Budget management and participatory expenditure tracking

When you give to older people

they give back

RIFT VALLEY CHILDREN AND WOMEN DEVELOPMENT

HelpAge International

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

Partner organisations of HelpAge International in Ethiopia

Women Support Association

HUNDEE
Oromo Grassroots Initiative

Action for Development

Rift valley Children and Women Development

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Introduction

HelpAge International's Ethiopia Office is currently implementing Older Citizens' Monitoring Basic Services under PASDEP (Plan for Accelerated and Sustained Development to End Poverty) in Ethiopia with its partner organisations: Rift Valley Children and Women Development Association (RCWDA), Hundee Oromo Grassroots Initiative (Hundee), Women's' Support Organisation (WSO), Action for Development (AFD). The project is being implemented at seven woredas in the regional states of Oromia, Amhara, and Southern Nations, Nationalities and Peoples' (SNNP) through participatory approaches and methodologies.

The specific objective of the project is to ensure that the concerns of older women and men, as representatives of the poor and marginalised communities, are incorporated into decentralised woreda-level planning and budgeting within the framework of the ongoing PASDEP processes in order to improve delivery of pro-poor key services.

Building the capacity of the partner organisations and relevant woreda level governmental office staff in budget monitoring and management is an integral part of the project activity.   To this effect, HelpAge International Ethiopia Office has signed a contract with the Yem Consultant Institute to conduct the training.

This material is prepared by YEM Consultant Institute for the purpose of offering the training on budget management and budget monitoring, with particular emphasis on the Public Expenditure Tracking Survey.

This training material is tailored in such a way that it addresses the objectives of the project. For the purpose of simplicity, the training material is organised under four chapters.

The first chapter deals with introducing trainees to the concepts of social accountability. In particular, the chapter focuses on the concepts of accountability, social accountability and the basis for accountability.   Accountability is defined as emanating from holding an official position in public or private institutions or NGOs. More importantly, there are multiple bases for making officials accountable for their actions to the people, with particular emphasis on the 1995 Constitution of the Federal Democratic Republic of Ethiopia, and the Protection of Basis Services (PBS) project.

The second chapter focuses on issues relating to the budget. The public budget is defined as the revenue and expenditure side of the government's financial plan for a given period (usually one year). The chapter deals with budget management, budget monitoring, budget process, Ethiopian government budget cycles and processes, budget functions, budget monitoring and principles of expenditure. The chapter aims to give trainees a thorough understanding of aspects of the budget with special emphasis on the Ethiopian government budget process and cycles.

The third chapter is on Participatory Public Expenditure Management. It is intended to give participants a clear picture and understanding of methods of budget formulation (participatory budget formulation), participatory budget analysis, participatory public expenditure tracking, and participatory performance monitoring. The chapter argues for the importance and relevance of citizens' participation in the budget process. The new

approach, which is considered as a paradigm shift, is believed to empower the community. In particular, it gives marginalised groups such as older citizens and women, an opportunity to air their voices and concerns in connection with the budget process in general, and the implications of budget allocation, in particular.

The fourth chapter is the continuation of chapter three, but with particular focus on the details of Public Expenditure Tracking Surveys (PETS), is one of the methods used for public expenditure tracking. It includes the phases to be followed in conducting PETS.

Section 1: Social accountability and related concepts

1.1 What is accountability?
Accountability can be defined as the obligation of power holders to account for or take responsibility for their actions. "Power holders" refers to those who hold political, financial or other forms of power and includes officials in government, private corporations, international financial institutions and civil society organisations (CSOs).

1.2 What is social accountability?
Social accountability is an approach towards building accountability that relies on civic engagement, i.e. in which ordinary citizens and/or civil society organisations participate directly or indirectly in exacting accountability. The ultimate aim of social accountability is to improve the governance process, service delivery outcomes, and resource allocations decisions.

1.3 Social accountability monitoring methods
Social accountability mechanisms refer to the range of actions, tools and mechanisms that citizens, communities, civil society organisations, government agencies, private sector and the independent media can use to hold public authorities and other power holders accountable for their decisions, conduct, performance and actions.

There are a number of social accountability methods[1] and tools; the selection of which depends on the type of function to be monitored, the nature and the scope of the problem, capacities of both the demand side and the supply side, and the socio-political context. Some of the social accountability methods are
- participatory budgeting, independent budget analysis
- expenditure tracking (i.e. Budget Expenditure Tracking Survey and Input Tracking);
- participatory performance monitoring (the most common participatory performance monitoring methods are: Citizens Report Card and Community Score Card
- Citizens juries, public hearings, community radio, transparency portals, citizens' charters and ombudsmen.

1.4 Importance of social accountability
Generally, social accountability improves governance, public policies and services; enables government to make informed decisions; and improves communication between service users and service providers. Of particular importance is the potential of social accountability initiatives to empower those social groups that are systematically under-represented in formal political institutions, such as women, youth and poor people. Numerous social accountability tools, such as gender budgeting and participatory monitoring and evaluation, are specifically designed to address issues of inequality and to

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[1] *The selection of the method depends of a number of factors ranging from the desired purpose to the capacity of the demand side and the prevailing social and political context. For details on the various methods of social accountability read the World Bank Social Accountability Source Book , available at http://www-eds.worldbank.org/sac*

ensure that less powerful societal groups also have the ability to express and act upon their choices and to demand accountability.

1.5 Building blocks of social accountability

While social accountability encompasses a broad array of diverse practices, there are several core elements or building blocks that are common to most social accountability approaches. These are: (i) accessing information, (ii) making the voice of citizens heard, and (iii) engaging in a process of negotiation for change.

1.6 Critical factors for achieving social accountability

- political context and culture
- access to information
- role of the media
- civil society capacity
- state capacity
- state-society synergy
- institutionalisation

Each of these groups of factors can be looked at in terms of the three key core elements of social accountability – information, voice and negotiation. While social accountability initiatives usually focus on creating or strengthening mechanisms for enhanced accountability, it is also important to take account of actions by government, civil society, development partners or other actors that can promote social accountability by addressing factors in each of these four key areas.

1.7 Social accountability framework

Service delivery in a particular sector involves a complex range of actors and relationships, closely interconnected. The framework is helpful to identify who are the key actors involved in the chain of public service delivery, and to understand how these various actors interact with each other. Ultimately, the framework will help analysts understand why public service delivery works, or does not. The proposed framework is essentially an extended principal-agent analysis in which the relationship between the principal and agent is called a relationship of accountability. Broadly defined, it refers to a relationship among various actors or stakeholders, which has five key features: delegation, finance, performance, information about performance, and enforceability.

Section 2: The basis for social accountability

2.1 Constitutional basis: accountable governance

The system of good governance is the most important legal basis to make government officials' accountable to the people for their actions. More importantly, it may be important to stress that a system of good governance is one of the manifestations of a democratic form of government that serves as a building block for the promotion of transparency, accountability, peoples' participation and empowerment, fair distribution of wealth, peoples' voice and concerns, especially those of the marginalised and the poor.

In its broader scope, governance includes business and the civil society organizations, as well as the government sector.

Among other things, good governance is epitomised by predictable, open, and enlightened policy-making process, as a bureaucracy imbued with a professional ethos, an extensive arm of government accountable for its own actions, and a strong civil society participation in public affairs, and behaving under the rule of law. It is important to underline that accountability, transparency, broad democratic participation, and equality are key factors in the eradication of poverty. These key factors are unequivocally enshrined in the 1995 Constitution of the Federal Democratic Republic of Ethiopia.

2.2 Participatory approach to development

The objective of development should be to serve the people. The people who are to be served are not the objects of development, but the subjects of development. The people have to decide on what they need, how to make it, when to make it, and how to manage it.

The main tenet of the participatory approach[2] to development stresses that the communities have to be involved in all phases of development implementation: needs identification, planning, decision making, implementation and evaluation. By so doing, participatory method helps to promote communities' sense of ownership of decisions and actions.

The purpose of the participatory approach is to allow the community to express and analyse the realities of their own situation and their environment; to plan what actions to take in order to change the situation, and to monitor and evaluate the results themselves.

2.3 Plan for Accelerated and Sustained Development to End Poverty (PASDEP)

Poverty eradication is the major development objective of the Ethiopian government. To this effect, the government has formulated a Poverty Reduction Strategy Paper (PRSP). The first phase of the PRSP (i.e. the Sustainable Development and Poverty Reduction Programme) was carried out for the period 2002/03- 2004/5.

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[2] Note that participatory development is an attempt to introduce a bottom-up style of development, but not an effort to replace the top down approach. For details, please refer to http://www...gdrc.org/U-gov/doc-jica_gg.html

PASDEP is the second phase of the PRSP for the five year period 2005/6-2009/10, which indicates not only the development targets in the major economic and social sectors, but also encourages and requires the participation of the community and civil society organisations in the country's poverty eradication endeavours.

The Civil Service Reform Programme also aims to help the implementation of government policies and programmes in a more transparent, efficient, effective and accountable manner. The newly introduced system of Business Process Re-engineering (BPR) is also designed to improve the service delivery system in government institutions.

2.4 Protection of Basic Services (PBS) project

An agreement between the Ethiopian government donor governments and agencies was signed on the implementation of PBS project through the Multi-Donors Trust Fund. The project emphasises improved governance, including greater civic participation and protection of critical services such as health, education and access to water.

The PBS Project mainly deals with the protection of basic service delivery and the promotion of social accountability. The social accountability project, as one of the four components of the PBS, aims to air the voices and consider the concerns of the poor regarding the quality, effectiveness, efficiency and access to basic services through dialogue between ordinary citizens, governmental bodies and public service providers.

The implementation of the PBS hinges on the principle of decentralisation of service delivery, in the sense that more resources should be made available to district- and woreda-level administrations. These are very close to the people who are badly in need of basic social services. The framework of the overall PBS in Ethiopia has four components[3]

Component 1   deals with the supply of regions and woredas with resources   for health, education, water supply and agricultural extension

Component 2   focuses on the funding of essential health commodities that are currently purchased

Component 3   concerns financial transparency and accountability (understanding the services budget)

Component 4   promotes social accountability through CSOs and citizens' engagement in planning and budget process.

2.5 Implementation of the Millennium Development Goals (MDGs)

The implementation of the Millennium Development Goals is seen within the framework of the government's poverty reduction strategy. The MDGs encompass eight goals: halving poverty and eradicating hunger; achieving universal primary education; promoting gender equality and empowerment; reducing child mortality; improving maternal health system; combating HIV/AIDS, malaria and other diseases; ensuring environmental sustainability, and developing a global partnership for development. These MDGS are linked with the government PASDEP. PBS is also linked to the achievement of the PASDEP and the MDGs in Ethiopia.

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[3] The implementation of the four components of the PBS project requires the involvement of both the government and civil society sectors

Section 3: Briefing on concepts, processes and monitoring of the budget

3.1 Budget concepts
What is the budget?
The budget is central to realising national objectives, goals and programmes, linked to the role of the government in financial matters. The public budget can be defined as follows

- The public budget is a process by which government sets levels of expenditure, collects revenues and allocates the spending of resources among all sectors to meet national objectives.
- The financial plan of action for the year, reflecting government priorities on expenditure, revenue, and overall macro-economic policy.

Why is the budget so important?
Policies, programmes and projects would remain as wishful aspirations of the government unless they receive the required funding to translate them into practice. For the following reasons, the budget is considered as an important process that attracts the attention and consideration of the public at large.

- The budget reflects the government's socio-economic policy priorities.
- It translates policies, political commitments and goals into decisions on where funds should be spent and on whom.
- In many countries, weak budgetary systems and poor budget choices worsen social problems.
- A government's budget directly and indirectly affects the life of all its citizens- the poor suffers most.
- The wellbeing of the poor, and their future prospects can hinge on expenditure decisions in areas such as health, water, sanitation and education.
- Budget cuts frequently tend to affect programmes that benefit the poor.
- The public budget also has a role in providing information to the public at large. The government expresses through its budget what it wants to do for the coming fiscal year. Since it is a plan, a budget also has another benefit to the government. It enables the government to analyse its expenditure and revenue in light of its overall objectives. Hence, budget could also indicate whether the government is moving in accordance with its overall economic objectives or not.

Why the government needs to prepare a budget?
The government needs to prepare a budget since it has to plan the extent of its expenditure and revenue. In most cases, the available revenue for government is limited compared to the demands for funding. Although it varies from country to country, in most circumstances there is a gap between revenue and expenditure. Government cannot finance all the activities that need   expenditure. They have to decide what they can do within a given time and available revenue, and this is made possible by preparing a budget. No government can afford to make unplanned decisions on expenditure and revenue.

What the budget includes
A budget includes the list of anticipated revenues and planned expenditures for the fiscal year. After the budget is prepared it is possible to have changes in both revenue and expenditure sides of the government.

A budget would be prepared and implemented by the different levels of government. For instance, in a federal structure, a budget would be prepared by the federal government, and the regional governments would also have to prepare and implement their own budget.

3.2 Budget management

- Individual budget managers are responsible for ensuring that financial planning is carried out effectively and efficiently. Outside the Spending Review process budget managers should ensure that all proposals with resource implications (or other financial considerations) are cleared with their finance teams in line with the guidance on finance included in the section on the "Roles and involvement of Finance".

- Budget managers should be aware of the End Year Flexibility (EYF) arrangements which allow for unexpended provision to be carried forward in part or in full to the following financial year subject to the agreement of the relevant Accountable Officer and responsible Minister. However budget managers should seek the advice of their Finance Team before entering into any future year commitments which will make use of EYF.

Basics for financial management
Good financial management should ensure that the following conditions are met.
- Staff in charge of delegated budgets, both for administration costs and programme expenditure, have clear guidance on the size of the budgets, what they may be used for and how far they can be varied.
- Specific authority is obtained for expenditure beyond the approved purposes of the delegated budget (even if the amount can be contained within the budget).
- Actual expenditure is monitored against budgetary provision and corrective action taken if necessary.
- Managers operating budgets have clear guidance as to whether the delegated budget authority carries with it delegated purchasing authority or whether the actual purchasing will be undertaken elsewhere.
- Managers authorising the taking on of commitments e.g. ordering goods and services, making grant offers, entering into contracts of work purchases, have clear guidance as to the extent of their delegated authority for individual cases.
- Staff are aware that guarantees, indemnities and similar arrangements which may lead to public expenditure in the future (no matter how remote that possibility may appear) may not be entered into without specific authority.
- Staff involved in authorising and making payments arising from commitments already made have clear instructions on the procedures they must follow, including pre-payment checks to be made.
- All desk instructions are up to date; that they provide for adequate separation of duties; and otherwise contain appropriate provisions to combat the possibility of fraud.

- The operation of the procedures contained in desk instructions is monitored to ensure compliance and that it is working effectively.

Why does government expenditure deviate from the budget? This may be the result of

- poor financial management: lack of effective planning and implementation, dumping of spending on the last quarter
- corruption: due to weak financial management system public officials can use a host of tricks to siphon off public funds
- fund diversion: the government often diverts funds to other programmes;
- unexpected events: the government has a contingency reserve to deal with unexpected events(e.g. disasters)
- inadequate funding: sometimes the budget fail to fund a programme adequately
- weak oversight: capacity limitation.

3.3 Principles of an Open Budget System

A budget process needs to be governed by principles such as 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 policy makers. It also allows citizens to hold the government accountable, to identify weaknesses in a budget, to build consensus[4], 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 of importance to them and, hence, influence budget allocations. It also allows different layers of government to know the most urgent 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.

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.

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 needed reforms. Transparency can increase faith

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

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 the 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 come 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 belongs to everyone. This means the government should be accountable not only for how it spends these resources but also for budget outputs and outcome. This makes accountability an important ingredient in a budget process.

In many countries, however, the general absence of information on budget issues, especially in non-technical formats, has seriously hindered the effort of nationals and local organisations to participate in discussion on the distribution of public resources. However, the ability of civil society to participate in the budget discussion is thwarted by legal, intuitional, and political barriers.

Equity and inclusiveness

Equality and inclusiveness mean ensuring opportunities to 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 redound 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.

3.4 Stages of the 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), and budget control (performance monitoring - audit and evaluation process).

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.

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[5] The principle of transparency is recognised by the IMF, in its "Code of Good Practices on Fiscal Transparency – Declaration of Principles." 1998. See Barry H. Potter, Fiscal Transparency: The IMF Code, Paper submitted to the Second International Budget Conference entitled "Transparency and Participation in the Budget Process," Cape Town, South Africa, February 21 to 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/

Budget approval and appropriation

In the second stage, once the recommended budget is reviewed and adjusted by the councils 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 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, evaluation and audit. This stage provides information that can be fed into future plans.

3.5 Ethiopia's budget process

The budget process is guided by a directive (known as the Financial Calendar) issued by the Ministry of Finance and Economy 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.

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

Based on this three-year MEFF, MoFED prepares the annual fiscal plan by January 24, which includes identification of the amount of 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 budgets. Following this MoFED 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.

Ethiopia's budget process has the same four stages:

Stage one is budget preparation, which has four phases. Firstly, all public bodies are required to perform all budget preparation activities including the mid-year programme review for the current fiscal year, preparation of unit costs and 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, submission date of the budget request by public bodies to the respective finance and

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

economic development institutions in all jurisdictions. Public bodies are required to respond to the budget call by preparing their budget according to the guidelines in their action plan. If a public body fails to submit its budget request within the time specified in the budget call letter, MoFED/BoFED will recommend the public body's 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, council of ministers, regional Council, and woreda Council. The executive body will review and recommend the budget.

Stage two of the budget process/cycle is 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, 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.

Stage three is 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.

Stage four is budget control, which deals with performance review. This includes activities such as ensuring whether the revenue utilisation is according to laws and regulations, ensuring whether disbursement is made according to budget, ensuring whether public property is kept safe, and the recording and accounting procedures are up to the standard. The office of the general auditor is in charge of auditing public bodies and presents its findings before the House of Peoples Representative.

3.6 Function of the budget process
In essence, the budget is a document which, once approved by the competent authority, authorised the government to raise revenue, incur debts, and effect expenditures in order to achieve certain goals.

Since the budget determines the origin and application of public financial resources, it plays a central role in the process of fulfilling economic, political, legal and managerial functions.

Economic function The budget is the state's financial plan. As a tool of economic policy, the budget is the means by which the government seeks to achieve a number of key economic and social policy goals. Among others, it deals with the allocation of resources in line with government policy priorities in the social and economic fields.

Political function The budget process ensures the people's representatives scrutinise and approve the raising of revenue, such as taxes, the contracting of debts and the utilisation of public funds by the government. This is the manifestation of the formal separation of powers. The government proposes the budget; the parliament approves it, and the budget is subject to monitoring and appraisal by the parliament to ensure compliance.

Legal function In a democratic situation, the approval of the budget in law by a parliament limits the power of government in expending public money. Thus, the approval of budget by the parliament through a law imposes restrictions on the power of the government. The restrictions can be summarised as

- The government cannot raise taxes that have not been approved by the parliament.
- The government may not exceed parliament's expenditure appropriation. An auditor, usually accountable to the parliament, scrutinises the budget to ensure compliance with the parliamentary authorisation.

Managerial function The budget communicates government policy to public institutions by informing them how much money is spent and for what purpose. In this sense, the budget is a means of guiding policy implementation. In some budget systems, this function may be reinforced by inclusion of some specific service performance targets within the budget document.

3.7 Budget monitoring

Budget monitoring is the process that is undertaken to find out if public resources are distributed equitably and efficiently. The objective of budget monitoring is to improve the budget process and the delivery of public services. It helps to find out if the targets are achieved and government is meeting its obligations. In a situation where targets are not met, it helps to design new plan to improve the next budget process.

A well-functioning budget system is vital to the formulation of sustainable fiscal policy and facilitates economic growth and development. A weak budget system and poor budget choices aggravate social problems. Moreover, even where budgets are allocated to reach the poor and vulnerable groups, the funds may not reach the intended beneficiaries due to weak expenditure and programme/financial management. All these factors justify the need for budget monitoring.

Importance of budget monitoring
Budget monitoring has several advantages, the most important of which are the following

- Since budget monitoring helps to check action plans and development targets, it increases the responsiveness of the government to the needs of citizens.
- By promoting transparent policy making and budget processes it paves the way for proper scrutiny of expenditure priorities.
- It helps to find out whether the government is meeting their development obligations.
- Budget monitoring informs us of the extent to which budgets have addressed the equity and efficiency issues in the distribution of public resources.

Equity issues refer to the beneficiaries who are reached by government service delivery. How citizens use public services and what changes are occurring as a result of those services is the concern of budget monitoring.

Budget monitoring helps to promote transparency and accountability on the part of the government, and active participation of the community and civil society.

3.8 Public expenditure principles

Public expenditure refers to the expenses the government incurs for different activities. Some of the principles of public expenditure, which are closely connected with the objectives of the training, are the canon of the economy, the canon of the sanction, and the canon of benefit.

The canon of the economy dictates that scarce resources should be expended very carefully, avoiding wastage as far as possible. Hence, expenditure must be incurred only for the most essential items of common benefit, without duplication and at minimum cost. It should not involve the use of resources beyond what is necessary An efficient system of financial administration is, therefore, essential in the country. Wasteful expenditure may result from a number of factors, including faults and delays in the formulation, approval and execution of plans for public expenditure.

The canon of sanction refers to the need for authorisation or permission procedures for the expenditure of public money. The canon also implies that there must be proper inspection to establish whether the sanctioned amount of money is being spent properly on sanctioned items, or not. As a rule, therefore, money must be spent on the purpose for which it is sanctioned by the highest authority and the accounts properly audited.

The canon of benefit means that expenditure is to be viewed against the benefits that will accrue from it. The canon of benefit also states that public expenditure should be incurred only if it is beneficial to the society in terms of its impact on income, wealth distribution, production, and so on. This canon is based on the principle of maximum social advantage, meaning that public funding should be spent in directions that pursue common interest and promote general welfare.

Section 4: Participatory Public Expenditure Management (PPEM)

4.1 Definition

Participatory Public Expenditure Management can be defined as the introduction of civic engagement into the general process of public expenditure management. Thus users, clients and citizens are able to get involved in the process of allocating, reviewing, tracking, and monitoring public expenditures. The PPEM has four components/processes: Participatory Budget Formulation (PBF), the Participatory Budget Analysis (PBA), Participatory Budget Expenditure Tracking (PBET), and the Participatory Performance Monitoring (PPM).

4.2 PPEM components

4.2.1 Participatory Budget Formulation (PBF)

In most of the developing countries, the budgets are prepared by the executive organ of the government and submitted for approval to the legislature. On the major subject of development, be it at the national or local level, the people do not take part in the budgeting process although some beacon of hope are to be seen here and there.

Participatory Budget Formulation can be defined as an innovative mechanism which allows direct citizens' participation in the decision-making process of public budgeting. In broader terms PBF aims to bring citizens voices into the budgeting process through greater inclusion; to increase transparency and understanding of budget constraints; to improve targeting of public spending, and to reduce corruption.

PBF is of importance in the process of budget formulation. It can
- *Increase efficiency in budget allocation* The budget is the most accurate statement of the government's priorities. However, budgets sometimes do not reflect the real priorities of citizens. Scarce public resources may be spent on the wrong goods or the wrong people. PBF can improve efficiency in budget allocation by creating a codified set of rules and procedures that bring the demand side closer to budget planning.

- *Increase accountability and management* Government budgets are often perceived as too complex and technical for citizens to understand. The complexity of budget information can allow elite capture, budget leakage, and underperformance to be concealed. PBF has been used to demystify the budget and improve interdependent coordination and financial management.

- *Increase trust between the government the people* By promoting public access to revenue and expenditure information, PBF effectively increases transparency in fiscal policy and public expenditure management, reducing the scope for interest groups, collusion practices, elite capture, and corruption. PBF, therefore, can play a role in enhancing the government's credibility and the citizens' trust.

- *Reduce social exclusion and poverty* It has been noted that the traditional budgeting process could contribute to the social exclusion and poverty due to elite capture, limiting resources available for the poor. By encouraging citizens'

participation in budget decision-making, PBF could be used to increase the allocation of resources to basic services in the poorest areas. PBF can also improve service delivery by linking needs identification, investment planning, tax systems and project management.

- *Strengthen democratic practice* PBF goes beyond a simple participatory exercise to being an integrated methodology for promoting social learning, active citizenship and social accountability, opening new ways of direct participation which complement traditional forms of representative governance.

Challenges of PBF
Although the importance of PBF has been widely disseminated, its implementation may not be smooth and simple. It may raise false expectations; or result in a poor quality of participation. It can fail to gain society cooperation and create tension between elected representatives. Finally, it might not be sustainable.

4.2.2 Budget Review/Analysis
It is an often-quoted statement that, conventionally, the budget is filled with technical jargon and is inaccessible and not comprehensible to the common people.

Participatory budget review and analysis is a process whereby a wide range of stakeholders research, unpack, monitor and disseminate information about public expenditures and investments.

Participatory budget review aims to assess whether allocations match the government's announced social commitments and priorities. This may involve: analysing the impact and implications of budget allocations; demystifying the technical content of the budget; raising awareness about budget-related issues; and undertaking public education campaigns to improve budget literacy. The importance of budget analysis can be summarised as follows

- It demystifies and makes sense of the budget, allowing people to contest official figures and policies. Expressing the budget in layperson's terms allows a wide range of stakeholders to get involved in a dialogue process around the budget (which is usually in the control of a small number of technocrats).
- Encourages the organization of social coalitions and alliances to harness the energies of various groups in support of budget review and analysis.
- It can analyze the implications of government budgets for different stakeholder groups, particularly the vulnerable poor and unprivileged.
- It allows the general public to get information on specific budgetary allocations in target sectors and critical areas e.g. health, education, water.
- It can take on research, advocacy and disseminate information on issues related to official budgets.
- It raises the overall level of budget literacy amongst general public.
- It can inform and advise power centres (legislatures and other policy makers) to make informed and efficient budget policy reforms.

Budget analysis involves a range of activities to be undertaken so as to conduct a good quality budget analysis. The implementation of budget analysis includes the following:

Building skills to understand and analyse the budget
The capacity to understand and analyse the budget is a pre-requisite for undertaking budget analysis. Such skills may be in short supply, and therefore specific skill-building

efforts have to address different audiences. This would involve training and the development of budget guides and preparation of training materials for the organisation conducting budget analysis. It may also be important to include a wider audience including parliamentarians, journalists and other stakeholders.

Analysis

- ***Analysis of budget allocation and declared policy priorities*** Often budget allocations do not match declared government policies and priorities. Budget analysis can help inform parliamentary debates over the budget by shedding light on such disparities and providing parliamentary committees with detailed budget analysis that they would not normally be able to carry out. Budget analysis can be an important tool for monitoring the implementation of the poverty reduction strategy paper (PRSP). It is also widely used to analyse the extent to which government is using budget to deliver socio-economic rights by investigating the government's legal obligation.

- ***Analyzing trends in the budget allocation over time*** Analysis of such trends illustrates the evolution of the government's commitment to solve problems in a given sector or to alleviate the poverty of a given groups.

- ***Analyzing allocations for different groups, regions, and sectors*** In this case the analysis can be undertaken using tools such as benefit-incidence analysis and tax incidence analysis.[7]

Disseminating information

Information on the composition of the official budget is often masked in inaccessible technical jargon. An important contribution of the budget analysis work is to explain the budget through the publications of budget briefs written in layman's terms assessing the implications of budget allocations for different groups or sectors.

Building coalitions and engaging in alliances

Coalition and alliance building is an important component of a successful strategy for influencing government budget. Coalition building among civil society organizations (CSOs) increases political clout and avoids the duplication of efforts. Sharing information and tasks among coalition members can increase the reach of budget analysis work. The building of a coalition can be undertaken by a CSO already working in the area. Alternatively, support from the outside can act as a catalyst.

Coalition can engage in the building of alliances and networking with reform- minded government officials and parliamentarians, as well as with the media and donors. National independent oversight bodies such as audit institutions or ombudsman's offices also can be natural powerful allies. Alliances with members of the parliament can serve to open the doors for CSOs to participate in budget debates. The identification of reform-minded

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[7] **Benefit incidence analysis:** This tool looks into the distributional effect of government expenditures. Benefit incidence analysis, among other things, is used for gender-disaggregated public expenditure incidence analysis. It compares public expenditure for a given programme, usually data from a household survey, to reveal the distribution of expenditure between women and men, boys and girls.

Tax incidence analysis: it looks the distribution of the tax burden including indirect taxes which are usually less transparent than direct tax (such as income and property tax).
While benefit incidence analysis examines the distribution of the final benefits from public expenditure, tax incidence analysis investigates the distribution of the financial burden for public expenditure. Tax incidence is an important tool for analysing the expected financial impact of tax reform.

champions within the government can be crucial in helping push reforms forwarded, with the government reformers and CSOs supporting each other.

Overall, budget analysis requires budget analytical skills, an understanding of the technical language of budget, and communication skills. The costs and time required for budget analysis vary greatly depending on the scope of analysis and availability of data.

Budget analyses have been conducted in many countries including the USA, Germany, Israel, Albania, Brazil, Bolivia, Nigeria and Sweden. It has been realised that budget analysis has considerable strengths and but is also accompanied by many challenges.

Strengths	Challenges
▪ it increases transparency	▪ uneven access to information
▪ It enhances budget literacy	▪ a budget analysis expert is often an unavailable at CSO level
▪ It promotes improved targeting of budget allocations	▪ lack of follow-up on the part of the government on recommendations of budget analysis
▪ It promotes increased and equitable distribution of public spending	▪ participation may be limited to certain groups or sub-sections of civil society

4.3 Participatory public expenditure tracking

Expenditure tracking enables civil society to monitor budget execution by tracking the flow of public resources for the provision of public services and goods. Participatory expenditure tracking aims at uncovering leakages in the system between the sources and the destination, either in funds or in the delivery of goods and services.

The two most common methods of expenditure tracking are Input-Tracking and Public Expenditure Tracking Surveys.[8] Input tracking refers to the monitoring of the flow of physical assets and service in-puts from the central to the local levels.

Data on expenditure flows from the central to local levels may not be readily available. Thus, the tracking of physical assets and service inputs of a given community or service facility within the original entitlements helps to overcome the constraints.

> **Input tracking** Inputs are resources that are allocated to a service delivery point in order to ensure efficient delivery of services in health, water supply, education, etc.
> - Input tracking refers to the monitoring of the flow of physical assets and service inputs from the federal, regional, and woredas to local levels.
> - Physical assets: such as books, classroom furniture, drugs, etc.
> - Service inputs: such as staffing, nurses, doctors, etc.
> - Tracking the flow of inputs from the central to local level is considered as a difficult task and goes beyond the capacity of civil society organisations. Monitoring inputs received at the facility level is often more feasible for the community.
> - Original entitlements are reflected in national budgets, projects document, national policies and standard norms.

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[8] For the purpose of emphasis, the details of Public Expenditure Tracking Surveys are treated under the next chapter.

Input tracking[9] provides information on whether the equipment was actually delivered, and helps shed light on any leakages or misplacement of equipment. Input tracking could be used to assess the availability of key inputs for institutions in a certain locations and geographic areas. Input tracking exercises reveal findings such as:

- considerable leakages in the transfer of in-kind inputs from the centre to the local facility level
- corruption in public works
- sub-standard quality of public works

Strengths	Challenges
• enhances transparency in the flow of in-kind resources from centre to local level facility	• difficulties experienced in access to information on entitlements, contracts, projects documents
• exposes and reduces corruption and mismanagement	• lack of follow-up on the part of the government
• improves the delivery of public works/services at a relatively low cost	• the process requires time and organisational effort
• strengthens the capacity of communities in participatory local monitoring	• risks of disinterest among stakeholders if findings are not acted upon.

4.4 Participatory performance monitoring

Participatory performance monitoring refers to the involvement of citizens, users of service, or civil society organisations in the monitoring and evaluation of service delivery and public works. Participatory performance monitoring can make an important contribution to improving the quality of service delivery and reducing corruption and leakages in the system. The most commonly used methods of participatory performance monitoring are the Citizens Report Card and Community Score Card.

The Citizen Report Card (CRC) is used in a situation where the demand- side data, such as user perceptions on quality and satisfaction with public service, is absent. The CRC uses the household as a unit of analysis and employs survey techniques.

A Community Score Card (CSC) is an instrument to exact social and public accountability and responsiveness from service providers by linking service providers to the community. Thus citizens are empowered to provide immediate feedback to the service providers. The objective of the CSC is to improve the quality, accessibility and relevance of service delivery and public works. The CSC process is a community-based monitoring tool, which uses the community as its unit of analysis, and uses focus group discussion and interface meeting as a tool to generate the required information.

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[9] Input tracking may be implemented by CSO at the local, regional, and or national levels, who undertake a beneficiary survey (Input tracking survey) to shed light on leakages in a given sector. Alternatively, CSO and communities can work together at the local level to design an in-put tracking card to validate the availability of key inputs at the facility level.

Section 5: Public Expenditure Tracking Surveys (PETS)

5.1 Conceptual framework

The Public Expenditure Tracking Survey (PETS) is a quantitative survey that tracks the flow of public funds through the various bureaucratic channels to determine the extent to which resources actually reach the target groups.

It involves citizen groups tracking how the government actually spends funds, with the aim of identifying leakages and/or bottlenecks in the flow of financial resources or inputs. Typically, these groups employ the actual users or beneficiaries of government services (assisted by civil society organizations - CSOs) to collect and publicly disseminate data on inputs and expenditures. This approach often involves the triangulation of information received from disbursement records of finance ministries, accounts submitted by line agencies and information obtained from independent enquiry (using, for example, tools like expenditure tracking surveys).

The budget is an important link in the long route of accountability connecting clients' with providers through the various bureaucratic channels of the government.   Needless to say, every operational unit, be it a school, or clinic, or agricultural extension site, requires money and other resources to operate.

However, it has been argued that budget allocation tends to be a poor proxy for services actually reaching intended beneficiaries, especially in countries with weak accountability systems.

It is an oft-quoted argument that the disconnect between spending and actual transformation into services can be explained by the following interrelated factors.

- Government expenditure may be made on the wrong goods or the wrong people.
- Even when the government expenditure is made on the right goods and the right people, the money fails to reach the frontline service providers.
- Even when the money reaches the frontline service provider, the incentive to provide the service may be weak.
- Even if the services are effectively provided, households may not take advantage of them. For economic, social and other cultural reasons, parents may not send their children to school, for example.

Apart from information on central government budgetary allocation, information on actual public spending is not easily available in many developing countries. The PETS was designed to fill this gap. The required information is collected, on a sample survey basis, from different tiers of government, including frontline service facilities, with the objective of identifying the location and extent of impediments to financial flows.

A PETS tracks the flow of resources through the various governmental strata involved in the flow of financial resources to determine how much of the original resources reach each level (if they get there at all), and how long resources take to get there. It is, therefore, useful as a device for locating and quantifying leakage of funds and problems in deployment of resources.

5.2 Uses of PETS

In a more concrete manner, the PETS to date have been used as diagnostic tool to empirically test whether the accountability framework is working properly.

The first question is whether the funds and material resources arrive at the place where they are supposed to. This question is referred to as the diagnostic part of PETS. This part consists in identifying the actual flows of public funds in a programme or a sector and establishes to what extent public funds and other resources reach the service providers – the schools, teachers, health facilities and health staff. A discrepancy between the amount of funds disbursed from the central level and the amount of funds received by the service provider is referred to as leakage.

The presence of leakage implies that some of the funds in this programme or sector have not been spent according to the government policy; that is, some of the funds have been captured at some level in the administrative hierarchy, for example the district or regional administration. It has been beyond the scope of most PETS to study how captured funds have been spent and to what extent a leakage reflects corruption in the system.

The second question is raised in a situation where the resources do not reach their planned destination. This is referred to as the analytic part of PETS, where the aim is to explain the underlying cause of the leakage observed. Why is there more leakage in some districts than others? Why do some schools receive more of their entitlements than other schools? By studying variation in characteristics between different parts of the administrative structure and different service providers, PETS may contribute with knowledge about how to reduce leakage and improve accountability.

Important notes on PETS
- PETS vary greatly in quality (e.g., data quality, sample size). Some, but not all, PETS are conducted on large, representative samples. A minimum requirement in order to qualify as PETS is that resource flows are tracked at least at two different levels of public administration.
- PETS are typically implemented at the sector level.
- PETS are conducted in order to improve the quality of service delivery at the local level. In order to analyse how resources made available to frontline service providers are transformed into services for the end users, a PETS is often complemented by a Quantitative Service Delivery Survey (QSDS).

5.3 Strengths and challenges of PETS
Strengths
- PETS is a useful tool for understanding problems in budget execution and service delivery.
- District and frontline providers perspective are often forgotten at central level and PETS can address this gap.
- The wide range of the PETS representative sample provides a credibility that is not achieved in the small sample studies or institutional reviews.
- PETS can provide a basis for research that can improve understanding of the determinants of corruption or poor service delivery.
- The process of designing and implementing the survey is useful for understanding institutional and procedural arrangements for budget execution and service delivery.

Challenges
- PETS provides only part of the answer, and the following issues are missing
  - Inter- and intra-sectoral allocations
  - The link with outcomes remains a challenge
  - Budget analysis and social impact analysis are still important and provide value-added data that is not captured through PETS.
- Surveys should supplement rather than supplant routine information, control, and integrity systems.
- Survey provide information, but do not necessarily result in action and change; lack of information about the scope and nature of problems is not always the primary constraint to improving public expenditure management and service delivery.
- The link with community and other stakeholders can be difficult to achieve. It is, therefore, important to use findings to strengthen local transparency and accountability.

5.4 Phases of implementation of PETS

The implementation of the Public Expenditure Tracking Survey needs to pass through the following phases:

Phase 1: Identification of scope, purpose and actors
Phase 2: Design of questionnaires
Phase 3: Sampling
Phase 4: Execution of survey
Phase 5: Data analysis
Phase 6: Dissemination
Phase 7: Institutionalisation.

Phase 1: Identification of scope, actors and purpose

First, the most important step is to be clear on the scope of the tracking exercise: what area – an entire sector like health or units of service provision like a group of primary schools? And what are we seeking to do – collect information or diagnose problems for broad public sector reform?

Criteria for choosing the unit of analysis vary with contexts. It could be (a) a sector receiving the largest amounts of public funds;   (b) service units that are most directly related to the poor; (c) service units that have sensitive mandates such as security and policing; or (d) service providers plagued with high volumes of anecdotal complaints from users.

Second, administration of an expenditure tracking initiative is a technical, expensive exercise. Are there credible policy institutes or other local NGO-type intermediaries at home who can undertake the exercise, or does external support need to be sought?

Third, from which broad class of users will the sample be drawn? This will depend on what sector is being evaluated. For example, in the case of healthcare it could either be the most advanced hospitals in the country, district hospitals, or primary healthcare centres in the villages.

Fourth, after the unit for evaluation has been identified, it would be useful to do a rapid data assessment to see if sufficient data exists to conduct the tracking exercise. Unavailability of data will prevent the study from being useful.

Fifth, from an implementation point of view, the audience is a key factor. The general public and the media are obvious beneficiaries of the findings, but it is crucial to delineate up-front how the findings are going to be used and by whom? This could be a government agency seeking self-evaluation for self-improvement; donors evaluating their past investment or considering new lending; civil society organisations working on accountability issues; or government oversight offices like that of the Auditor General interested in knowing about the use of public money.

Phase 2: Design of questionnaires

First, since a key purpose of tracking studies is to diagnose institutional problems in the public service delivery, especially the flow of funds, questionnaires should be designed in a manner that can extract truthful answers from those surveyed. To overcome the problem of agents hiding information, data triangulation, where many sources are consulted about an identical question, may be employed.

Second, for inter-sectoral comparability, a core set of questions that are suggested for inclusion in questionnaires include: (a) characteristics of the facility – such as size, ownership, opening hours, competition from other sources, access to infrastructure; (b) key inputs such as drugs and labour in health posts, and those that can ideally be monetarily valued; (c) outputs – to calculate cost-efficiency; (d) quality, which determines demand – overall quality can be broken down into structural, process and outcome quality; (e) financing – sources and smoothness in the flow of funds; (f) institutional mechanisms and systems of accountability – under what kind of institutional architecture is a certain service delivery unit operating?

Third, while there is a trade-off between detail and time, a critical mass of information has to be collected to ensure credibility and usefulness. If the questionnaires are exhaustive, mechanisms will have to be worked out to alleviate the burden and make the sessions mutually convenient to the enumerator and the respondent. A useful practice is to break the questionnaire into different categories. Each category can then be answered by more than one official.

Fourth, a good questionnaire should be able to identify what the key issues in a sector are, such as the dimensions of low quality performance, corruption, and lack of access. After the sector and its issues have been identified, a tracking exercise combines both tracking of funding flows through the ministry-banks-local government-facility chain to determine extent of leakage, and also identifying the non-functioning institutional features at each stage.

Phase 3: Sampling

First, four crucial criteria for selecting a sector and a unit of analysis are, (a) the units must be an important source of service delivery, such as primary healthcare clinics in rural areas; (b) the units must exist in big numbers for a credible statistical analysis; (c) they must be relatively homogenous in characteristics for comparable analysis of features like cost-efficiency; and (d) as tracking exercises can be expensive, the extent of data availability must be pre-appraised.

Second, the need for a critical sample size has to be squared-off with budgetary, time, and human resource constraints. While surveys are, by definition, different from censuses, the larger the sample size, it is usually the better. There is, however, no recommended sample size. The rule on sample size is that there is no rule. Efforts aimed at making the sample more representative of the population should take precedence over simple expansion of numbers.

Third, after an appropriate aggregate sample size has been determined, allocations will have to be made to appropriately defined geographic regions. It might be useful to stratify the survey population into sub-populations, and sample these sub-populations independently as individual populations.

Fourth, sampling is complicated if tracking and facility surveys are done together. For tracking studies, a larger number of district government administrations is desirable, but selecting a large number of districts reduces the number of facilities that can be examined within a particular district. This also makes it harder to use sample weights. If the number of facilities being surveyed in each district is small, it is more difficult to adjust the number to suit differing population densities, for example.

Fifth, it is usually the case that there will be more non-sampling than sampling errors in these exercises with major problems encountered in survey implementation. From an incomplete coverage of issues to ambiguous questions, non-sampling errors require that the survey be field-tested before launch. Field testing is also a way to expose the enumerators to the exercise, and it will be necessary to use their preliminary feedback to modify questionnaires or the tactic of questioning.

Phase 4: Execution of the survey
First, enumerators have to be selected and trained. Survey personnel or enumerators should not only be thoroughly informed about the basics and the purpose of the project, but also be skilled in questioning respondents with courtesy and patience. Further, to ensure that recording of information is being done accurately, spot monitoring of question sessions at random has to be undertaken in phases after a proportion of interviews are complete. If questionnaires were misinterpreted, or some answers found inconsistent, re-interviewing is required.

Second, the following two features are critical in execution, (a) need to triangulate data from multiple sources, and (b) reduce incentives for people to misreport. If healthcare facilities are being surveyed, it is important to cross check information on user fees and other aspects of performance on at least three levels: the clients, the health unit, and the district. Similarly, 'surprise' visits to the facilities work better than pre-announced ones, as staff are known to alter their behavior in response to formal enquiries.

Third, the complexity of design, implementation and subsequent analysis of these exercises is often underestimated. It is necessary for the organisers of the exercise to be clear on the objectives, maintain a hands-on involvement in the project, and ensure that the findings subsequently feed into reforms of service delivery.

Phase 5: Data analysis
This is the output stage, when all inputted data is consolidated and analysed. The approach to analysis will completely depend on the objectives and the results of the tracking exercise.

Phase 6: Dissemination
First, the findings of the tracking study should aim at being constructively critical. It may be unhelpful if the goal is solely to embarrass the public service provider. This is why it is important to share the preliminary findings with the concerned ministry or local government itself so that the reform proposals are incorporated and there is actually an improvement in the quality of service delivery. An opportunity must be given for the authorities to respond to some of the serious criticisms, and genuine grievances on their

part, such as staffing or budgetary constraints, should be fed back to the report to alter the tone of recommendations.

Second, the media is a strong ally in expenditure tracking initiatives. Not only should the findings be launched in a high-profile press conference, but it is useful to take all the required steps to ensure that the coverage is wide. This can require preparation of press kits with small printable stories, media-friendly press releases, and translation of the main report into local languages. Making the findings widely known and available makes it difficult for the concerned agency to ignore the findings.

Third, the new developments in information technology (IT) should increasingly be used to solve old problems of accountability. Through web-sites and discussion boards on the internet, the reach of the findings of expenditure tracking report cards can not only be widened, but they can also solicit the engagement of literate and informed taxpayers in solving public problems.

Phase 7: Institutionalisation

First, expenditure tracking initiatives, especially those are one-off experiments, will serve little long-term purpose unless implementation is followed through on a sustained basis. Ideally, governments use results from expenditure tracking to initiate reforms in policy as well as public management systems. Tracking exercises institutionalised at the community level can also be tied to performance-based budgeting by service providers.

Second, institutionalisation of the initiative can take a variety of forms depending on country circumstances. Some models can be: (a) independent civil society organisations undertake the initiative in partnership with external organisations (Uganda); (b) governments monitor their own performance as part of ongoing public sector reforms; and (c) an oversight agency such as the Auditing Bureau undertakes the initiative to monitor flow of public money.

Annex

An example of a model PETS form

Sector	Budget allocated	Received at district level	Spent at district council \head quarters	Transferred to villages/facility level		Balance
				Budgeted	Received	

Case studies

The Public Expenditure Tracking System (PETS) in Malawi

The Public Expenditure Tracking System (PETS) is a methodology for tracking public expenditures that presents revenues and expenditures in a format that enables users to reconcile budgetary flows.

Using PETS, an organisation can track the flow of resources through various levels of government to the end users and identify leakages.

For example, to track the school budget flow, prepare standardised questionnaires to teachers, students and education officials, collect information (on enrolment, exam pass rates, dropout rates etc.), teachers (qualifications, shortages, housing, salary etc.), availability of teaching and learning materials and facilities, and supervision and accountability. For this purpose you can select 500 schools (one tenth of those in the country) for the survey, including rural and urban schools.

For a school-level questionnaire, collect data on student enrolment, staff levels, teachers' housing and teacher qualifications. These questionnaires include the school's proposed recurring expenditure budget, the actual budget received and actual recurrent expenditure in three sample months. Other questions address the adequacy of classrooms and learning materials.

To collect data from regional, woreda and kebele education offices and units, the questionnaire should focus on the amount of funding requested, the amount allocated, the actual amount the district received, and spent on monthly basis (including the purpose). Other questions ask about primary education projects that are planned in the current budget and projects that have recently been implemented, as well as other costs.

Result Information on increase and leakage in the budget, the amount of teaching material received, amount and timelines of teachers' salary payments, number, qualification and distribution of teachers, enrolment etc.

Challenge Officials may hesitate to give expenditure data or give incomplete data; there may be limited technical capacity to analyse the budget; and coalition members may have limited time.

Community-based monitoring and analysis in Uganda (on educational infrastructure: classrooms, toilets, etc.)

Developing monitoring questions
- o Identify programmes/projects that you wish to monitor.
- o Discuss questions that participants want answered about the specific programmes. For example for an education programme
- o How much money was released for it?
- o When was it released?
- o What was it used for?
- o Was it used according to the approved plan?
- o What has been the outcome?

Establishing direct and indirect indicators
- o For each monitoring question/objective, determine direct and or indirect indicators that will answer the monitoring questions.
- o For each question, think of the indicators that are possible.
- o Determine level of accuracy for each indicator
- o Record indicators for each question as follows

Budget monitoring score card

Objective/ question	Indicators	Measurements	Score

Result Misuse of funds, low standards of construction were identified. This study highlighted the need for performance guarantees to deliver quality work on time. Furthermore, contractors were required to submit bank guarantees.

Concluding remarks The Citizen Report Card (CRC) is a survey instrument to measure the satisfaction of community on basic services. However, we can also use it to measure budget impact (for example, it is implemented in India). Similarly, PETS can measure budget leakage in relation to the outcome of that service by including some variables in the questionnaire (Malawi experience).

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

Local government official

HelpAge International
P O Box 3384,
Addis Ababa,
Ethiopia

2nd floor SAAY Blg, Bole Road
Addis Ababa, Ethiopia
+251 (0)11 662 4536
+251 (0)11 662 0331
hai@ethionet.et

HelpAge International
PO Box 32832
London, N1 9ZN, UK
1st floor, York House
207-221 Pentonville Road
London N1 9UZ, UK

+44 (0)20 7278 7778
+44 (0)20 7713 7993

info@helpage.org
www.helpage.org

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