Understanding the budget cycle: Process, actors, and room for influence

March 2015

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Overview of this session

1. The Budget process

1. What are the four stages of the budget cycle?
2. What are the information requirements and challenges for the budget cycle?
3. Who are the key actors in the budget cycle?
   a) The accountability table
4. How can civil society and other stakeholders influence the budget cycle?
Introduction to the budget process

• While budget processes differ between countries, there are several key processes required for effective allocation and use of resources.

• Budget process is not linear but cyclical and may include multi year budgeting.

• Budgeting occurs at various levels (local, provincial/state and national) – devise your strategy accordingly – but decision-making powers limited.

• Budget advocacy should be timeous – intervene before budget decisions are made, not after!

• The Budget Cycle is (usually) described as having four distinct phases:
The Phases of the Budget cycle

**Budget Formulation:**
The executive formulates the budget, negotiated and aligned with broader budgeting frameworks.

**Budget Enactment:**
The Minister of Finance or President presents the budget to the Legislature, which debates, amends and approves it.

**Budget Execution:**
Funds are transferred to government departments and agencies, spending is initiated, payments are made and in-year accounting takes place.

**Medium Term Expenditure Framework (MTEF):**
Multi-year rolling budget

**Budget Oversight and Assessment (Auditing):**
Budgeting and expenditure is assessed by SAI and the Legislature, recommendations are made, corrective action taken.
Phase 1. Budget formulation

• Identification of needs and policy priorities
  – Examples of information required in MNCH budgeting:
    – National health policy priorities
    – MNCH strategic/business plans; costing reports; past expenditure reports etc

• Draft Budget Submissions prepared by spending agencies
  – Based on policy priorities and situational analyses

• Budget Hearings
  – Negotiation of allocations between MoF and MoH and other health spending agencies

• Pre-budget Statement
  – Examples of information required:
    – Should include: revenue estimates, spending priorities and how revenue is likely to be divided between sectors
    – Analysis of trends in health spending, health staff recruitment, MNCH spending and foreseeable funding gaps
Engaging with the Formulation Phase

• **Actors:**
  – Government research offices
  – Government Treasuries
  – Government agencies
  – Donor agencies
  – International Financing Institutions (IFIs), e.g. World Bank
  – CSOs
  – Academics

• **Difficulties:**
  – Lack of information informing budget decisions
    • E.g. costing data, disease burden, accurate population statistics
  – Information not publicly available
  – Lack of Freedom of Information (FOI) laws in some countries. Sometimes laws not working in practice
How can stakeholders influence the Formulation Stage?

• Conduct relevant costing and needs assessment studies
• Analyse policies, past performance reports, budgets and expenditures
• Mobilise communities and groups on budget issues
• Engage with relevant budget decision-makers, health programme directors/managers, health HODs, Chief Financial Officers, Treasuries and relevant parliamentary committees, e.g. Chairperson of health committee
• Write letters to the media, health minister, finance minister (e.g. Tips for Trevor – former Finance Minister – in South Africa)
Phase 2. Budget Enactment

• **Budget Tabled before Parliament/ Legislature**

• **Committees consider the budget**
  – Parliament/Legislature should not rubber stamp the Budget
  – In some countries, the Legislature has the legal capacity to amend and approve budget (within limits)

• **Once approved, the Budget is signed into Law**
  – Appropriation Act
  – Legally binding
Engaging with the Enactment Phase

• **Actors:**
  – Government – Ministry of Finance; Presidency in other countries
  – Health Portfolio Committee Members in national and state/provincial legislatures
  – Government spending agencies to defend allocations
  – CSOs to comment on or critique budgets, with reference to the health issue at hand

• **Information required:**
  – Budget Statements, Citizens Budget, Appropriation Law

• **Difficulties:**
  – Lack of costing information informing budget decisions
  – Portfolio Committee members not informed or interested in the critical health issues
  – CSO comments too late, would be more worthwhile during formulation
  – Lack of Access to Information laws in some countries
  – Information not publicly available
How can stakeholders influence the Enactment/Approval Stage?

• Analyse policy and budget statements
• Mobilise communities and groups on emerging budget issues
• Make submissions to relevant parliamentary committees, e.g. health committee (to at least influence the next budget cycle)
• Analyse and release budget briefs/ Popular version of budget (demystify the budget for CSOs and general communities)
Phase 3. Budget Execution and Expenditure Management

- Money transferred to spending agencies (Ministries/Departments/Agencies)
- Agencies initiate spending through payrolls, procurement of goods and services, purchase capital assets and infrastructure.
- Payments are made
- Financial information is continually produced and recorded by financial systems (??) and is regularly compiled into financial reports (monthly, quarterly, mid-year, year end)
- Supplementary budgets and adjustments to budgets
Engaging with the Execution phase

• **Actors:**
  - National Treasury/ MoF
  - Spending agencies, i.e. Ministry of Health, MNCH Programme/Directorate, MoH Procurement Unit, NGOs etc
  - Supreme Audit Institution (SAI): Internal Audit Officers
  - Parliamentary Health Portfolio Committees (monitoring progress through executive reports and constituency feedback mechanisms)
  - Research Institutes and Academics
  - Civil Society Monitoring Groups

• **Information required:**
  - Budget Statements
  - Strategic & operational plans (annual performance plans – APPs)
    - Reviews, targets/milestones, budgets
  - In-year accounting: monthly/quarterly performance reports and actual expenditures
  - Year-end accounting: Annual performance reports, audited financial statements

• **Difficulties:**
  - Information not publicly available
  - Poor financial accounting - officials don’t have good records, information
How can stakeholders influence the Execution/Implementation Stage?

• **Ongoing monitoring of implementation:**
  – Analyse in-year reports to make timeous interventions
  – Publicise quarterly findings and raise awareness of presenting issues
  – Use of various social accountability tools such as Community Score Cards, Citizen Report Cards, Social Auditing
    • Advantage of intersecting community monitoring with budget work

• **Have a bird’s eye view of all concurrent budget processes**
Phase 4: Budget Oversight and Assessment (Auditing)

• Oversight is the act of limiting the discretion of the executive arm of government by monitoring its decisions/activities and holding it to account

• A number of bodies are responsible for oversight in a constitutional democracy, including:
  – Parliament/Legislature
  – Portfolio Committees
  – Supreme Audit Institutions (Controller and Auditor General) which should be independent

• Powers and capabilities of oversight bodies to hold the executive to account for their use of public resources (e.g. financial audits) and the delivery of socio-economic rights (performance audits e.g.) should be enshrined in law
Types of audit

• Financial audits/attestation audit – Auditor attests to, or verifies, accuracy and fairness of the presentation of financial statements.

• Compliance audits – Auditor checks if some conditions have been satisfied: expenditure authorised by competent authority? Expenditure authorised by the appropriation law and spent according to the law? Does expenditure conform to procedures of public finance and related laws?

• Performance audits – assessing technical & managerial aspects of spending to measure levels of “value-for-money” in public spending (moving beyond accounting & finance), through three factors:
  – Economy: can program be run at less expense?
  – Efficiency: can r/ships between inputs and outputs be improved?
  – Effectiveness: Is the spending authority delivering its intended results, comparing performance indicators against actual results.
How can stakeholders influence the Budget Oversight and Assessment/Auditing Stage?

• Become friends of the SAI – to raise SAI’s awareness of your issues relevant to financial accountability
• Analyse performance reports, budgets vs expenditures
• Mobilise communities and groups on expenditure issues affecting service delivery
• Engage with relevant budget decision-makers, relevant programme directors/managers, health HODs, Chief Financial Officers, Treasuries and relevant parliamentary committees, on expenditure red-flag issues
MTEF (3-YEAR ROLLING BUDGET)

- **EXECUTION OF 2013/14 BUDGET**
  - **2013 Annual Plan (AP)**
    - Medium Term Budget Policy Statement
    - Adjustment Estimates of National Expenditure

- **FORMULATION OF 2014/15 BUDGET PLAN (BPs)**
  - 2014 AP
    - Execution of 2013/14
    - Opportunities for Influencing and Improving Decision Making
  - 2015 PP
    - Formulation of 2016/17 Budget (BPs)

- **EXECUTION OF 2014/15 BUDGET**
  - **2015 FORMULATION (BPs)**
    - Discussion and Approval for 2014/15
    - Medium Term Budget Policy Statement
    - Adjustment Estimates of National Expenditure

- **FORMULATION OF 2015/16 BUDGET (BPs)**
  - Dis­cussion and Approval for 2015/16

- **5-YEAR STRATEGIC PLANS**
  - Opportunities for Engagement with Departments and Legislatures

- **CRUCIAL INFORMATION ABOUT INCOME ESTIMATES, AND FRAMEWORK SETTING DOCUMENTS**

- **OPPORTUNITIES FOR ENGAGEMENT WITH DEPARTMENTS AND LEGISLATURES**
Accountability Table

- Robust financial management systems
- Robust financial management legislation
- Independent auditor general
- Strong parliament, active civil society, strong media, aware electorate
Enhanced Resource Tracking for improved transparency and accountability

- Empower citizens and public officials to understand and engage with the way public funds are used
- Identify the key challenges with the financial information systems, which limit sound economic governance
- So as to demand increases in efficient spending
- Also to call for improved financial data systems that will enhance transparency and accountability
- It is not enough for citizens to be empowered with budget monitoring tools: government officials (together with citizens) responsible for priority setting, costing, budgeting, and spending according to plan require skills and enhanced financial information systems, esp. at local levels
- All partners need to be transparent and accountable for their activities and spending, including development partners
Requirements for Civil Society engagement

• District level budget/development committees, involving citizens, service providers and public officials – to determine their district’s needs, set priorities, estimate resource needs, budget for these, and monitor spending on them

• Strategically positioned coordinating and governance structures with political power & commitment, to which all actors must report regularly – activities and spending

• Innovative technology can transform citizens’ access to information – but key is the individual’s experience for their motivation for involvement

• Online access to timely budgetary and expenditure data, linked to performance indicators

• Building the confidence to engage with budget through capacity building, full public participation in agenda setting, budgeting, implementation monitoring etc
Policy and resource allocation decisions are made on imperfect information all the time.

- Most budget bids don’t contain proper/complete info:
  - Not time for proper costing prior to submission
  - Institutional delivery not worked out in detail prior to allocation
  - Not all depts working on proper demographic/socio economic data

- Iterative process
  - Policy option developed with rough cost estimate.
  - Treasury allocates envelope (usually less).
  - Dept must re-do costing/budget with new envelope.

- Chicken and egg budgeting
  - Tell me how much I’ll get, I’ll tell you what I can do...
  - Tell me what you need, I’ll tell you what you get...

- ‘Rough’ estimates can mean really rough (last minute decisions taken on limited info in order to balance)
Who’s who

- Government is not monolithic. Multiple actors, each with their own degree of power, and own agenda:
  - National Treasury (own political agenda; may take initiative on priority if natl dept falls short i.e. more committed than natl dept; action aimed at one region may have to be couched as national initiative)
  - National Department (limited control of provincial counterparts (IGR forums); may push NT for condtl funding channels)
  - Provincial/regional Treasury (may doubt capacity of dept/prog which natl prioritises and wants to pour money into; may be interventionist or passive)
  - Regional/provincial departments (PT’s view of dept competence hugely important; may advocate for funding to PT or via natl counterpart)
  - Head official of Dept, or Chief Financial Officer (how with-it are they?; quality of budget bid; groundwork laid with treasury; Minister’s political priorities; ripeness on agenda)
  - Programme head (evidence-based?; relationship with PT; must put together coherent argument which is feasible e.g. funds to ward committees)
  - Service provider/contractor (may have close relationship with natl)
  - Beneficiary (perverse incentives; uncertainties on take-up and demand management; advocacy at different levels)

- In order to intervene effectively as CSO, must figure out where the conflict is in this chain.
  - Who are your allies? Who needs persuading? e.g. social services director at NT, researcher on health at PT, head of PT

- 98% of advocacy is figuring out who to be talking to!
My advice.... 😊

- If you’re interested in changing service delivery, focus advocacy efforts on formulation stage ONLY.
  - Research activities can focus on execution stage.
  - Intervention in enactment and auditing stages increases transparency and public awareness but it won’t get any real or direct results in terms of improving how govt delivers services.

The Silver Bullet in budget advocacy:

1. Find out who the 1-2 right people are, and get very close to them.
   - Find out who puts together the policy options, and who is in the room at Natl to advocate for particular policy options.

2. Give your allies the ammunition they need when they go into battle.
   - Do the required research at the right time—short and sweet (backed up by evidence).

3. Protect your organisational reputation at ALL times.
   - Do credible research always. Govt bases its view of your org on the quality and usefulness of the research NOT profile, widely disseminated research, conferences, donor funds, number or frequency of publications.

4. Choose your battles carefully.
   - You need to get the most return for your work, given limited staff and capacity. Don’t be afraid to keep a narrow focus.
Thank You!!

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