

READING 6.1 ■ TRANSCRIPTS OF MEETINGS WITH GOVERNMENT OFFICIALS ON HEALTH

The media in Polarus recently published a story on the health problems in Sunrise State. Through your contacts in the media, you have been able to get the following transcripts of the meetings conducted by reporters from the *Polarus Times* with government officials.

MEETING WITH OFFICIAL FROM THE NATIONAL MINISTRY OF FINANCE

Reporters: Good Morning, Madam!

National Finance Official: Karibu! You are most welcome. How can I help you?

Reporters: Madam, recently there were reports of women giving birth on open fields near clinics in Sunrise State after waiting in line for hours to be treated. We are trying to understand why there is such a shortage of clinics making existing clinics so busy, and why Sunrise State doesn't have more and better primary health care services.

National Finance Official: So, why do you want to meet with someone at the National Ministry of Finance?

Reporters: Madam, we heard a rumor that the National Finance Ministry has a poor track record in working with State governments. We wanted to get your perspective, particularly on your relationship with Sunrise State.

National Finance Official: My dear friends, let me reassure you that the National Ministry of Finance has very cordial relations with all the States. Every year, we send the States their block grants. They decide how they want to spend their money and have it approved by their state Cabinets and Parliaments.

Reporters: How much money did you transfer to Sunrise State last year?

National Finance Official: It is not that easy to answer that question. I cannot give you one figure since transfers are made in installments during the year.

Reporters: Can you tell us how much money was given in each installment?

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National Finance Official: Hold on, let me consult my books! Here it is! The total budget appropriated for Sunrise State last year was 13,629 million Dinar. We sent them monies in four installments. The first installment was made in March for 4230 million Dinar, the second in June for D3050 million, the third in September for D3020 million, and the fourth in December for D3329 million.

Reporters: Do you think that was enough to provide good primary health care services in Sunrise State?

National Finance Official: That's not my responsibility, friends. Remember that Sunrise State decides itself what to spend on health, we just give them a block grant! Try to pay attention next time I tell you something!

Reporters: But was their block grant big enough to build clinics, provide drugs and pay for doctors to run them? Some people say that the national government could borrow more to pay for the health backlog.

National Finance Official: Well, I am no health expert. And you know times are tough and we need lots of money for other things besides health. Just last week you people were complaining about spending on housing! And running a Treasury is not like playing monopoly. We can't just go and borrow more money.

Reporters: Yes, but you didn't answer our question. Did you give Sunrise State a large enough block grant to provide primary health care?

National Finance Official: You know you can consult the budget yourself on our lovely new website. But if you want me to do your work for you, I can tell you that we increased Sunrise State's total state grant by more than 6 billion Dinar over the last three years. Does that look like enough to you?

Reporters: That is an impressive amount of money. Thank you very much for your time.

National Finance Official: Yes, whatever. You people love accusing us before you take the trouble to investigate. I hope you will tell the story about that 6 billion Dinar as well! Now, I'm busy, so if there is nothing else...

MEETING WITH OFFICIAL FROM THE SUNRISE STATE DEPARTMENT OF FINANCE

Reporters: Hello, sir!

Sunrise State Finance Official: Hi guys! How's it?

Reporters: We are reporters who are investigating the situation with health care in Sunrise State. As you may be aware, there have been horrible reports lately about women giving birth while waiting to be attended to at primary health clinics. We wanted to get your perspective on why this is happening.

Sunrise State Finance Official: Look friends, these are tragic stories. My department is doing everything it can to investigate the reasons why it is happening.

Reporters: What have you found so far?

Sunrise State Finance Official: Well the biggest reason is that the National Ministry of Finance isn't giving us enough money. Remember that we have to spend money on Housing and Education as well. Our budget only goes so far.

Reporters: So, you blame the National Ministry of Finance for the health shortage? But they say that they increased your grant by more than 6 billion Dinar over the last 3 years. That seems like a lot of money.

Sunrise State Finance Official: Well it may sound like a lot to you, but as I said we have to build houses, maintain schools, pay salaries – the list goes on and on. If you look at what people are demanding, 6 billion Dinar isn't actually that much.

Reporters: So you don't accept any of the blame for the health situation in Sunrise State? Are you satisfied that you are giving enough of your budget to the Department of Health? We've heard that their share of the state budget might be less than in other states.

Sunrise State Finance Official: Well, how much is enough? I can tell you that we have given them over 10 billion Dinar since 2005.

Reporters: So you blame the Health Department?

Sunrise State Finance Official: Blame is a strong word. I am just saying that we can't give them more money. Not while Housing and Education are running out of money as well.

Reporters: Yes, that seems reasonable. Thank you for your time. We will try to discuss this issue with the Department of Health.

Sunrise State Finance Official: You do that. But don't go and tell them what I said. Have a good day.

MEETING WITH SENIOR OFFICIAL, SUNRISE STATE DEPARTMENT OF HEALTH

Reporters: Knock, knock! Can we come in?

Sunrise State Health Official: Yes, of course! You don't have to be so formal with me. Make yourselves at home!

Reporters: Thank you. A lot of people are worried about the health situation in Sunrise State. We are sure you know the stories about women giving birth outside during this bitterly cold winter.

Sunrise State Health Official: Yes, of course! I tell you, it breaks my heart! I have dedicated my life to the vision of Health for All.

Reporters: But why aren't you providing more and better primary health care services? The Sunrise State Department of Finance says you are not even spending the money that you have!

Sunrise State Health Official: Now hang on just a minute! We provide over 12,000 beds to the sick in this state!!

Reporters: Yes, but is it true that you are under-spending?

Sunrise State Health Official: That is not really true. Some of our programs are even over-spending. It's mainly the District Services and a few other programs that sometimes under-spend.

Reporters: Could you tell us how much you spent on primary health care in 2008?

Sunrise State Health Official: We had a budget of more than 1.7 billion Dinar for District Services! But we still have one of the highest maternal mortality rates in Polarus, for example.

Reporters: That is a lot. How are you planning to solve this problem?

Sunrise State Health Official: Well, we're trying to get more money from the national government for our secondary and tertiary hospitals, so that we don't have to dip into the District Services budget. But in the end we will need more money to solve this problem.

Reporters: So is that where the under-spending problem lies? That the hospitals in Sunrise State are draining resources from District Services?

Sunrise State Health Official: You will need to talk to my colleague about that. He is the Head of the District Services program. I don't want to stick my nose into his business.

Reporters: OK, thank you very much then.

MEETING WITH THE HEAD OF THE DISTRICT SERVICES PROGRAM, SUNRISE STATE HEALTH DEPARTMENT

Reporters: Good day!

Head of District Services: Yes, you people again. What do you want this time?

Reporters: We have been talking to some government people about the health crisis in Sunrise State. Many of them blame it on your program, the District Services. Can you tell us more?

Head of District Services: People are dying of cold and hunger, and all you worry about is your newspaper! We treated over 600,000 people last year. Why don't you go and write that?

Reporters: Congratulations on your past achievements. But could we also talk about the reasons why many people still find it so hard to get treated at clinics in Sunrise State?

Head of District Services: District Services is not the only program in the health department, you know. When the hospitals are in need of money, we all suffer.

Reporters: Are you saying that money got taken from your budget to spend on hospitals?

Head of District Services: Look, I don't know what you want me to do. In the end the Department of Health doesn't get enough money to deal with the health challenges of this state. The rest is detail.

Reporters: But these are important details. Could you confirm that money was taken from your program's budget to spend on hospital services?



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Head of District Services: Why are you bothering me with this nonsense?! The budget figures are all on the website. If you leave me alone, maybe I could get on with my job of running health services.

Reporters: Well, thank you for your time. Good luck with this daunting task.

READING 6.2 ■ STAGES IN THE BUDGET PROCESS

It is important to have detailed knowledge of the budget process when you are trying to influence the budget. This involves getting to know all the players and steps involved in each stage of the budget process. Without this knowledge, it is impossible to identify the most strategic and effective points to intervene. Always keep in mind that:

- Different **decisions** are made at each stage of the budget process.
- You will only have the desired impact if you intervene **before** the decisions you want to change are being made.

THE FORMULATION STAGE

During the formulation stage of the budget process, the following steps are completed, usually under the direction of the Ministry of Finance or National Treasury:

- The executive undertakes a modeling of the macroeconomic framework. Economic trends are analyzed in order to project the likely macroeconomic environment for the upcoming year and over the medium-term. This exercise results, for example, in projections of the GDP, deficit, inflation, and exchange rates in the country.
- The executive estimates revenue for the upcoming year and the medium-term in order to establish the likely size of the forthcoming budget. These revenue estimates include taxes and non-tax revenues as well as donor funds from bilateral and multilateral agencies.
- Expenditure ceilings are set for ministries, departments and other implementing agencies (MDAs) so that they are able to draw up their spending plans.
- In most countries, the government releases a pre-budget statement.
- MDA budgets are then formulated and negotiated.
- The budget is submitted to the country's cabinet for approval.
- The formulation stage also involves processes and decisions at other levels of government. For example, in the case of Polarus:
 - The National Ministry of Finance determines the block transfers and conditional grants for all nine states.

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- In each state, expenditure ceilings are determined for the various state-level government departments, for example, the Sunrise State Department of Health.
- These State departments formulate their budgets for the medium-term, and these are submitted to the State cabinets for approval.

THE LEGISLATIVE STAGE

- The budget is tabled in the legislature, usually by the Minister of Finance.
- The budget is referred to relevant legislative committees, who are mandated to review and scrutinize the executive's spending and revenue proposals. The committees report back to the main chamber of the legislature.
- Amendments are made to the budget (in those countries where legislatures have the power to make amendments).
- The budget is voted into law.

THE IMPLEMENTATION STAGE

- Money is transferred to MDAs in line with the approved budget.
- Ideally, MDAs use the funds they have received for their intended purpose, and deliver goods and services as agreed in the budget.
- Throughout the year while implementing the budget, MDAs produce in-year reports to show how they are spending allocated funds.
- At the end of the fiscal year, MDAs produce year-end reports to set out in full how they have spent allocated funds.

THE AUDIT STAGE

- The year-end reports of all MDAs are submitted to the Supreme Audit Institution (SAI).
- The SAI conducts an audit of government spending. There are different kinds of audits and some countries undertake more extensive audits than others. In most countries, the audit would

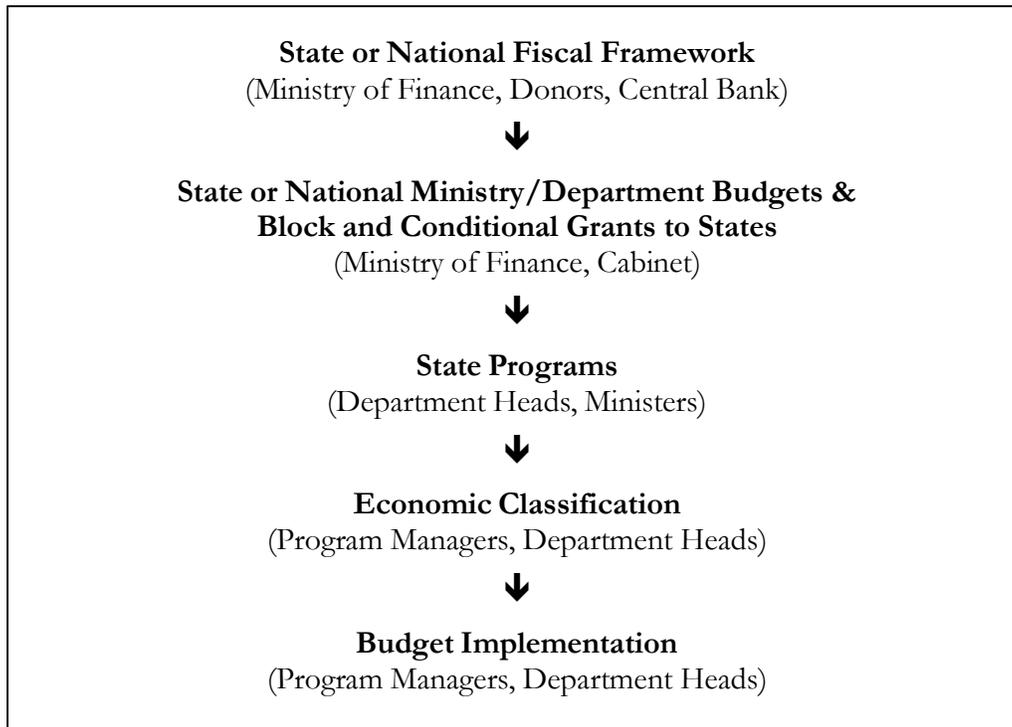
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at least include an assessment of whether government spending was compliant with the budget, and whether funds are accounted for using sound financial management principles.

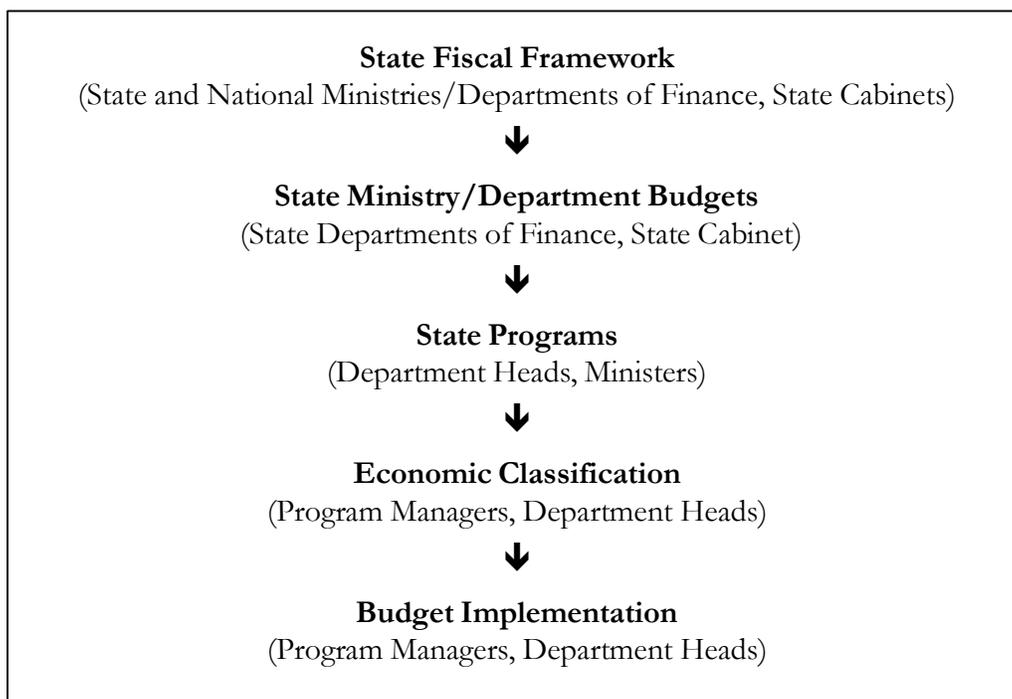
- The SAI prepares a report on government spending for each MDA and refers these reports to the legislature.
- The legislature refers the audit reports to the parliamentary committee responsible for public accounts (usually called the Public Accounts Committee or PAC), as well as other relevant committees.
- The PAC makes recommendations to the chamber on the findings of the SAI in relation to each MDA.

READING 6.3 ■ THE SEQUENCE OF BUDGET DECISIONS

NATIONAL BUDGET DECISIONS



STATE BUDGET DECISIONS



KEY DECISION MAKERS IN THE BUDGET FORMULATION STAGE

Decision	Who decides?
How much extra money will we collect in tax and donor or grant funds for the next financial year?	Ministry of Finance, Central Bank, Donors
How much extra money do we want to spend?	Ministry of Finance, Donors, Cabinet
How much money should we borrow?	Ministry of Finance, Central Bank, Donors
How should we divide up additional money among expenditure MDAs?	Ministry of Finance, Donors, Cabinet
How should we divide up additional money within MDAs (which programs)?	Department Heads, Ministers
On what should we spend additional money within each program?	Department Heads, Program Heads
Implementing the budget	Department Heads, Program Heads

READING 6.4 ■ FACTORS AFFECTING BUDGET CHANGE

When you are advocating for solutions that require changes in the budget, it is important to be aware of the internal constraints and complex relationships within which budgets are negotiated and set.

BUDGETS ARE RIGID

- One factor that makes it difficult to bring about changes in budgets is the fact that they are relatively rigid. Budgets can't be reinvented from scratch every year – there are always pre-existing commitments that need to be accommodated and are often non-negotiable.
- What makes budgets rigid?
 - Many budgets include a large component of salaries, which cannot readily be reduced without making far-reaching decisions regarding peoples' jobs.
 - Many budgets are designed to fund the implementation of existing contracts, and these are difficult to change.
 - Where budgets include considerable amounts dedicated to debt repayments, pensions, and social security payments, there is little leeway to reduce or alter allocations.
- Factors such as these limit how much money can be shifted in any single financial year

BUDGETS HAVE WINNERS AND LOSERS

- All budgets are based on balances and political trade-offs. The allocation of public funds is usually a competitive process where ministries and departments vie against each other for as big a slice of the resource pie as they can get. The overriding rule of the game is: "What I get is what you don't get."
- Therefore, whenever you are advocating for something which requires more spending on a certain sector or program, it is essential to consider where the money will come from. As part of your advocacy strategy, you will have to develop recommendations about what trade-offs could be made, and the advantages that would come with making such trade-offs.

In addition to thinking about the implications of your proposal for the budget, it is wise to consider in advance political costs the changes you want would entail. Who would stand to lose face or status as a result of changes in allocations? In other words, be sure to analyze and determine who may be opposed to your advocacy position for status or power reasons, and not just simply budgetary ones.