

## **Background to Applied Budget Work**

By Warren Krafchik

### **1. The growth of civil society budget work**

Since the 1990s, civil society organizations in several developing countries have begun to play a larger role in the budget process. This growth is a recent development. While a few groups have over 6 years experience, the majority of organizations have been engaged in budget work for less than three years. Budgets remain closed processes in developing countries and most do not have independent budget analysis capacity outside of the public sector. Nevertheless, civil society budget work is taking root in a broad set of countries, including several that are relatively inhospitable to inclusive budgeting. To provide a sense of the speed and scale of this organizational growth, the first international meeting of civil society budget groups, convened by the International Budget Project (IBP) in 1997, was attended by 50 people representing budget organizations in fourteen developing countries. By the third conference, there were 100 participants from organizations in 25 countries<sup>1</sup>.

There are several possible linkages between economic, social and cultural rights work and budget work. The achievement of ESC rights can depend directly on budgetary decisions. Budget analysis also can be used to estimate the cost of advancing particular rights and to sharpen advocacy arguments. Further, as is the case in some of the Gender and Children's work, budgets can be examined to see if they are consistent with rights conventions. More generally, in some countries anti-poverty work is increasingly being understood from a human rights perspective. Several budget and human rights groups have been involved in exciting initiatives that straddle and benefit budget and human rights work.

This introduction to civil society budget work is intended to further encourage human rights organizations to think about how they might use budget analysis to strengthen their rights work. In countries where independent budget work has yet to take root, human rights groups may be able to seek out independent experts or supportive international organizations, or they may also choose to dedicate capacity to developing budget skills in-house. In an increasing number of countries, human rights groups are able to rely on the work of an established budget organization. But even in these circumstances, human rights groups may want to develop some internal capacity to understand and analyze budgets. This background is written with each of these options in mind. It aims to give human

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<sup>1</sup> Countries represented at the India meeting were Bangladesh, Bolivia, Brazil, Croatia, Czech Republic, Egypt, Ghana, India, Indonesia, Kenya, Mexico, Mozambique, Namibia, Nepal, Palestine / West Bank, Peru, Philippines, Russia, South Africa, Sri Lanka, Sweden, Tanzania, Uganda, and USA.

rights organizations a feel for what it means to develop a budget voice in their work. The primary lesson for human rights groups who want to develop in-house budget capacity is that it is possible, but that it will require dedicated effort over several years to succeed at this specialization.

There are several resources on the IBP website that readers may wish to consult for more in-depth materials on building civil society budget capacity, and for the contact information for budget groups around the world (See [www.Internationalbudget.org](http://www.Internationalbudget.org)).

## **2. Common assumptions and beliefs underlying budget work**

Civil society budget groups reflect diverse origins. Some groups were established specifically to advance budget issues. Others have engaged in budget work as a way to strengthen the efforts of an existing organization, some of which are organizations dedicated to human and socio-economic rights. Most groups have emerged and operate within the non-profit, and particularly NGO, sector. However, in some countries, groups also have their origins in grass roots, community-based organizations.

Despite these diverse origins, it is possible to distill a common set of assumptions that hold for a large majority of groups.

- Participation – Budgets are public resources and citizens therefore have a right to participate and influence the process of collecting and allocating these resources.
- The value of inclusive budgeting – Broader involvement in the budget tends to improve commitment to budgetary choices and often leads to better policy decisions.
- Pro-poor allocations – Resource allocations should prioritize the needs of the poor. These commitments may be expressed in terms of the Constitution, the strategic threat of poverty, or to advance certain needs or rights.
- Fiscal sustainability – Budgetary choices must be sustainable over the long-term. A key issue is whether the government's expected flow of tax revenue is sufficient to meet the obligations created by its spending decisions. As part of this assessment, however, are important questions about how much a country should spend (as opposed to save) of its resources and how much should be borrowed to augment available resources in order to meet immediate and anticipated future needs.

- Maximizing existing resources – A core principle is to promote effective and efficient expenditure. Virtually all countries could do much to improve the quality of existing spending. It is therefore important to focus not only on how much is spent, but also on how it is spent.

### **3. Types of budget work that civil society undertakes**

The work of budget groups cannot be easily typecast and covers a broad spectrum of issues, methodologies and advocacy. If you are considering engaging in budget work, there are many methods and foci to choose between. This section provides a brief overview of the full scope of this work, pointing where possible to those types of work that may serve as entry points for a human rights organization starting out in budget work.

- Advancing budget literacy

Budget groups often start or quickly realize that there is usually a large demand for accessible materials on budget-related issues. Groups have responded to these needs by producing budget guides and building capacity for budget training.

A budget guide typically presents the key facts about the budget, some discussion of key budget issues, and a description of the budget decision-making process. Materials developed for the purpose of budget training can focus on the entire budget process or on certain areas of the budget. A well-designed guide is a perfect foundation for budget training, and both types of work can meet the needs of a broad spectrum of audiences.

- Assessing the budget process and budget systems

The budget process and system can dictate both policy outcomes and the degree to which a policy debate can actually occur. For these reasons, work in this area is increasingly on the core agenda of budget groups, and takes three major forms. Each of these approaches has also been used effectively by new budget groups to establish an overview of the area and initial credibility.

*Budget process studies:* Greater influence and participation are likely to be facilitated by an in-depth knowledge about the budget decision-making process, and this is a focus of an expanding amount of civil society budget research.

*Transparency and participation reports:* Given widespread problems with budget transparency and inclusiveness, several budget groups have recently developed methods to assess transparency and participation standards in budgeting and

fiscal performance. Civil society groups in five Latin American countries recently launched the results of such an index and a similar one is underway in five African countries.

*Participatory budgeting:* Participatory budgeting is an innovative approach to budget decision-making that began at the municipal level in Brazil in 1989. In participatory budgeting, the general public is directly involved in making policy decisions. Experiments with this method are occurring in places such as Buenos Aires, Argentina and Port Elizabeth, South Africa.

- Analyzing budget policies

This section outlines six different, albeit interrelated, ways of examining budgets.

*Analysis of the executive budget proposals:* In most countries, budget issues receive the most attention when the executive branch releases its proposed budget to the legislature and the public. Thus assessing the government's proposed budget when it is released is a common activity among budget researchers.

*Sector analysis:* A common type of analysis undertaken by budget groups is to focus on an important area or sector, such as health, and review its relation to other sectors, the entire economy, or its historic levels of support. Civil society groups active in a particular sector have used this type of analysis as an entry point to broaden their expertise.

*Analysis of effects on different population groups:* There are typically two types of analyses that examine the effects of budgets on particular groups. One kind examines the effects of spending and tax proposals on different income groups. A second kind of group analysis is to examine the effects of a government's budget on a particular group defined by characteristics other than income, such as gender or age. These latter methods often use international or local conventions as the yardstick to rank government performance.

*General economic analysis:* As the budget is the government's most important economic tool, it is important to assess its fiscal and economic assumptions and effects. These include the impact of the budget on the government's annual deficit and national debt, as well as its expected effects on economic outcomes such as inflation, growth, and employment.

*Revenue analysis:* The revenue side of the budget also has important impacts on low- and moderate-income families and such studies may provide a powerful niche for civil society work. It is also important to focus on the realism of the

government's projected tax receipts, as well as on issues of tax compliance and administration.

*Impact analysis:* Given constrained resources, budget groups are increasingly focussing on assessing the quality of government spending. This work is often initiated by organizations with a national membership or structure, or partnerships between human rights and other organizations, such as church-based groups, that can offer both analytical and data-collecting expertise.

#### **4. Ingredients for a successful and effective budget group**

Independent budget analysis is not new in most countries, yet it is an area that has traditionally been dominated by the private sector as a way to effectively protect business interests. The opportunity and niche that broader civil society groups have started exploiting has to do with specializing in assessing and communicating the impact of the budget on the poor. The paucity of research material from this perspective in developing countries explains the experience of many groups that budget work reaches several hungry audiences, including community organizations, trade unions, legislatures, amongst others.

But more than simply providing information, the goal of applied budget analysis is to conduct research on the budget that is of direct relevance to ongoing policy debates. This section points to some keys to increasing the effectiveness of any budget group, including the advantage of engaging in budget work year-round; producing materials that are accurate, accessible, and timely; and having a media and dissemination strategy for reports.

- Fully engaged work

Applied budget work is likely to be more effective if it is undertaken on a fully engaged and continuous basis. Intermittent work — such as preparing analyses only around the release of the executive's budget proposal — can have some impact, but it is likely to be limited and sometimes only temporary.

Budget work should be year-round because the budget cycle itself is ongoing throughout the year. The different stages — formulation, enactment, execution, and assessment — stretch over several years and are interconnected. If a group is involved in all or nearly all of these stages it will be more effective in each particular stage. There is plenty of work that can be conducted at any point of the year.

Full-time engagement in budget work is also important because developing budget expertise and analytical legitimacy is more likely to occur if one is fully

immersed in budget issues. Jumping in and out of this work makes it much harder for a group or researcher to stay fully informed about current issues.

- Accuracy, Accessibility, and Timeliness

For applied budget analysis to be successful, it must be accurate and sound (and thereby credible), accessible, and timely.

*Accuracy:* A focus on the soundness of the research is important, particularly to ensure the long-term credibility of an organization. Policymakers and the media are going to place greater weight on an organization's work if they are confident it is accurate and reliable. It is possible for an NGO report that has newsworthy content to receive attention in the media even if the underlying work is not solid; but over time, future work will receive less attention if an organization's papers and reports have been inaccurate.

Many groups and researchers have developed expertise in a particular policy area before engaging in budget work, or have developed a reputation as advocates for a certain policy issue. General budget research by these groups might be labeled as biased towards their issue, at least initially, simply because of their previous focus. It can be difficult to transform a group's reputation as a "one-issue, advocacy organization" into that of a budget group with a broader focus. Accuracy is a key element in this transformation. A focus on the facts, and avoiding inflamed or partisan rhetoric, also are important.

It takes time and effort to be accurate and to develop a reputation for being so, and this attention to accuracy applies not only to written reports but also to all communication with the media, policymakers, and public. For new groups it is important to take care in the way the organization is introduced and in the choice of initial analyses and products. The accuracy of initial work may have lasting implications for a group's credibility.

*Accessibility:* The accessibility of the research is equally important to effective budget work. The target audience of this research work will typically not be familiar with the details of the policy issue being analyzed, so it is imperative that the products be produced with the needs of this broader audience in mind. This requires that reports be written in clear language, with understandable terms. Jargon should be avoided. The presentation of information and data should be well structured and should follow a helpful format and include illuminating graphics.

Keep in mind that budget research might be difficult to interpret for groups that do not primarily focus on budget issues. Nevertheless, advocacy groups and grassroots organizations like to use research if it concerns the issues they are

interested in, and it is sometimes helpful to organize briefings and presentations oriented towards this audience. It may be useful and effective to produce multiple versions of the same research in different formats and geared towards different levels of technical expertise to reach each of the target audiences.

To be effective, budget reports do not always need to be long, comprehensive, and detailed. Longer analyses can be useful, particularly at the initial stages of an issue debate when general positions are being established. In many cases, however, short analyses are the most useful, niche products that NGOs can produce. These short analyses often flow from the longer background pieces. What is unique about these short, quick turn-around analyses is that they are unlikely to be prepared by academic researchers. They are also the very analyses in which policymakers and the media might be particularly interested, since these audiences want accessible research about the immediate issues they are confronting.

Finally, groups should be aware that most of their audience will probably not follow, or find accessible, the latest academic research or government data. This opens a niche — particularly for new groups that may be beginning to develop their own analytical skills and thus may not be ready to produce original reports themselves — to provide short, accessible summaries of relevant current research or data sets.

*Timeliness:* The timeliness aspect of research includes both the ability to identify relevant research opportunities at the right point in time and the capacity to release the completed work when it can have the most impact on decision makers. An organization should always keep an eye on the policy process and be able to allocate resources to a specific issue when needed. In order to be able to adjust their work to respond to pressing debates, groups should not lock in all of their resources on long-term projects with inflexible timetables. Timeliness is facilitated by a reliable and continuously up-dated database of budget and budget-related statistics on which analyses can be quickly built.

Timeliness requires that the policy and budget schedule should influence a group's work schedule. To keep abreast of these frequently changing processes, groups will find it useful to build contacts with the legislature and media. These relationships will prove useful in the timely dissemination of materials to targeted audiences. Some groups take this a step further by establishing legislature and media liaisons as the specific responsibility of certain staff members.

- Media and dissemination issues

Preparing a report should be considered only the first step of applied budget work. The goal is not only to write a great analysis but also to get it into the

hands of those who should read it and then to get them to read it. This means that very close attention needs to be paid to how and when products are distributed.

It is therefore essential to develop a release strategy well before a report is finished. Determine which audiences — and which specific people within these target groups — would be most interested in the information, as well as those you would like to convince to read your report. Then determine how best to get the information to them.

A media strategy is especially important. The media is hungry for timely information and can raise the profile of budget work by providing free publicity for a group's analyses and conclusions. Among other things, a media strategy should identify which parts of the media to prioritize. Often a strategy calls for using combination of different types of media.

Establishing a positive working relationship with the media requires repeated effort. It will take time for reporters to trust an organization as a source of information. The more that reporters regularly review an organization's reports, the more comfortable they will become with its work.

Knowing when to issue a report — and what issues to highlight — to receive the most media attention is a skill that develops over time. Part of this skill involves not only getting media coverage, but also getting the right kind of coverage. To reduce the gap between your analysis and the media's reporting of it, it is important when speaking to the media, for example, to establish the nature of the conversation, how it will be used, how the article will be attributed, and what is on and off the record. Given the potential problems, some groups assign responsibility for media liaison to a specific staff member skilled in these matters. But it is also important that analysts, who are most familiar with the technical details, develop at least the basic skills necessary to interact with the media.

Many groups have come to realize that one of their primary roles is to educate the media about budget issues. These issues can be intimidating to reporters who lack quantitative or economics training. Sometimes it is helpful to conduct training or background briefings for the media on budget issues of particular significance or complexity; these briefings might not directly lead to stories about these issues, but will improve the knowledge of reporters about the issues, so that when they do write about them the stories will be better informed.

## **5. Potential for joining applied budget work and human rights work**

There is considerable potential for collaboration between groups that do budget work and those that work in human rights. They typically share common goals and aspirations, as they both seek to guarantee that the rights of the most vulnerable in society are being protected both in the law and in the budget.

On the most basic level, each of these two groups can benefit from learning the other's "language." Many policy proposals and especially the budget are loaded with inaccessible terminology. The ability to understand and phrase policy proposals and critiques in a way that shows an awareness of the underlying budget issues involved is often an effective way to speak to those in power. Similarly, human rights groups are skilled at expressing the values that should be reflected in a budget if it is to fulfill society's obligations to the poor.

Budget analysis can help to lay bare the choices confronting a country. The central assumption in budget work is that there are insufficient resources available to meet all existing needs. Budget work forces one to concentrate on the choices for allocating a nation's resources. While budget work can assist in finding optimal solutions to given priorities, it is not in itself equipped to generate these priorities. This is one major area where budget analysts can benefit from an interaction with human rights groups.

Developing capacity to analyze budgets from a variety of viewpoints can help human rights organizations in several ways, including the following:

- Costing out the implications of policy choices.
- Analyzing the impact of budgetary choices on citizens.
- Assessing the adequacy, quality and congruency of budgets relative to international or local conventions and commitments.
- Analyzing the most likely effective financial channels for distributing government resources to identified target groups.
- Identifying sources of (new and reprioritized) policy funding.

Finally, the advocacy efforts of both groups can be strengthened by increased interaction. Budget groups often develop expertise in understanding the budget process and the most effective opportunities for intervention; they may also have contacts and networks with key policymakers specifically involved with budgetary policy decisions. However, budget groups are often relatively new to advocacy and the experience of others, particularly those in the rights movement, may contribute to the effectiveness of a budget group's work.