

Can civil society add value to budget decision-making? A description of civil society budget work

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1. The growth in independent applied budget work

Since the 1990s, civil society organizations have begun to play a larger role in the budget process in some developing countries. This growth has been particularly rapid in the past few years and corresponds with the political trend towards democratization. The first international meeting of civil society budget groups, convened by the International Budget Project 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 countries¹. Most of the core groups from the first conference had deepened their work, while promising new efforts were represented from Ghana, Kenya, Russia, Croatia, Uganda, Peru and Indonesia.

The growth of independent budget groups is recent. 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, applied budget groups are taking root in a broad set of countries, including several not hospitable to inclusive budgeting. Budget groups have been able to start despite extreme paucity of data, repressive regimes (Malawi), extensive corruption (Nigeria) and political turmoil (Indonesia).

The purpose of this paper is to examine this expanding contribution of civil society organizations to public budgets in developing countries. The material that follows will provide examples of civil society budget activities in a variety of country contexts in order to measure the value of this work to public budgeting.

The growth of independent applied budget work organizations refers to a specific subset of civil society organizations; hereafter called budget groups. The vast majority of these groups operate independently of their country government and political parties. It is this independence that often underlies the unique oversight

¹ The work of the International Budget Project (IBP) is one of the few sources of information of this little documented trend. The Project was established by the Center on Budget and Policy Priorities in Washington, D.C. in 1996 in order to help nurture independent budget organizations in developing countries.

and information contribution of civil society to public budgeting. Each organization focuses on public sector budgets or government expenditure and taxation issues. The work undertaken is applied or policy and impact oriented, highlighting the impact of public budgets on the poor. There is little concentration on developing theoretical models, although existing theoretical work is sometimes explained, adapted and or tested in application. Budget work is a way of conducting research on the budget that is of direct and timely relevance to current policy decisions. Groups strive to achieve analysis that is timely, accessible and accurate.

Despite great variation between budget groups, many share a common agenda that acknowledges the value of inclusive budget processes, independent oversight and a commitment to pro-poor choices within existing fiscal capabilities.

Over and above these common points of departure, it is difficult to typecast the work of independent applied budget groups. Each group focuses on a wide variety of topics and employs several methodologies. Budget groups work at either or a combination of national, state and local / municipal levels. Some groups focus on simplifying the budget for popular consumption, some develop expertise in training, while others develop analytical or advocacy expertise or some combination of these. Most groups monitor every stage of the budget process, but often concentrate their interventions on a specific stage. Some groups monitor the impact of the budget on the poor or develop methodologies to monitor the welfare of specific interest groups such as women or children.

The origin of budget groups is similarly diverse reflecting the varied country circumstances within which budget groups operate. It also shows that there are few limitations to the kind of organizations that can benefit from developing budget skills. Some groups were established specifically to advance budget issues, while the work of many has emerged to strengthen the work of an existing organization. The majority of groups have emerged and operate within the non-profit, NGO / CBO sectors. However, several groups have been successfully established within an academic environment and a couple of groups have been initially supported from within the public sector. The leaders of these groups include activists, academics, former government leaders, business people and consultants.

Although not the central focus of this module, it is important to mention that increased civil society budget activities are often complemented by greater independent budget oversight within legislatures and by the increased critical coverage of budget issues in the media. A partnership between civil society and legislatures is often the starting point for the development of local independent

budget work. In many cases, civil society has been able to build or enhance research expertise that is lacking in legislatures, while legislatures can offer access to key moments in the budget process that are inaccessible to civil society.

2. International context

The role of legislatures in budgets is declining in Organization of Co-operation and Development member countries². In contrast, the role of civil society and legislatures in the budget is increasing in several developing and transitional countries. It seems only natural that civil society work has begun to gravitate toward government budgets. The budget is the government's most important economic policy instrument and should therefore reflect the nation's priorities. All public policies eventually have to confront the need for financial resources and civil society groups can be more effective if they know about how the budget is drafted, approved, implemented and evaluated. Yet, the timing of this growth in budget groups reflects several international developments. These include:

- **Democratization:** Budget work frequently flourishes in countries undergoing a democratic transition such as South Africa, Russia, Uganda and Indonesia. Democratization often brings an associate increase in transparency and participation. This allows civil society and legislatures to play a more substantial role in public policy and simultaneously advocate for even greater transparency. A virtuous cycle is thereby initiated, deepening democracy.
- **Decentralization:** Democratization has often been accompanied by a complementary process of decentralization that brings budgeting closer to communities. While decentralization may make it more complicated to monitor budgets nationally, it may also open opportunities for greater citizen and local legislature involvement. In addition to possible formal opportunities for involvement, given the weaknesses of many state and local institutions, decentralization often opens training and analysis opportunities for budget groups.
- **Public Expenditure Management:** The progress of independent budget institutions is taking place and, to some extent, incorporating revolutionary changes to international public finance practices. New public expenditure management supports greater independent oversight capacity in civil society and legislatures, although the terms of this engagement are not yet clear.

² See Schick, Alan. (2001). Can National Legislatures Regain an Effective Voice in Budgetary Policy? Paper presented to the conference on Holding the Executive Accountable: The Changing Role of Parliament in the Budget process, Paris, 24 – 25 January. www.oecd.org/puma/budget/journal.htm (forthcoming).

The new tools of outcome based medium-term budgeting are dependent on greater transparency and more useful, timely and accessible data provision – each of these important conditions for non-government budget work. Similarly, tighter standards for accountability enable enhanced external monitoring of public resources. It is interesting to note that the growth of independent budget organizations over the past two years has been most rapid in Africa, particularly in the countries implementing new public expenditure management systems.

- IFIs and poverty alleviation: Independent, applied budget work is also increasingly supported by an emerging international consensus on the complementary role of the state and non-government actors in development. While the 1980s heralded the decline of communism and the victory of private sector led development, international and regional development institutions generally acknowledge that progress against poverty and inequality has been less dramatic. Today, many of these institutions promote the governance opportunities of public – private partnerships. Civil society budget work may represent one of the opportunities where the goals of the the IFIs and civil society may be complimentary.

3. The case for civil society participation in the budget process

The growth of budget groups amounts may signal an important shift in public finance practice. In most countries, public budgeting has long been considered the exclusive preserve of the executive. It is only recently that the value of opening budget processes to non-government input has been considered desirable in some countries. For the majority of developing countries a set of powerful negative myths continue to constrain the independent budget work of civil society, legislatures and the media. These include:

- Budgets must be formulated in secret or they may upset financial markets.
- Non-government intervention can destroy the integrity of the budget envelope.
- Legislators and civil society have a greater interest in advancing the interests of their constituents as opposed to the interests of the country as a whole.
- It is the government's mandate to produce the budget internally in a closed process; and it's prerogative for it to be rubber-stamped by the legislature.

A closer look suggests that many of these ideas are closer to myths. Budget secrecy may encourage market speculation, while greater transparency may actually smooth market adjustment to known policy choices. Further, useful, accessible and timely budget information facilitates foreign and domestic private sector planning and investment.

It is important to acknowledge the need for budget integrity and coherence is important as a guarantee of the prudence of the fiscal authority. This argument makes sense at the level of certainty about the fiscal envelope. But, budget integrity is unlikely to rely on the need for early certainty on the distribution of resources between and within departments.

The tragedy of the commons is a danger of legislatures representing specific interest groups too strongly, but it is not inevitable. A recent paper by Alan Schick, based on the experience of OECD countries, shows that greater legislature budget involvement can be compatible with outcomes that maintain fiscal discipline.

This conclusion could well hold for the work of applied budget groups. While some groups may focus initially on expanding the budget envelope, as civil society budget engagement deepens, budget groups are more likely to focus reprioritization and the effectiveness and efficiency of expenditures. It does not take groups long to realize that even if the size of the envelope is expanded, there are many more resources at stake in improving spending within the envelope.

Finally, very few people would argue with the assertion that the government has a mandate to produce the budget; but that does not mean it should entirely dominate a closed process. Moreover, there may be positive benefits for government in accepting budget groups as a complementary player in fiscal policy. There will be disagreements, but over time budget groups may be able to deliver greater budget understanding and commitment from a broader group of citizens and better policy options.

Moreover, the relationship between civil society and government on budgetary issues is not necessarily confrontational and the work of applied budget groups is compatible with increased public sector budgeting capacity. Although it will depend on the country context, many budget groups operate effectively as critical allies of the government. Budget groups may strengthen government capacity, for example, by providing training, undertaking research of interest to government, working with government in forums and building the potential of the legislature. Independence does imply the possibility of criticism where necessary and this can lead to confrontation, especially where other strategies have not proved useful. But, by adjusting the tone and manner of critical engagement and by producing accurate work, most groups are able to maintain a working relationship with the executive.

If government were to accept budget groups as a partner in national budgeting, there are ways to manage the potential negative implications. One practical

option is to separate discussions on the size of the budget from discussions of prioritization. This is the case as is the case in Brazil, Switzerland and Sweden, amongst others. Government can also use engagement to focus and direct civil society to appropriate stages in the budget process. In a world where state and legislature capacity is often less than desirable, these and other options offer a new form of public – private partnerships that may enhance domestic budget management and outcomes.

In contrast to the above, there are several strong arguments for enabling civil society and legislature intervention in the budget. The work of budget groups, either directly or indirectly through the activities below, ultimately has the potential to improve budget decision-making.

- Simplifying the budget and deepening debate: Most budget groups begin or establish as a core of their work developing budget literacy and debate among citizens, interest groups and legislators. This augments the outreach capacity of the state and legislature and builds understanding and participation among citizens. Simplified guides to the budget may cover the budget process, the structure of the budget, budget trends and current allocations, and some discussion of current issues.
- Collating, synthesizing and disseminating budget information: These activities support legislature and civil society inputs into the budget process. The information may include the dissemination of cross-state or provincial information on social expenditures; or the identification and dissemination of local and international best practice.
- Independent critical analysis: Civil society budget analysis can augment the research capacity of legislatures and the media and, sometimes, in the executive. It may provide one of the few sources of specialized data and analysis on the impact of the budget on the poor. Budget group analysis includes four major foci – budget process or systems, general macro-economic, sector and group incidence and revenue analysis.
- Bringing new information to budget decision-making: Civil society budget groups are often able to be in close, regular contact with citizens and interest groups. This allows them to collate unique information on citizen priorities, non-government perspectives on the budget, expenditure tracking and project impact analysis.
- Training: Many civil society organizations develop budget training expertise that is directed at augmenting the analytical and advocacy capacity of other civil society organizations, legislatures and the media resulting in stronger interventions and oversight. Several groups also provide training for

government departments and international institutions, such as the United Nations and regional trade organizations amongst others.

- **Building accountability:** Through its analysis and dissemination activities, civil society organizations can assist citizens and the legislature to reinforce channels of accountability. This may occur, for example, when groups provide accessible information or pursue the findings of the auditor general with relevant interest groups. It may also follow from monitoring or impact measurement activities that test or augment the data emerging from the auditor general's report.

4. Civil society in the budget process

This section is intended to further develop the discussion on the potential value added of civil society to the budget. It is written with the caveat in mind that the trend to non-governmental applied budget work is recent. We are able to point to the wide scope of applied work and some impacts, but this experience cannot yet be generalized. The evidence does point strongly however to the potential of applied budget work across a broad set of countries and despite significant obstacles.

We use the budget process as a framework of reference to organize our discussion. This framework illustrates clearly that responding to the presentation of the annual budget in the legislature is usually the major focus of most budget group's activities during the year. Notwithstanding this fact, it is useful to bear the following qualifications in mind.

- The budget process itself is not divided cleanly into four stages. In practice, the stages overlap. Similarly, the work of budget groups usually spans across more than one stage. Indeed, one of the constant success factors associated with groups around the world is that budget work requires full time commitment. Budget groups must concentrate on all stages in the budget process to be successful.
- the budget process in each country context offers a unique set of opportunities and constraints. Groups will choose how divide their energies depending on the relative opportunities at each point in the process.

Drafting stage

The drafting stage is the most closed part of the budget process in virtually all countries and the most dominated by the executive. There is therefore usually

little formal opportunity for civil society input prior to the tabling of the budget in the legislature.

The intervention opportunities for civil society that do exist in the drafting stage are often informal, based on the organization's initiative and networks, and reliant on departmental and ministerial contacts. For example, if it is known that a department or individual is concerned with a particular issue, this may create an opening to discuss relevant research. Alternatively, as the timing of the budget process is generally known, a well-timed release of a research report may be able to influence discussions in the drafting stage. Of course, civil society organizations may also rely on the media or other methods of capturing the government's attention during the drafting stage if it is considered that this will be effective. The lack of formal opportunities for input does however mean that it is more difficult to identify the impact of these activities on the executive's proposal.

One of the ways in which budget groups have taken the initiative to create opportunities in the drafting stage is to influence the set of priorities underlying budget policy choices. In Kenya, the Institute for Economic Affairs coordinates an annual civil society meeting with broad stakeholder attendance that culminates in a report providing government with a set of agreed priorities. The government in Kenya has now formally requested this analysis as annual input into the drafting stage.

In a more elaborate process, the South Africa National NGO Coalition coordinated a two-year process of poverty hearings in many towns and cities throughout the country. The evidence of the poor was collated into a set of priorities by commissioners and delivered to government for inclusion in the budget (Contact the Coalition through www.sanggoco.org.za).

Many organizations have tried to take pre-budget input a step further by producing an alternative budget. Most of these attempts have failed due to the financial cost, data and modeling required to produce a comprehensive parallel budget. Only two of these efforts, focusing on a defined theme or limited sectors, have endured. These are the Alternative Federal Budget in Canada, prepared by the Canadian Center for Policy Alternatives (www.policyalternatives.ca) and alternative tax proposals produced by the Institute for Fiscal Studies in United Kingdom.

There are two further government-led experiences of civil society engagement in the drafting stage that may help to open formal opportunities for civil society in the drafting process. The most famous example is the participatory budgeting initiated and managed by the local government in the Brazilian town of Porto Alegre. The process was introduced when the Workers' Party won the mayoral

race in 1989 on a participation ticket and has been replicated in approximately 100 Brazilian towns with varying success. There is no precise model across these towns, but the programs are designed to incorporate citizens in the allocation of resources, selection of broad social policies and monitoring of public spending. (For a review of participative budgeting in Brazil, see www.internationalbudget.org/cdrom/papers/systems/ParticipatoryBudgets/Wampler.pdf)

The global trend towards fiscal devolution may provide further opportunities for local level budget participation. There are towns in South Africa, Peru, Russia and Argentina amongst others that are currently experimenting with participatory budgeting.

One of the success factors in participative budgeting worth mentioning in the context of this paper is that it may depend on a weak legislature or undermine the power of the legislature. It has proved successful in towns where the mayor has virtually complete budgetary and administrative power and therefore the space to innovate without the consent of the local legislature.

The scalability of participatory budgeting is not clear and currently the topic of research in progress. Participatory budgeting has not yet proved workable at the state or federal level in Brazil. There is also no example yet of a participatory national budgeting process, although the Bangladeshi government has introduced an institutionalized, state led round of consultations conducted only one week prior to the tabling of the national budget (See the Bangladesh Institute for Development Studies www.bids-bd.org).

A recent Ugandan experience may point to a second potential opportunity for formal civil society engagement in the budget drafting stage in HIPC countries (Highly Indebted Poor Countries).³ When the National Resistance Movement came to power in Uganda in 1986 it introduced a system of participatory democracy. This included participation of technically able stakeholders in a joint national task force charged with prioritizing poverty reducing public goods in successive national poverty plans. The task force included civil society organizations, academicians, parliament, government and donors and based its findings on the collection of primary data and consultations with experts and service providers.

³ The HIPC initiative grants debt reduction relief to highly indebted poor countries on the condition that funds released are deployed in poverty programs and that civil society is integrated into the drafting and monitoring of these efforts.

With the formation of the HIPC initiative in the 1990s, the poverty eradication action plan was rolled over into the first PRSP (Poverty Reduction Strategy Papers). To comply with HIPC requirements, the Uganda government added a bottom-up participatory poverty assessment project in 10 pilot districts to review the priorities based on community level experience and develop mechanisms for their consistent involvement in poverty reduction strategies. Monitoring of the poverty plan is undertaken biannually by the Finance Ministry and by civil society organizations monitoring the Poverty Action Fund established to disburse the resources released under HIPC (detailed under Implementation, below).

The early promise of the Ugandan model may be related to the unique political system. Participatory national priority setting has proved less successful in Kenya, for example. However, the expanding PRSP process may present future opportunities for early civil society involvement in setting budget priorities in some countries. The formal participation of the government, as the driver or partner of the initiative is of course critical for success, as in the case of participatory budgeting.

There is one further innovation that increases the scope for legislature and civil society input. Several countries have started publishing early details of macro-economic policy and a broad outline of the forthcoming budget in a pre-budget statement months before the tabling of the final budget. This has the effect of separating out discussions on macro-policy and the size of the budget from detailed interaction with department budgets in the legislature budget process. In some countries, such as Brazil, Sweden and Switzerland, the pre-budget statement must be debated and approved by the legislature (In Brazil, the rule is this discussion and enactment must occur before representatives are allowed to start the summer recess!). In other countries, such as Peru and South Africa, there is space for the legislature to debate but not vote on this broad statement. The benefit of the pre-budget statement is that it can protect the macro-envelope early in the process, while encouraging detailed engagement with issues of reprioritization and effective and efficient spending.

In sum, the drafting stage traditionally presents limited formal opportunities for civil society to add value to the budget. At a local government level, participatory budgeting may prove effective in environments outside of Brazil, but is unlikely to do so at state or national level. At a national level, opportunity for influence through the setting of national priorities may grow through the expanding PRSP process. Nevertheless, civil society organizations do create their own opportunities to influence the drafting process through the collation of useful information on priorities and through the carefully direct or indirect contact with the executive.

To the extent that budget groups are involved in the drafting stage, the benefits of civil society involvement may be broader understanding of the choices facing budget decision-makers and greater accuracy in identifying citizen priorities between elections.

The degree of civil society efforts in the drafting stage will be related to the intervention opportunities throughout the budget process, and particularly the legislative stage. Involvement in the drafting stage may be particularly important in countries where the legislative stage is undermined by weak or part-time legislatures. In countries where there are few legislature opportunities for effective and direct civil society intervention, groups may well strategize to direct greater resources to the drafting stage, despite its limitations.

Legislative stage

Many budget groups focus considerable energy on this stage for several reasons. In most democracies, the budget is tabled and must be approved in the legislature. This is usually the first comprehensive sighting that civil society has of the plan and a high profile opportunity to increase the impact of their work. The legislature process also offers the first formal opportunity for legislature representatives to debate and, in some cases, change the budget. This increases the opportunities for direct influence and the demand for NGO services such as training and research. Moreover, in many countries, the legislature offers civil society direct intervention opportunities, such as public hearings.

Given parliament's role as the representative of citizens, this stage is often considered the most appropriate point for civil society intervention. However, the effectiveness of civil society involvement in this stage depends on the strength of parliament's own power in the budget process.

In theory, legislatures have significant power over the budget. The constitution usually prevents funds being spent without legislative authorization. Legislature debate can be complemented with powers to summon expert witnesses and members of the government to give evidence. These powers are augmented significantly where the legislature has the capacity to amend the budget. In practice, developing country legislatures are often undermined by several factors, including poor research capacity, the absence of powers of amendment, a weak committee system and the timing of the budget process.⁴

⁴ For a comparative analysis of legislatures and the budget, see Krafchik, W and Wehner, J. (1998). "Parliament and the budget". Available at www.Idasa.org.za/final/publications/parliament1.htm

Despite these problems, several legislatures have recently taken the initiative to flex their budget powers. This is currently the case in Croatia, Kenya, Malawi, Mexico, Peru, South Africa, Uganda and Zambia, amongst others. The weaknesses and strengths of legislatures and civil society budget groups can combine to establish a potentially powerful oversight partnership. As the opportunities for greater legislature engagement with the budget expand, so too will the opportunities for deeper civil society engagement with the budget. In turn, civil society is able to augment the limited outreach and analysis capacity of legislatures thereby adding value to the budget.

We turn now to the different ways in which budget groups add value to the legislative budget process. The first major activity of budget groups at budget presentation time is the preparation of accessible summaries and guides to the budget. In countries with limited budget analysis capacity in civil society or the legislature, these products can serve as the first opportunity for independent oversight and participation. The recent work of the Institute for Public Finance in Croatia illustrates this point well.

The Institute recently published the first guide to the Croatian budget. It provides a general introduction to the budget and analyzes the major expenditures and revenue trends. It also covers extra-budgetary funds and the consolidated budget of the general government and the different stages of the budget process. The guide has been widely quoted, discussed and commented upon in the Croatian media as it was published at the same time as the executive's budget proposal for the next financial year was being discussed in parliament. In a comment underscoring the usefulness of the guide, one of the members of the parliament stood up, flashed the guide, and said to the deputy minister of finance: "Now we don't have to (only) listen to you anymore, we have a (alternative) guide!"

Budget training is a second major activity of budget groups during the legislature stage. These programs may be targeted at legislatures, media and civil society organizations, as well as government personnel. CIDE in Mexico is one example of a group providing comprehensive budget training to these target groups. The three-day budget course on the federal budget has the objective of teaching the basic knowledge needed to carry out an analytical view of Mexico's budget. The course covers the broad contours of Mexico's federal budget, its origin, approval process, administration, and impact. This training became an important resource for legislators when the PRI lost its majority in Congress and the potential existed for a dramatic increase in the role of the legislature in the budget (See www.cide.edu).

Training may also be coupled with more intensive technical support. Idasa in South Africa formed a partnership with a multi-national accounting firm to

provide training and technical support to provincial legislatures in South Africa during the legislature budget process. The project creates a pool of trained analysts from both organizations to provide general training and in-depth support to committee chairs for the month-long legislature debating period. For further examples of budget training see the work of DISHA in India training dalits (contact Disha@vsnl.net.in) and the work of INESC in Brazil (inesc.org.br).

The third major activity of budget groups during the legislative stage involves the preparation and coordination of independent analysis. Given the limited fiscal analysis capacity outside of the private sector in developing countries, this constitutes one of the few accessible, timely, critical interpretations of the budget. It is often the only available analysis on the implications of the budget for low-income communities.

Analysis of the executive's budget proposal takes four major forms:

- A few groups produce a comprehensive analysis of the budget, such as the response of the Consumer Unity and Trust Society in India to the 2000/01 Indian Union budget. The analysis argues for government to stick with its commitment to phase out non-merit based subsidies in favor of merit based subsidies especially in education and health. The memorandum suggests that the resources released through this shift should be reprioritized towards programs addressing child labor issues (See www.internationalbudget.org/cdrom/papers/analysis/CUTSINdiabudget%202000.htm).

A complementary approach is provided by the Catholic Commission for Justice and Peace in Zambia. The Commission monitors social service delivery during the year through a set of monitors around the country and combines this information, together with the budget comments of a focus group of NGOs, to draft a broad comment on the poverty impact of the budget. The post-budget statement covers health, welfare, education, agriculture, debt, tax and monetary policy. (See www.ccjp.org.zm/2001pre_budget.htm)

Another complementary approach is a broad survey of budget transparency and participation in the budget process that was designed by the International Budget Project and Idasa and tested in South Africa. This is currently being applied in four countries (Ghana, Kenya, Nigeria and Zambia) and five Latin American countries (Argentina, Brazil, Chile, Mexico and Peru). A detailed description of the survey and the South African results is presented in Case study 2 that is appended to this document.

- A few groups analyze a particular macro-economic issue. For example, groups may focus on the macro-economic parameters underlying the budget or the

effect of the budget on macro-variables such as the deficit, national debt, interest rates, growth or employment. In its submission to parliament on the 2000/01 budget in South Africa, Idasa questions the government's optimistic growth forecast and traces the impact of the likely slower growth on programs for the poor (See www.Idasa.org.za/final/publications/bisbudget2000.sub.htm)

- A large proportion of group's focus analyze the impact of the budget on particular sectors or socio-economic groups, such as low-income people, the elderly or racial or ethnic groups. Often the sector foci are on health, welfare or education given that these comprise the majority of social services. Analyses consider sector allocations in relation to allocations to other sectors or to the entire economy, or in relation to historical levels of support.

As government budgets do not generally reference the effects on particular socio-economic groups, as opposed to departments, several budget groups have developed creative methods to undertake incidence group analysis. Work on gender budgets has become a popular area of activity in many parts of the world as shown in a recent paper by Debbie Budlender⁵. The Tanzania Gender Networking Program established their gender budget initiative in 1997. It focuses on macro-economic policies and planning with a stress on budgets and budgetary processes and their impact on men and women in Tanzania. (See Tastes of Success, p 53).

Work on children's budgets has also advanced recently in several countries. The South African Children's Budget was launched in 1998. The project examines what resources the government is allocating to children's programs and whether these programs adequately reflect the needs of children as established by the United Nation's Convention of the Rights of the Child. (The South African Children's Budget is accessible at www.idasa.org.za/bis/children)

- As a fourth foci, budget organizations are increasingly undertaking taxation and revenue analysis. This work may challenge the distributional impact of the proposed taxes or the suitability and sufficiency of revenue proposals to fund proposed expenditures. Tax administration and compliance are further issues pursued. The Center on Budget and Policy Priorities recently played an active role in deepening the recent tax debate in the US. In a paper on President Bush's tax cut proposal, the organization argues that the cut may not help the U.S. out of its current economic slowdown (See www.cbpp.org/2-22-01tax.htm).

⁵ See Debbie Budlender .(2001). A Review of Gender Budgeting. Commonwealth Secretariat.

The Institute for Public finance in Croatia is similarly working on responses to the government's current reform of the overall fiscal system, including tax administration reform. In a recent paper, they question the extent to which the proposals for tax reform are in line with the theory and practice of tax administration in developed countries and countries in transition. (See www.ijf.hr/ocpapers/op-5.htm)

In addition to their own analysis, some budget organizations facilitate or host forums to collate budget analyses of other civil society and community groups. This assists in providing government with a rich source of information from a broad group of popular interests. A number of civil society organizations in Zambia facilitate commentaries following the presentation of the budget in the national parliament. One of these forums is the annual National Budget Workshop organized by the Economic Association of Zambia that brings together civil society groups with the Minister of Finance and Economic Development. Contributions have covered issues such as macro-economic policy, revenue measures, expenditure patterns and the gender impact of the budget.

In sum, the legislative stage of the budget process often offers budget groups the strongest opportunity for formal involvement and leverage. In these cases, civil society work can add maximum value by offering the full spectrum of activities including training, budget guides and analysis. Budget work focussing on the impact of the budget on the poor can provide a unique resource, augment the paucity of trained analysts in the public sector and potentially improve policy choices.

The contributions of budget organizations to the legislature stage does however depend significantly on the degree of opportunity for legislature budget involvement. Where this is limited budget organizations can still add value to the budget by simplifying and clarifying the budget proposals, providing training and by working closely with legislators. However, in these situations budget groups are likely to channel a greater proportion of their resources to other stages in the budget process, including the drafting process.

Implementation stage

Implementation is primarily an executive function. For most applied budget groups, the importance of this stage is the opportunity it holds for collating information on expenditure, revenue and outputs that will contribute to the quality of their participation in the legislative stage. However, weak public implementation capacity and accountability mechanisms are driving budget organizations to focus on implementation issues.

Organizations in India, such as the Center for Budget and Policy Studies in Bangalore (contact CBPS@vsnl.com), have produced useful analysis of the difference between planned and actual expenditures. Data improvements in South Africa are also enabling this type of analysis for the first time. The biggest obstacle to this work in other countries is the paucity of government data, including timely and accurate information on disaggregated actual expenditure, government borrowing and debt redemption; as well the capacity to provide incidence benefit reports.

Ritva Reinikka at the World Bank has helped pioneer methods to measure the difference between planned and actual expenditure where data is scarce. This work relies on new community level data sources in Ghana, Uganda, Tanzania and Honduras and may be adapted by independent budget groups in the future⁶.

Uganda provides an interesting experiment in implementation monitoring that may open opportunities in other countries. In 1998, the Ugandan government established a Poverty Action Fund (PAF) as a mechanism to target, protect and monitor funds released by the HIPC initiative and donors for poverty programs. The PAF does not operate as an extra-budgetary fund, but is integrated into the budget. The Fund involves civil society organizations in the selection of projects and in monitoring the impact of PAF expenditures by allocating 5% of the fund to sustain monitoring activities. Monitoring is coordinated by an applied budget work coalition, the Uganda Debt Network, and is undertaken through periodic (quarterly) field surveys by a team of researchers and community members. The initiative also tracks monthly expenditure releases from central government to local governments and reconciles these with releases from the central bank. Quarterly progress reports are presented at multi-stakeholder meetings. In a relatively short period of time, this initiative has helped to identify the blockages in funding to local government, increase funding to poverty relief programs and shifted expenditures towards identified priority sectors. (See www.udn.org/)

There are many civil society organizations with experience in program and citizen / customer evaluation. The work of the Public Affairs Center in Bangalore is particularly well known in this regard (www.pacindia.org). There is also civil society work in Ghana and Zimbabwe on tracing the impact of structural adjustment programs through community surveys. But, there are few examples of organizations that track budgetary flows through to program impact. Work along these lines is only beginning. Idasa in South Africa is undertaking two pilot

⁶ See for example, Emmanuel Ablo and Ritva Reinikka - Do Budgets really matter? Evidence from Public Spending on Education and Health in Uganda. Available from Kathryn Rivera at the World Bank – krivera@worldbank.org)

projects tracking the impact of public expenditures on special courts for children and rape victims. SAPRI in Ghana and the Catholic Commission for Justice and Peace in Zambia have used their structural adjustment monitoring work as a springboard to focus more directly on budget flows and have plans to test the link between budget plans and disbursements. The latter has an extensive community network that has been successfully used in the past to track blockages in the flow of public funds from provincial to local level.

In sum, it is too early to evaluate the replicability and sustainability of the Ugandan poverty fund monitoring initiative - but, these efforts cannot substitute for government information collation capacity. Civil society can help to some extent but this requires a rare partnership of sophisticated policy NGOs with strong community partnerships. As data improves, applied budget groups will be able to provide more sophisticated checks on the congruency and impact of expenditure. This opportunity is unlikely to emerge as a significant space for broad civil society engagement, but might work in generating data for a defined set of poverty expenditures or as a check on government generated numbers.

At present, the primary importance of the implementation phase for most budget groups is the opportunity to collect data on implementation to use as evidence in the legislative and auditing stage. As argued by the Catholic Commission for Justice and Peace in Zambia: "The futility of our system of commenting on the budget once it has been presented is that no influence can be made on the contents of the budget. Not even the debate by MPs influences the budget under discussion. Our post-budget challenge therefore remains at monitoring the implementations of commitments made in the budget throughout the year, drawing lessons that will be vital in our submissions to the next budget" (CCJP, 2000 Post Budget statement).

Auditing stage

The primary constitutional actors in the auditing stage are the Auditor-General or Court of Accounts and the Legislature. These agencies are usually required to report to the legislature as keeper of the purse. The physical and human resources required for a full state or federal audit limits civil society interventions to checking the Auditor-General's findings in discreet areas. The major opportunities for independent budget organizations follow from the findings of the audit and the legislature procedure to evaluate these.

This may be one area where applied budget organizations have not sufficiently exploited the potential opportunities. Where developing country auditing is competent, these reports often document a litany of mis-expenditure, mal-expenditure and procurement irregularities. However, few of the organizations in

the International Budget Project network dedicate resources to monitoring and follow-up on the audit function.

There are several reasons to account for the lack of civil society audit stage activity. In most developing countries, the audit report is presented approximately two years after the close of the financial year. The audit report is swamped and often confused by current budget issues. In parliamentary systems in particular, the absence of effective legislative budget powers provide little incentive to scrutinize whether the funds have been spent as authorized. The low interest in following-up on the audit report reinforces this tendency. This is further compounded by the split between committees dealing with public accounts oversight and those dealing with budget analysis and authorization.

The experience with participatory auditing in Kerala, India points to potential further oversight opportunities for a few civil society groups during the audit stage. The first is the development of participatory audit techniques at community level in India. This fascinating practice involves the local auditor meeting with village members to physically audit the outputs planned and approved in the local budget (See the work of Anne-Marie Goertz and Rob Jenkins at the Institute for Development Studies at the University of Sussex).

5. Summary and conclusions

Applied budget groups have recently begun to expand the role of civil society in the budget. Their interventions have enabled broader understanding and participation in the budget process and more effective oversight. In part, these benefits occur indirectly through other organizations or legislatures as a result of training and dissemination activities that deepen public debate and expand public participation. However, some evidence is emerging that their activities can also directly improve budget decisions and outcomes.

Many groups are still developing skills and organizational capacity. Only a small set of experiences already point to significant impact. In Mexico, the work of FUNDAR in the 1990s halted the use of a Presidential secret account that did not require the approval of Congress. In Israel, the work of ADVA pressured the government to retract changes to the welfare benefits that would have been prejudicial to the country's poorest families and elderly citizens. In South Africa, the work of Idasa led to an improvement in a new basic financial management bill through the inclusion of clauses on Virement⁷ and sanctions for mismanagement. In Russia, the work of Volgo-Vyatsky contributed to eliminating

⁷ Virement refers to the extent to which a government department can spend in a way that is not congruent with budget plans without reverting back to the legislature for approval.

a corruption-prone arrangement that allowed firms to pay a portion of their taxation in goods and services.

The legislature stage usually holds the most opportunity for budget groups. This stage is geared to benefit from the full spectrum of civil society budget research, training and dissemination activities and also provides a forum for the formal inclusion of the sector into the policy process. At present, as far as the budget drafting and implementation phases are concerned, the participation of budget organizations is largely limited to collating information on priorities and implementation. It is still too early to assess the full implications of the promising participation efforts associated with the PRSP process or the local government participatory budgeting experience. Given resource implications and technical requirements of community surveying and impact evaluation, it is likely that involvement in these stages will be limited to a few organizations evaluating a small proportion of the budget or particular projects. Conversely, there is probably greater capacity for civil society involvement than currently exploited in the auditing stage. There is an important role in tracing, with legislatures, the findings and recommendations of the auditor-generals report. As far as a broader role in the auditing stage, civil society's role is probably limited to cross-checking particular projects, or areas of concern rather than duplicating the role of the auditor-general.

We noted earlier that applied budget organizations may add value to budgets in seven ways. The primary value added in the drafting stage may be their ability to bring new information to the public debate on citizen priorities and, through training, building the capacity of communities to take part in this process. During the legislative stage, the contribution of applied budget organizations includes building budget literacy and training and analysis that brings a pro-poor perspective to budget deliberations. This is the stage where the analytical skills of applied budget groups are most evident and where their ability to improve budgetary decision-making is maximized. During the implementation phase, budget groups may help to a limited extent in collating information on program impact. In addition to similar evaluation activities in the audit stage, applied budget groups may be able to play a bigger role in helping legislatures to monitor the impact of the official audit and in interpreting and disseminating the findings of the auditor-general.

These early results of the rise of budget groups provide cause for optimism. Group's have been established in diverse settings and shown resilience to significant political and data obstacles. There seem to be few organizations that cannot benefit from budget analysis skills. Consequently, we can expect the growth in budget work to continue to broaden and deepen in the developing world. Part of this growth may well take the form of greater interaction between

budget groups and other civil society organizations, including human rights organizations and activities.