a society and its people are fully recognised
- to promote public awareness of government policy

- to prepare a detailed implementation plan
- to determine targets and indicators for monitoring outputs and impact
- to promote timely feedback to ensure government rectify the situation in the next fiscal year
- to monitor the budget performance

Monitoring and evaluation is one of the strongest tools for advocacy, the main intervention entry point for civil society.

To recap, the role of civil society in policy formulation, the budget process in general and budget monitoring and evaluation in particular has immense advantages to the community. It creates/raises community awareness about the budget and its implication for economic and social rights. This awareness provides communities with the opportunity not only to claim the budget, but also, and more importantly, to claim their rights. When communities gain knowledge of the budget and budget processes and identify exactly where and how tax contributions and other public money is spent, they will have a great opportunity to influence the budget process and hence budget outputs and outcomes. They can also influence the government to take positive actions to guarantee economic and social rights or to desist from implementing any policy, programme or measure that limits or obstructs their rights. This knowledge may also spur communities to participate effectively in the budget process, to hold the state accountable, and to force the government to become transparent in its fiscal activities. The role of civil society is, therefore, immense in creating the awareness and empowers the community in the process.

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Annex 1: Financial calendar

Cycle	Calendar
Planning Cycle	
1. Macro-Economic and Fiscal Framework	July 8-November 10
1.1 Preparation of MEFF	Not later than October 26
1.2 Approval of MEFF	October 27-November 10
2. Public Investment Programme (PIP) Preparation	November 11-February 8
2.1 Public Investment Programme call letter	25 November
2.2 Submission of Public Investment	Not later than December 25
2.3 Review and Finalise PIP	December 26-February 8
3. Notification of a 3-year subsidy estimates	25 November
4. Prepare and finalise Annual fiscal plan	24 January
Budget Cycle	
A. Executive Preparation and Recommendation of budget	
1. Budget preparation	Not later than February 8
2. Notification of annual subsidy budget	February 8
3. Issue budget call	February 8
4. Submit budget Request	Not later than March 22
5. Preparation of the Recommended budget	March 23-May 22
6. Budget Recommendation	May 23- June 2
B. Legislative Approval	
7. Approval and appropriation of the budget	June 8 – July 7
C. Executive Implementation	
8. Notification of the approved budget	July 8-15
9. Submission of Budget allocation and action plan	July 16-August 16
10. Implementation of the approved budget	July 8- July 7

Source: <http://www.mofed.org>

Annex 2: Glossary of budget terms

- ✓ **Annual fiscal plan:** preparation of annual estimates for the upcoming fiscal year's revenue, expenditure, and financing.
- ✓ **Appropriation:** a legal authority granted to the executive by the House of Peoples Representative to spend public funds for the stated purpose.
- ✓ **Budget:** a financial statement containing revenue, expenditure, and deficit/surplus estimates, which indicates how a government plans to use its expected resources to meet its goals for a given period.
- ✓ **Balanced budget:** equality between the revenues and expenditures that constitute a budget.
- ✓ **Budget deficit:** an excess of budgetary expenditures over revenues.
- ✓ **Budget surplus:** an excess of budgetary revenues over expenditures.
- ✓ **Capital expenditure:** amount of money needed to spend on capital items or fixed assets such as land, buildings, roads, equipment, etc. that are projected to generate income in the future.
- ✓ **Fiscal:** Relating to government taxation, spending, or financial matters. The term is most often using in combination with other words, such as fiscal budget, fiscal year, or fiscal policy. In each case, the addition of the term "fiscal" means a connection with government financial matters. Fiscal policy, for example, is policy that makes use of government spending and taxation. Fiscal year is then the standard 12-month period government uses for collecting taxes, appropriating spending, and otherwise tabulating its budget.
- ✓ **Fiscal year:** government's 12-month accounting/budget period (Hamle 1– Sene 30)
- ✓ **Recurrent expenditure:** day-to-day operating expenses or those expenses usually incurred in the conduct of normal state operations, such as wages and salaries, administration, purchase of goods and services for current consumption, acquisition of furniture and equipment, inputs used in service delivery, etc.
- ✓ **Revenue:** income

Communities have come to see the opinions and ideas of older people as the most essential voice in community discussions.”

Local government official

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