

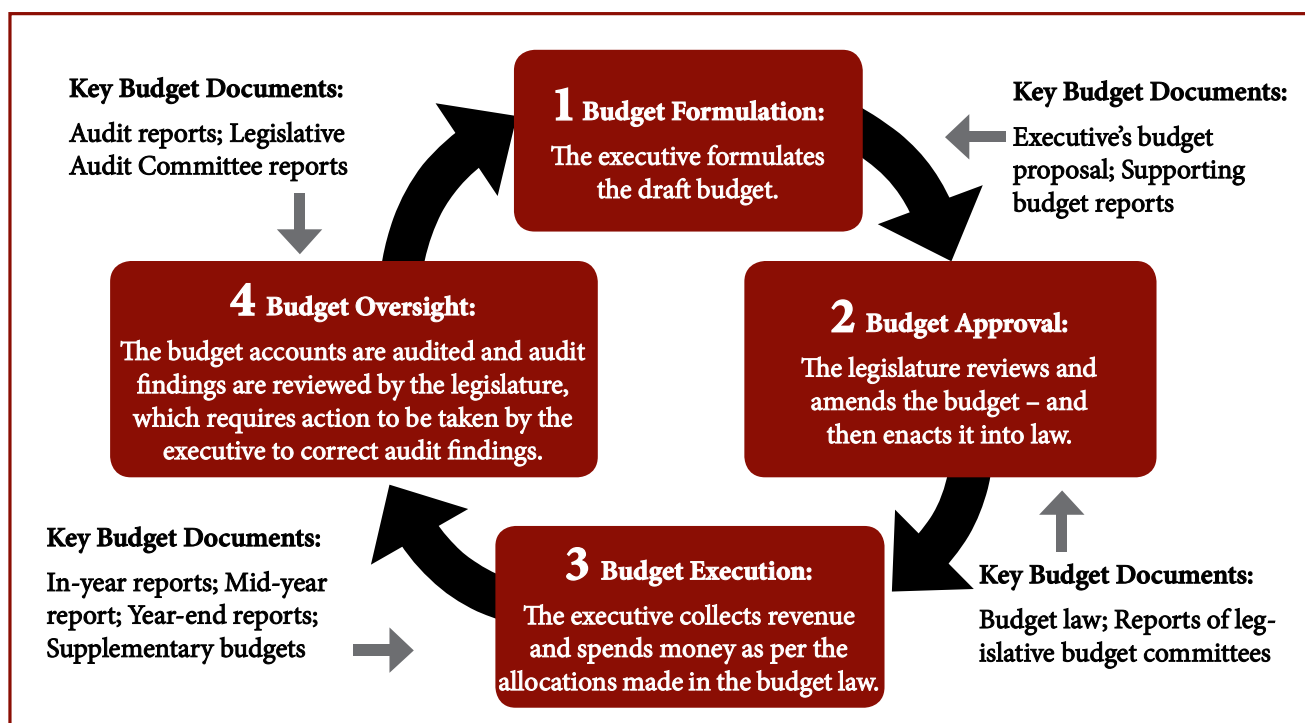
Budget Monitoring/Budget Advocacy/Expenditure Tracking

Purpose

Citizens are more likely to engage in political processes, and sustain that engagement when they feel that their efforts lead to concrete changes that will directly influence their lives. Engaging in budget monitoring, budget advocacy and expenditure tracking at the local level can provide citizens and citizen groups with near immediate tangible outcomes, often leading them to sustained, long-term civic participation. Political-process monitoring initiatives related to the budget cycle are able to rally citizens around a cause that has the potential for very real results – increased funding for public services and infrastructure projects that they consider to be priorities. Operating at the local level allows citizen groups to interact with decisionmakers with whom they may already be familiar, but perhaps more importantly, the changes made to local-level budgets are guaranteed to directly affect their community.

Budget monitoring is a process by which citizen groups observe meetings and analyze public documents during the budget formulation and approval stages of the budget cycle. They do this type of monitoring in order to determine and raise awareness of how public funding is allocated by the government. Budget advocacy is when citizen groups lobby and campaign to bring about specific changes in a budget or budget process; it is usually also carried out during the budget formulation and approval stages as well. Expenditure tracking is when citizen groups monitor government resource allocations, spending and publicly-funded projects to ensure that budgeted funds are spent accordingly and used efficiently. This takes place during the budget execution and oversight stage of the budget cycle. Budget advocacy can occur either before or after a group has tracked expenditures, depending on the context and where in the budget cycle the group begins its monitoring activities.

The Budget Cycle¹



1. Ramkumar, Vivek. *Our Money, Our Responsibility: A Citizens' Guide to Monitoring Government Expenditures*. Washington, DC: International Budget Project, Feb 2008. http://www.internationalbudget.org/files/Our_Money_english.pdf

Participatory budgeting is a process through which citizens allocate a percentage of a budget, usually at the municipal level, according to community priorities. Since 1989, when participatory budgeting first began in Porto Alegre, Brazil, as many as 50,000 people have participated each year in order to decide as much as 20% of the city budget. Participatory budgeting has spread to over 1,200 cities since 1989. Although groups working on budget issues often participate directly in the budgetary process, none have engaged in pure participatory budgeting through an NDI program.

NDI typically supports groups' budget monitoring, budget advocacy and expenditure tracking initiatives in order to achieve specific results. These include:

- increased civic capacity to influence budget decisions;
- more transparent local budget processes and expenditure management;
- decreased levels of corruption;
- improved service delivery and public infrastructure projects; and
- improved engagement between civil society, government and citizens.

This section lays out how groups can plan and implement budget monitoring, budget advocacy and expenditure tracking initiatives. Taking into account the experiences of a variety of NDI's partner organizations, this section draws most heavily upon the experiences of citizen groups that participated in the "Democracy and Governance in Albania" (DGA) program. The DGA program was implemented by a consortium of international development organizations, which included NDI, Partners for Democratic Change (PDC) and the International Research and Exchange Board (IREX), along with a local partner, the Albanian Coalition Against Corruption (ACAC). From 2004 to 2007, citizen groups engaged in the budget cycle by monitoring the extent to which local government budgets reflected citizen priorities. The groups then advocated on budget priorities and tracked expenditures.

The Monitoring Preparation Stage

When planning political-process monitoring initiatives related to the local budget cycle, citizen groups should first do an analysis of the political context to determine whether there is enough space available to carry out monitoring activities. In order for citizen engagement in the budget cycle to be successful, local governments must be willing to allow citizens access to budget meetings and publicly share budget documents. If there is not a formal law or policy re-

quiring that local-level budget cycles be transparent, then there at least needs to be institutionalized, informal support for transparent practices. Without this level of support, it is very unlikely that, even if some citizen engagement in the budget cycle is possible, there will be enough space to affect any concrete changes.

Once citizen groups determine that there is an adequate amount of political space available for a meaningful political-process monitoring initiative, they must examine their own capacities. Understanding the budget cycle, the budgetary proceedings within the cycle and the materials produced at different stages of the cycle can be difficult for the uninitiated. The language used in budget documents is very technical and the politics of budget proceedings is tricky to navigate. In order to prepare citizens so that their participation in the budget cycle is meaningful, NDI provides trainings and workshops on topics that include:

- the different stages of the budget cycle;
- how citizens can engage in the budget cycle at different stages;
- how to analyze budgets;
- budget advocacy methodologies for specific contexts;
- collecting and analyzing budget monitoring data for advocacy;
- how to track specific expenditures;
- collecting and analyzing expenditure tracking data for advocacy; and
- citizen-based public service delivery evaluation.

One of the key considerations that every group must take into account when preparing to monitor is the timeline. The budget-related monitoring strategy is largely dependent on where the government is in the budget cycle. If the group is interested in conducting a budget monitoring or budget advocacy initiative, then it would have to wait for the beginning of the budget cycle to carry out activities. If the group is interested in expenditure tracking, then it would have to wait for the budget execution and oversight stages.

After determining a point of entry into the budget cycle, local groups must then develop the appropriate tools for their initiative. During a budget monitoring initiative, these groups have created monitoring forms for citizens to fill out during budget meetings. Interview forms and questionnaires are often used to collect information on citizen budget priorities and perspectives on the quality of service delivery to support both budget monitoring and advocacy initiatives. Investment tables have been utilized to track the expenditures on public projects and service delivery.

Budget Monitoring

Budget monitoring is centered on the idea of ensuring that government is setting the right priorities and doing it in a manner that is fiscally responsible and responsive to citizen needs. Groups monitor local government budgets by observing budget hearings and obtaining budget documents during the budget formulation and approval stages. If the political space allows, groups monitor both executive and legislative hearings because budgets are generally determined by both branches of a local government. In some cases, budget documents are disbursed during hearings, while in others, CBOs must request them from government officials. The key documents that monitoring groups should request are the executive budget proposal, supporting budget reports, documentation of any budget laws and reports developed by legislative budget committees.

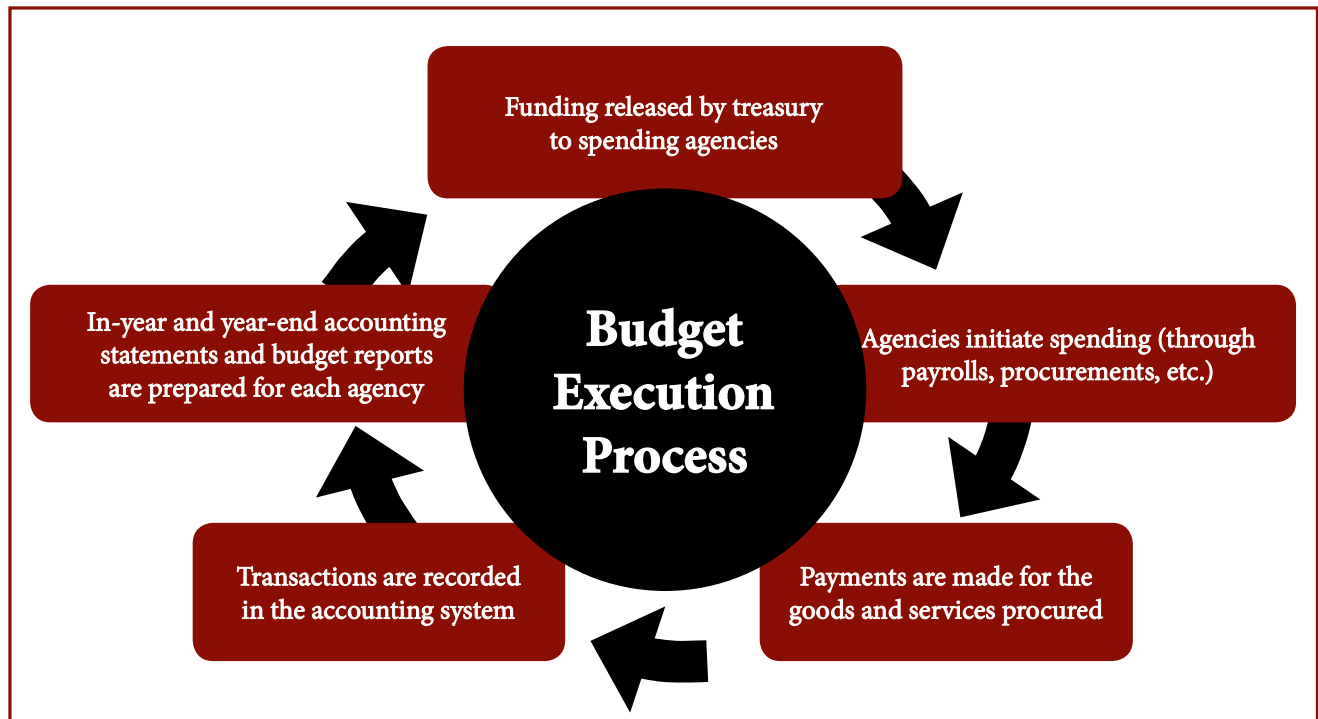
Groups monitoring local budgets can also collect information on citizen priorities through interviews, questionnaires and public discussions. Using information collected through the hearing observations and citizen questionnaires, groups can determine the extent to which

citizen priorities are included in the final budget, and during which stage of the budget cycle priorities are cut. This information has led citizen groups to conduct follow-on activities that continue their engagement in the budget cycle beyond the first two stages. Some citizen groups have formed permanent watchdog groups to continuously monitor the budget formulation and approval stages of future budget cycles. Still other groups have extended their activities into budget advocacy and expenditure tracking initiatives.

Budget Advocacy

As monitoring groups become more confident and experienced in budget monitoring, they have begun to participate more actively in the budgeting cycle. Many use the information they collected and relationships they formed with local public officials through budget monitoring to support advocacy campaigns. These advocacy campaigns have focused either on advocating for specific changes in budget allocation or on changing local budgetary practices throughout the budget cycle. The first type of advocacy campaign has been more common because the benefits are

The Budget Execution Process Stage Three of the Budget Cycle



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more concrete and immediate, and thus usually more interesting to citizen groups. They ensure that community priorities are reflected in budgets, that specific projects are funded and that the allocated funds are sufficient for project implementation. The second type of budget advocacy usually involves advocating for more transparent budget practices and easier access to government information. If budget monitoring activities have not met with the desired success due to government push-back, but there is enough political space to change budget procedures, then citizen groups might find this type of a budget advocacy campaign worthwhile.

The approach to budget advocacy, whether for changes in the budget or changes in budgetary practices, begins with developing a proposal for change. When advocating for specific budget allocations, citizen groups should first identify community budget priorities. If this has not been done during a budget monitoring initiative, groups could use citizen questionnaires, interviews and public discussions to gather community priorities. When advocating for reforming local budgetary practices, groups determine the most pressing problem with the current budgetary practices based upon their previous budget monitoring experiences.

Once the priority issues are identified, the citizen groups have developed proposal for specific changes to the budget or budgetary practices. In some cases, groups have created a “budget platform” that lays out a set of citizen priorities for local budget committees to take into consideration while developing the budget. To ensure that their proposal or budget platform has traction with local decision-makers, monitoring groups have employed budget advocacy tactics. These include:

- presenting proposals or budget platforms during budget hearings;
- face-to-face meetings with local officials;
- letter-writing campaigns; and
- public forums for local public officials and citizens to discuss budget priorities.

The citizens of Barbullush, Albania advocated the local government to include flood-preventing infrastructure in the 2006 budget. When they studied the budget and realized that the amount allocated for the project would not be sufficient, they negotiated with local officials to increase the allocation. In Indonesia, CSO working groups advocated for pro-poor resource allocations during the legislative budget discussion phase of the budgetary process.

Expenditure Tracking

Even when citizen groups’ budget monitoring and advocacy efforts lead to the inclusion of citizen priorities in the final local budget, there is often a gap between the funds allocated for community projects and the funds actually disbursed for these projects. Though there are a variety of reasons for this occurring, it can be the result of corruption. Therefore, expenditure tracking initiatives have tended to focus on both reducing local corruption and ensuring that allocated funds are spent in the intended manner.

Expenditure tracking initiatives can take place during the budget execution and oversight stages of the budget cycle; but the majority of citizen group activities focus on tracking spending during the budget execution process. Groups use findings from either their budget monitoring or budget advocacy activities to engage in expenditure tracking. Information on the final budget allocations captured through budget monitoring has been used as points of comparison for the information collected through expenditure tracking.

The evolution from budget monitoring to expenditure tracking was especially notable in citizen groups during an NDI project in Albania.

- In order to monitor and track the expenditures of the local government’s road improvement project, a Gramsh citizen group established a commission to monitor the contract bidding process and compile monthly progress reports.
- Citizen groups from Barbullush in the Skhodra district of Albania formed a monitoring network to oversee a local government school reconstruction project.
- Citizen representatives in the Shkoder district monitored the bidding process for commune investments and the implementation of a locally funded project.

Groups have captured how funds are spent on local government-funded projects and services throughout the budget execution process. When funding is released by the local treasury to spending agencies, groups have used investment tables to track the disbursements. As agencies initiate spending through payrolls and procurement processes, citizen groups have kept records of local expenditures and monitored bidding processes for locally funded public project contracts. This is done largely to help ensure that contracts are awarded according to merit and not on a patronage system. As the projects are rolled out and payments are made, groups have observed the implementation of the projects and conducted citizen-based service delivery evaluations to ensure quality. Even if a contract is awarded based on merit, the contractor could still use sub-

par materials or do a poor job delivering services.

Throughout the process, citizen groups compile monthly reports based on their expenditure tracking findings. These reports can then be compared to the local government's record of expenditures and yearly reports and statements. During the budget oversight stage of the budget process some citizen groups have even audited local budgets to reveal how the government's records compare to their own. In addition to ensuring the quality of public projects and services, these findings can help reduce corruption. Groups can use them as a basis for working with local governments to improve the budget execution process or to raise citizen awareness of discrepancies in expenditures.

Malawi: Using Expenditure Tracking Information for Advocacy and Awareness-Raising Campaigns

In 1994, Malawi held its first competitive multi-party elections, which resulted in the end of "President for Life" Hastings Banda's 30-year rule. With high expectations for the reinstatement of citizens' rights, the country began a transition toward a multi-party democracy. Initially, civil society organizations flourished with the easing of restrictions on political and civil liberties, and opposition parties began challenging the ruling party's hold on power. However, gains in civil and political rights did not translate into improvements in the daily living conditions of most Malawians. Furthermore, the government and parliament were suspicious of CSOs, which tended to be weak and fragmented organizations. By 2001, civil society had still not fully assumed its role in demanding government accountability.

To address these problems, NDI implemented the four-year "Accountable Democracy in Malawi" program in April 2001, with joint funding from the British Department for International Development (DFID), USAID and the Danish Agency for International Development (DANIDA). The goal of the program was to increase the responsiveness of the democratic process to citizens in Malawi. To this end, NDI worked to strengthen parliament and civil society so that they would be better able to work together and fulfill their roles within a democratic system.

In the first year of the program, NDI helped establish networks of issue-based CSOs interested in reducing poverty through national-level initiatives addressing health, education and agricultural issues. These networks included the Civil Society Agriculture Network (CISANET), the Malawi Health Equity Network (MHEN), the Malawi Economic Justice Network (MEJN) and the Civil Society Coalition for Quality Basic Education (CSCQBE). All of the networks received organizational development assistance to strengthen their secretariats, but with funding from NDI and Oxfam, CISANET and MEJN also began tracking government expenditures and examined the quality of public goods and services.

During the second year of the program, network members representing 80 organizations testified before the Parliamentary Budget and Finance Committee on government performance in key sectors of the budget and poverty reduction strategy papers – including health, education and agriculture. The CSOs' findings, based on information collected through expenditure tracking activities, were incorporated into the Committee's final report to parliament.

For the remainder of the program, NDI and its partners focused on using the monitoring data for advocacy and awareness-raising purposes. Some of the results from these efforts include:

- The Land Task Force's campaign to increase civic input on the proposed Land Bill led to increased citizens' knowledge on land policy; a compilation of priority land issues identified by citizens; a citizens' pledge to support the advocacy campaign; and dialogues between MPs, civic leaders and citizens on land issues.
- The Federation of Disability Organizations in Malawi's awareness-raising activities led to the enactment of the country's first-ever national disability policy.
- The NGO Gender Coordination Network's Taskforce on Domestic Violence Legislation successfully advocated for the passage of domestic violence legislation.

Participatory Budgeting and Expenditure Tracking in Indonesia: A Budget Monitoring, Tracking and Advocacy Vignette

Program Background and Context

Since beginning of the transition to democracy in the late 1990s, Indonesia has worked to decentralize authority and resource allocation from the national level to the district level, so that the government would be better able to serve citizen needs. As a result, district-level governments have greater authority over more resources than ever before and play a significant role in resource allocation within their communities. Beginning in 2005, hundreds of executive elections across Indonesia further enhanced the mechanisms of public accountability by providing voters with their first opportunity to directly elect their local government leaders and creating a vested citizen interest in how local government performed.

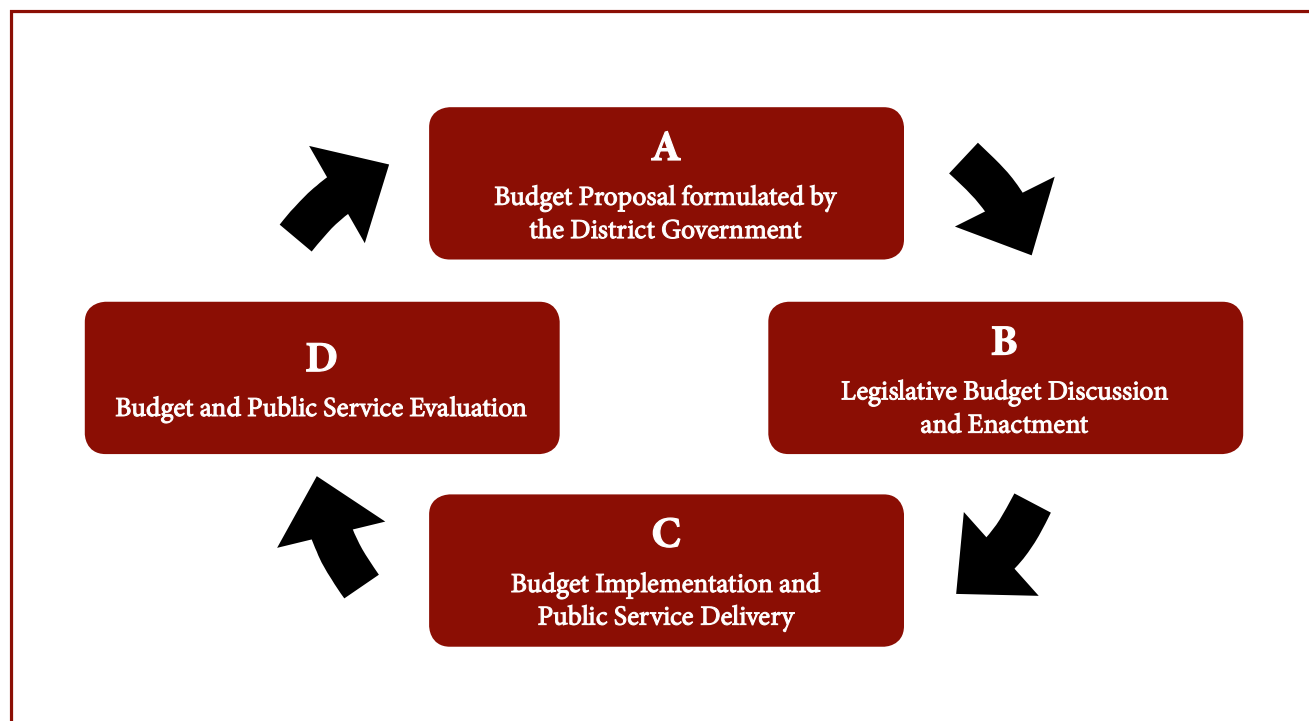
The wave of decentralization also brought the passage of laws and regulations that created new entry points for citizens to participate in local decisionmaking processes. In 2005, NDI's three-year Participatory Budgeting and Expenditure Tracking (PBET) program, supported by the World Bank with funds from the Japan Social Development Fund

(JSDF), sought to take advantage of these new regulations by strengthening citizen ability to engage local government on issues that directly affected their everyday lives. With revenue generation and resource allocation responsibilities now resting largely with Indonesia's district governments, the Indonesia PBET program also aimed to enhance public understanding and participation in the budget process at the district level. Civil society capacity building efforts – in the form of both specialized training and innovative subgrants – empowered citizen groups to monitor local spending and advocate for additional resources. Given Indonesia's limited track record in independent budget monitoring and public advocacy, best practice models from other countries, such as the Civic Report Card system used successfully in southern India, were adapted to the Indonesian context, thereby building local demand for civic participation in the wider political process.

Program Overview and Logic

NDI designed the PBET program to foster local government accountability, more responsive public services and

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increased pro-poor budget allocations. In order to fulfill this goal, the Institute worked to enhance citizen involvement in the local budget cycle. The program targeted citizens in 14 districts across nine provinces of Indonesia where local legislatures had recently passed, or were in the process of passing, policies explicitly giving citizens the right to obtain budget documents and participate in the budget cycle. So that citizens could take advantage of these new policies in a meaningful way, NDI designed the PBET program to:

- increase capacity of CSO working groups to monitor the local budget;
- increase capacity of CSO working groups to raise awareness of local budget issues;
- increase capacity of CSO working groups to advocate for pro-poor resource allocations;
- increase capacity of CSO working groups to track local expenditures; and
- increase capacity of CSO working groups to evaluate public service delivery.

Instead of directly providing assistance to local CSO working groups interested in carrying out budget-related activities, NDI issued subgrants to a “capacity-building NGO” (CB-NGO) and seven “technical assistance NGOs” (TA-NGOs)² to deliver assistance to local groups. The CB-NGO, the Forum for Popular Participation (FPPM), received financial and technical assistance from NDI to train the TA-NGOs on the budget cycle and entry points for CSO working groups. The TA-NGOs, with assistance from FPPM and NDI, established and supported CSO working groups interested in local-level budget monitoring, advocacy and tracking activities. The CSO working groups monitored the budget formulation stage, engaged in advocacy during the legislative budget discussion stage, tracked expenditures during the budget implementation stage and evaluated public services during the budget implementation and evaluation stages. Throughout the budget cycle, citizen groups worked to increase citizen access to budget information.

Program Activities

Civic Engagement in the Budget Formulation Process

The primary entry point for PBET program participants to engage local government on pro-poor budget issues was

2. The technical assistance NGOs (TA-NGOs) were: Legislative Watch Committee (KOPEL); Institute for Research and Empowerment (IRE); Centre for Regional Studies and Information (PATTIRO); INISIATIF; The Nahdlatul Ulama Institute for Human Resource Studies and Development (LAKPESDAM); Civic Education and Budget Transparency Advocacy (CiBa); and Inter-Community Learning Center (PUBLIKA).

at *musrenbang* sessions, district-level development planning meetings that allow citizens to provide input into local development decision making processes. So that the CSO working groups could meaningfully participate in the *musrenbang* sessions, the TA-NGOs assisted the working groups in compiling and presenting community budget priorities. First, the TA-NGOs trained the CSO working groups to organize and facilitate community discussions as a method for gathering citizen priority issues. Then they assisted the working groups in compiling the priorities into proposals that were presented at the *musrenbang* sessions. Some CSO working groups also used the proposals as bases for facilitated hearings and constituency meetings with local government representatives.

Civic Engagement in Budget Analysis and Advocacy

The legislative budget discussion stage is the most important in the budget cycle because it is the final stage of budgeting decisions and Indonesia’s new decentralized budget process provides entry points for CSO working groups to exert influence over budget allocation at this stage. In order to prepare CSO working groups to engage in local legislative budget development discussions, TA-NGOs conducted trainings on:

- draft budget documents, technical terms and regulations;
- budget analysis techniques;
- pro-poor and gender sensitive budget perspectives;
- recommendations based on budget analysis; and
- advocacy strategies that included lobbying government and working with media.

To address these budget deficiencies and discrepancies, several CSO working groups advocated for budget allocation revisions, in order to hold local governments accountable to pro-poor needs in their community.

Civic Engagement in Expenditure Tracking

Even when funds were allocated for pro-poor programs, this did not ensure that they would reach intended beneficiaries or that budgets would match specifications in the project contracts. To enhance sound pro-poor program delivery, TA-NGOs assisted CSO working groups in monitoring budget implementation by tracking expenditures on several projects intended to benefit the poor. CSO working groups used a variety of tools to track expenditures, including user-based surveys, citizen report cards and direct observation. In one instance, a CSO working group actually measured a length of road by hand to determine if it met the specifications of the original tender.

Civic Engagement in Public Service Evaluation

For those CSO working groups interested in evaluating public service delivery, TA-NGOs conducted trainings on using citizen report cards (CRC) and user-based surveys (UBS) to capture this type of information. CRCs are designed to capture information on a broad range of public services (i.e., telephone, electricity, water and health services), while the UBS is designed to capture specific aspects of a single service (i.e., doctors, paramedics, service fees or medicines within health services). NDI and the TA-NGOs trained the CSO working groups in 14 districts on:

- basic understanding on citizen-based public service delivery evaluations;
- UBS and CRC method and implementation strategy;
- report writing with recommendations based upon data collected;
- public consultations with local government officials; and
- media relations.

The UBS and CRCs became an effective tool for citizens to evaluate whether services most needed by the poor had been adequately provided. UBS and CRCs allowed the CSO working groups to provide governments with evidence-based recommendations for better public service delivery. In almost all districts, government welcomed the initiatives. In some cases they contributed to future sector planning. In other cases, district government used them as part of their regular monitoring of the quality of public services.

Increasing Citizen Access to Budget Information

Throughout the budget cycle, some CSO working groups formed a relationship with local government officials and helped them provide more detailed budget information to citizens. The TA-NGOs assisted CSO working groups with analyzing the structure of various budget documents, determining the type of information that should be published and identifying where the documents would be most appropriately published. Some CSO working groups designed and disseminated posters and booklets that simplified complicated budget language so that it would be more easily understood by citizens. The groups also presented the templates to local government officials to encourage them to support their efforts to make budget information more accessible to citizens.

Results

- In the Bandung district, the CSO working group analyzed the budgets and identified Rp. 46.34 billion of inefficiency in the FY 2007 budget and Rp. 46.86 billion of inefficiency

in the FY 2008 budget. The group successfully advocated for a portion of the funds to be reallocated to pay for teacher salaries.

- In the Takalar district, the CSO working group's budget analysis revealed that a large amount of funds were spent on government travel. The group successfully advocated for a 50% reduction in government travel costs.

Recommendations

- Budget monitoring and expenditure tracking initiatives should be implemented as long-term programs.
- Partner groups should determine their priorities based upon local and political conditions.
- Capacity building for citizens is necessary, but should be complemented by institutional reform.
- If there is a CSO working group, members should come from a wide variety of NGO sectors so that the groups can develop broader networks that allow them to work more effectively with various sectors and government agencies during the budget process.
- The results of *Musrenbang* and the "political contracts" produced from constituency meetings should be utilized as tools to make district governments accountable for their commitments to address public priorities.
- Groups should verify all monitoring findings and before making them public.
- Building institutional and government capacity should be included in the program design in order to sustain effective citizen engagement and to effect policy changes.
- Programs should focus on the processes that will most likely produce pro-poor budget policies on sectors or services most needed by the poor.
- Programs should take into account the strengths of the CSO capabilities and the context of the districts.
- Budget analysis and advocacy should be combined with better mapping of poverty issues and a greater focus on specific sectors for budget review before engagement in the budgeting process.
- There should be a collaborative environment between the community and government in order to create improved public engagement.
- Participatory planning should be linked with budget decision making processes.