Latin American Budget Transparency Meeting

Representatives from NGOs in ten Latin American countries — Argentina, Brazil, Costa Rica, Colombia, Ecuador, El Salvador, Chile, Mexico, Nicaragua, and Peru — gathered in Buenos Aires, Argentina, 11-13 August to discuss progress on their budget transparency research. The ten-country research effort, coordinated by the Mexican groups Fundar and CIDE, builds on a study of budget transparency in five Latin American countries that was released in December 2001.

The new research will reflect the findings of a survey conducted in the ten countries mentioned above to measure the perceptions of budget experts on the transparency of their country’s budget. In addition, the researchers have answered over 300 specific questions about the availability of certain budget information, the legal framework shaping the budget process and information requirements, and the actual budget practices followed in each country. By utilizing both the perceptions of budget experts and the objective findings of researchers, the study will provide a solid basis for assessing budget transparency in these ten Latin American countries and make recommendations for its improvement.

At the workshop in Buenos Aires, the groups agreed to launch their study on November 12, 2003, ensuring that the results would be made public before the budgets had been adopted.
in the countries covered by the study. The study, which will be released simultaneously in each of the ten countries, will include two parts: a cross-country analysis comparing the results for all the countries, and a brief summary of the major findings and policy recommendations for each individual country. The study will be published in three languages (English, Portuguese, and Spanish) and three different formats (printed, CD, and internet). In addition, the groups in each country will be responsible for releasing their own, more detailed country reports.

To disseminate the results of the project, a new section of the transparency theme page in the IBP website will be created that features information on the study. In addition, each country will develop its own dissemination and advocacy strategy to promote the findings and generate interest in implementing the recommendations.

For more information, contact Helena Hofbauer at helena@fundar.org.mx.

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**African Initiatives in Security Sector Governance**

Two recent civil society initiatives promise to shed new light on the urgent need for security sector reform in some African countries. (Experts define the security sector broadly. It can include a country’s armed forces, paramilitary groups, intelligence units, police, and those civilian institutions responsible for oversight.) The two African initiatives indicate a growing consensus among civil society and the development community that lack of governance in the sector must be addressed because it derails efforts to reduce poverty and contributes to a climate of lawlessness that facilitates predatory behavior toward the poor.

The first project, *Budgeting for the Military Sector in Africa: the Processes and Mechanisms of Control*, is a joint research initiative of the Stockholm International Peace Research Institute (SIPRI) and the Africa Security Dialogue and Research (ASDR), based in Accra, Ghana. It studies the process of budgeting for defense expenditures and the mechanisms for controlling those expenditures in eight African states: Ethiopia, Ghana, Kenya, Mali, Mozambique, Nigeria, Sierra Leone, and South Africa. For further information on the project, contact Eboe Hutchful, executive director of ASDR, at hutchful@aol.com, or SIPRI researcher Wuyi Omitoogun at olawuyi@sipri.org.

Though the SIPRI/ASDR project is focused on the process of military budgeting, Len Le Roux, head of the Defence Sector Program at South Africa’s Institute for Security Studies, notes that there has been a shift in security sector governance away from concentrating exclusively on levels of military spending toward examining the budget process and accountability for spending: "The most important development is a movement away from looking to see if military expenditures are 2 percent or 1.5 percent of GDP, to a process approach. The international community is becoming much more aware of the importance of transparency and accountability."

A second project, led by Nigeria’s Centre for Democracy and Development (CDD) in cooperation with the Institute for Security Studies and the U.S.-based Center for International Policy, will produce a security sector transformation handbook that will serve as a guide and an operational tool for strengthening processes of transformation in the security sector of African states. The handbook will include issues related to financial management. To review the contents of the handbook, five workshops have been held, in Senegal, Nigeria, South Africa, the Seychelles, and Mozambique. The handbook is currently
Nicole Ball of the Washington, D.C.-based Center for International Policy and the University of Maryland's Center for International Development & Conflict Management is serving as an advisor to both projects. Ball is an expert in security sector reform and has worked with the U.K.’s Department for International Development to develop an approach to applying international principles of public expenditure management to the security sector. This approach, outlined in Integrating Defense into Public Expenditure Management Work, a discussion paper she co-authored with Malcolm Holmes, emphasizes the benefits of applying the same rules and procedures of sound management to the security sector that are required in other government sectors.

Ball notes in her paper that good governance includes requiring all national sectors to compete on an equal footing during budget formulation, as well as ensuring that all defense expenditures are subject to external audit. It also includes requiring that defense spending be subject to legislative scrutiny and that the legislature receive sufficient information to hold the executive accountable.

Ball states that the need for confidentiality in the security sector justifies some modifications to standard budget practices. External auditors will need security clearances, for example, and some legislative hearings must be closed to the public. However, she emphasizes that the need for confidentiality should not be invoked to avoid debate within the government and among the public on defense expenditure. To obtain a copy of the paper, click here.

A second paper, which Ball co-authored with Dylan Hendrickson, examines common off-budget activities engaged in by security forces, the impact of these off-budget activities on national budget processes, and the challenges faced by the international community in addressing these activities. The paper, Off-Budget Military Expenditure and Revenue: Issues and Policy Perspective for Donors, is available on the website of the Centre for Defence Studies by clicking here.

The Public Finance Monitoring Center (PFMC), Azerbaijan

Early in September the Public Finance Monitoring Center (PFMC), based in Baku, Azerbaijan, organized five roundtable discussions on "Budget Policy and Efficient Management of Oil Revenues in the Election Platforms of Political Parties." Participants, representing more than 20 media organizations, NGOs, and political parties, discussed the lack of transparency in several expenditure categories of the public budget that are essential to economic development and healthy legislative oversight. PFMC held the roundtables as part of an effort to use the upcoming presidential elections to address the lack of transparency in public finance in Azerbaijan.

On the issue of how Azerbaijan’s oil funds should be managed, the Musavat Party stated that only Parliament should supervise these funds, while other parties, such as the Popular Front Party and the National Independence Party, stated that neither the president nor
Parliament should manage the funds on its own. The National Independence Party recommended that the president and Parliament supervise the funds together.

PFMC was created to analyze and monitor the public budget, oil revenues, and international credits provided to the government. The group promotes the transparency of public finance in Azerbaijan and supports initiatives such as the "Publish What You Pay" campaign to strengthen the role of international and public controls over public expenditures.

To learn more about the roundtables, contact Farid Gardashbayov at farid@pfmc.az. To learn more about PFMC and other civil society groups working on budget issues in Azerbaijan, visit the IBP website at: http://www.internationalbudget.org/groups/azerbaijan.htm.

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**Budget Training in Lebanon and China**

**LEBANON**

At the invitation of the National Democratic Institute’s Beirut office, the IBP led a two-and-a-half day budget training workshop for Lebanese NGOs in July. The workshop, co-sponsored by the Lebanese Transparency Association and the Lebanese Physical Handicapped Union, provided workshop participants with a broad background in fiscal issues and the budget process in Lebanon, along with an introduction to budget analysis and an opportunity to practice their new skills with a budget simulation game.

Participants examined the kinds of budget analysis engaged in by civil society groups around the world, indicators of success for applied budget analysis, and ways in which budget analysis can affect policymaking. They also reviewed two Lebanese case studies that demonstrate the contributions civil society organizations can make through budget analysis and discussed the current obstacles and opportunities for applied budget work in Lebanon, along with some first steps the groups can take.

A highlight of the workshop was an address by Lebanon's minister of finance, followed by a spirited question-and-answer session.

The workshop was an exciting opportunity to start a new chapter in expanding democratic institutions in Lebanon. The National Democratic Institute will take a lead role in pulling NGOs together to build a budget group and will consider providing some initial funding to help the group get started. The IBP, meanwhile, will provide ongoing advice and support as the process moves forward. An article in Lebanon Wire entitled "Working together for a more transparent budget: NGOs make their voices heard" is available at http://www.lebanonwire.com/0307/03072804DS.asp.

**CHINA**

IBP staff recently spent a week in Beijing working with the Ford Foundation to assess the potential for strengthening applied budget work in China. There they met with representatives of the Ford Foundation, civil society organizations, the Legislature Budget Office, Ministry of Finance, and independent researchers. They also provided a one-day introductory training on applied budget work to representatives of 20 civil society organizations and researchers and a briefing on gender budgeting to a network meeting of several women’s organizations.
The IBP is considering follow-up work with the Ford Foundation. This might include a China-specific training and strategic planning workshop to continue the discussion with Chinese organizations and researchers on strengthening applied budget work, as well as possible research in health and education budgeting in sub-national governments.

For more information, contact Warren Krafchik at krafchik@cbpp.org.

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**Iraq’s First Public Budget**

The brief *Iraq’s First Public Budget*, prepared by the IBP and the Open Society Institute’s Iraq Revenue Watch (IRW), was issued in August. IRW was created in May 2003 to monitor Iraq’s oil industry and public finances to ensure that they are managed with the highest standards of transparency so that the benefits of the nation’s oil wealth flow to the people of Iraq. IRW complements existing Open Society Institute initiatives that monitor the revenues generated by the nation’s extractive industries.

*Iraq’s First Public Budget* summarizes the 2003 budget and recommends steps to make the budgetary process more transparent and participatory as Iraq emerges from war. To read this paper, visit the IBP website at [http://www.internationalbudget.org](http://www.internationalbudget.org) or go directly to [http://www.iraqrevenuewatch.org/reports/080503.pdf](http://www.iraqrevenuewatch.org/reports/080503.pdf).

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**What Role Can Civil Society and Parliament Play in Strengthening the External Auditing Function?**


Given the political, economic, and information challenges of effective oversight in developing and transition countries, the IBP has advocated that civil society, parliament, and the auditor-general cooperate where possible as an informal budget oversight coalition. The paper provides best practices and examples of increasing cooperation between the auditor-general and legislatures and civil society organizations. For those interested in pursuing these issues further, listed at the end of the paper are general references on external auditing, as well as readings or internet references on the relationship between legislatures and the auditor general, contacts in civil society organizations, and links to auditors general around the world. To read this paper, click [here](http://www.internationalbudget.org).

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Argentina’s 2004 Budget

According to the Center for the Implementation of Public Policies for Equity and Growth (CIPPEC), based in Buenos Aires, Argentina’s recently approved 2004 budget represents a reduction in overall expenditures after inflation is taken into account. Certain budget categories, however, will experience real growth, such as transportation, housing, and education, as well as the government press and dissemination departments and the foreign affairs office.

These spending increases comply with a recent agreement with the International Monetary Fund and demonstrate that social development is a government priority.

Nonetheless, it is worth noting that the overall reduction in real spending was made possible in part by the refinancing of payments to external creditors, the current 7 percent decrease in personnel spending, and a 2.7 percent decrease in retirement spending.

CIPPEC also observes that the government should take into account the effects of overestimating tax revenues, which since 1992 have resulted in adjustments and debt increases during budget execution. It is very important for the government to approve and implement a program to fight tax evasion: the 2004 budget assumes that fiscal administration will improve and that tax evasion will diminish, which in turn will enable the government to increase spending on social programs.

For more information, contact Laura Malajovich at lmalajovich@cippec.org.

The Current Budget Situation in Nepal

On July 17, 2003 the Nepalese government announced a budget of Rs 102.4 billion (US$ 1.32 billion) promulgated through a royal ordinance in the absence of a sitting Parliament. This is the second year in a row in which the annual budget has been approved in such a manner. Last year, after Prime Minister Sher Bahadur Deuba dissolved Parliament, the government introduced the budget through an ordinance promulgated by King Gyanendra, who assumed executive powers after dismissing the government of Deuba on October 4, 2002.

According to Action Aid experts in Nepal, this year’s budget nominally reduced security expenditures and royal household expenditures as compared to last year, probably due to the fact that the budget was introduced during a ceasefire. However, security expenditures are bound to rise, putting at risk other sectors, as the Maoists of the Communist Party of Nepal have resumed their seven-year-long violent struggle against the government.

For the first time in the country’s history, this year’s budget made a provision for state funds to support elections. The government set aside Rs 610 million for the electoral process. However, this amount most likely will be reallocated to security expenses, since elections are unlikely to take place this year.

Action Aid estimates that more than 50 percent of development expenditures, which include health, education, and agriculture, will not be implemented. This indicates that the deteriorating security situation in the country will put on hold some of the most important
development initiatives in most rural areas. As observed by Citizen’s Poverty Watch Forum (CPWF) — also based in Nepal — the current situation makes it difficult not only to make budget projections but also to implement the budget successfully, in the absence of people’s representatives in local bodies since last year.

For more information, contact Pramod C. Poudel at strategic@mail.com.np.

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**New Theme Page: Legislatures and Budget Oversight**

This theme page is dedicated to providing current information on the role of legislatures in the budget process. It is targeted at civil society organizations and researchers that are interested in working with legislatures towards more effective budget oversight. The theme page may also be useful to members and staff of executives and legislatures, public audit institutions, and international organizations interested in this theme.

The information is divided into three sections that examine the renewed interest in legislative budgeting, factors that determine a legislature’s influence over the budget process, and some useful resources, including a selection of literature references and relevant contacts. Please send your comments and suggestions on how to improve this theme page to Warren Krafchik at krafchik@cbpp.org and Joachim Wehner at joachim_wehner@hotmail.com.

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**New Papers on the IBP Electronic Library**

*Introduction to Tax Policy Design and Development*
By Richard M. Bird and Eric M. Zolt/World Bank, April 2003
This paper was prepared for the World Bank course on Practical Issues of Tax Policy in Developing Countries and presents a broad overview of tax policy design in developing countries. Its objectives are to explore the differences and similarities among tax systems around the world and to discuss how tax policy can affect economic growth. Although the article does not provide solutions to specific challenges, it suggests appropriate key elements to be considered by tax policy designers aiming at the most feasible tax structure in a particular developing country.

*Fiscal Architecture*
By Sally Wallace/Andrew Young School of Policy Studies, April 2003
This analysis explores the needs that severely impoverished countries have for public expenditures and revenue-generating capacity. Resembling a "policy matrix," it lists the underlying variables that influence revenues and expenditures and thereby affect future policy choices. The aim of the study is to help policy makers understand the potential impact of economic, demographic, and institutional changes on a government’s ability to finance public expenditures. The final section provides a summary of policy options for highly indebted poor countries.

*Taxing Financial Activity*
By Jack M. Mintz/School of Management, University of Toronto and the C.D. Howe Institute, May 2003
This document was prepared for the World Bank course on Practical Issues of Tax Policy in
Developing Countries. The study reviews the rationale and technical issues related to the taxation of financial activity within developing countries and addresses the following questions: What is financial intermediation? What are the roles of financial service providers in guiding policy makers regarding the appropriate design of taxes? How are individual types of taxes designed to deal with special considerations related to financial activities? What are the economic impacts of taxes on financial activity?

*Gender-Responsive Government Budgeting*
By Feridoun Sarraf/International Monetary Fund (IMF), April 2003
This working paper provides thorough information on gender mainstreaming in the budget process. Investigating analytical and technical tools of gender-responsive government budgeting (GRGB), it describes the main obstacles to creating and implementing gender-sensitive budgets in developing countries, including gender-biased cultures, lack of gender analysis expertise, and lack of gender-disaggregated data in most government organizations. Finally, the article offers a summary of multilateral organizations’ activities in promoting GRGB around the world, in both developed and developing countries.

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**Announcements**

**ATTACKING POVERTY PROGRAM CALENDAR**
The calendar of events listed at the website below was organized by the World Bank in cooperation with the Attacking Poverty Program. The conferences and meetings cover issues related to the implementation and design of PRSPs and will take place from October 2003 to May 2004 in Burkina Faso, Cambodia, France, and Tanzania. Most notably, a meeting scheduled in November is designed both to strengthen civil society’s capacity to participate in the yearly participatory public expenditure review and to explore the links between the PRSPs and the budget. For more information, go to: [http://info.worldbank.org/etools/communitytools/App/index.asp](http://info.worldbank.org/etools/communitytools/App/index.asp).

**FUNDRAISING COURSES**
The Foundation Center offers training opportunities to non-profit organizations and individual grant seekers. The courses offered include how to write a proposal, how to identify and search for funders, and how to devise a plan that best reflects an organization’s needs and resources. To learn more about dates and locations across the United States, go to: [http://www.fdncenter.org/washington/D.C._training.html#nonprofit](http://www.fdncenter.org/washington/D.C._training.html#nonprofit).

**GENDER BUDGET CONFERENCE**
The East African Gender Budget Network (EAGBN), will hold its second East African Gender Budget Conference from November 4-6, 2003 at the Imperial Botanical Beach Entebbe. The objective of the conference is to share experiences in the region on gender budgeting in the context of globalization. For further information contact the conference coordinator at FOWODE, P.O. Box 7176, Kampala, phone: 256 41 540241/540242, fax: 256 41 540243, email: [fowode@utlonline.co.ug](mailto:fowode@utlonline.co.ug).