

# **MODULE 2**



## **DEFINING THE PROBLEM**

# MODULE 2 ❖ DEFINING THE PROBLEM

## LEARNING OUTCOMES FOR THIS MODULE

By the end of this module, participants will have:

- described the stages of the budget cycle and the budget execution process in particular;
- defined the various types of budget documents that are relevant in different parts of the budget execution process;
- identified some of the main role players and decision makers in different parts of the budget execution process;
- explained the level of budget transparency and the budget information that is required to support the monitoring of budget implementation;
- recognized that different development problems can be linked to different underlying problems in the budget process;
- identified and diagnosed different kinds of budget implementation problems; and
- described the hypothetical country of Polarus and recognized its role as a learning device in this training workshop.

## STRUCTURE OF THE MODULE

### Session 2: Defining the development problem

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|---|------------|
| 1. Task 2.1: What is the development problem?                     | 40 minutes |
| 2. Welcome to Polarus   | 10 minutes |
| 3. Task 2.2: HMHC Case Study – What could be causing the problem? | 40 minutes |
| 4. Facilitator’s Input: The four stages of the Budget Process     | 15 minutes |

### Session 3: Who is responsible?

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|--|------------|
| 5. Task 2.3: Which stage to monitor?         | 20 minutes |
| 6. Task 2.4: Role Play – Who is responsible? | 80 minutes |
| 7. Debrief and reminder                      | 5 minutes  |

## Session 4: Uncovering budget implementation problems

8. Polarus Quiz	20 minutes
9. Facilitator's Input: A closer look at Budget Implementation	15 minutes
10. Task 2.5: Which actors to target?	15 minutes
11. Facilitator's Input & discussion: BIDS 1	15 minutes
12. Repeat of Task 2.2: HMHC Case Study	35 minutes
13. Wrap-up: What are the next questions?	5 minutes

## RESOURCES NEEDED FOR MODULE 2

- Flipchart paper and colored pens
- [Laminated display sheets: 10 case studies on Monitoring Budget Implementation](#)
- Polarus Sourcebooks for all participants

### BEFORE THE MODULE

The facilitation team should decide how to divide the participants up into four or five groups. These groups will form the basis of extended work assignments over the duration of the rest of the workshop. Write the names of the various group members up on flipchart paper in advance, so that they can readily be displayed, but keep the list concealed until the introduction of the HMHC case study in Session 3.

The composition of the work groups should be carefully considered, and agreed in consultation with the larger facilitation team. Observe the participants' interaction and participation during Module 1 and take into account which individuals are more confident, vocal, reserved, experienced and so forth. In addition, keep the following guidelines in mind:

- Ensure that there is gender balance in each group.
- Separate participants from the same NGOs or countries, and those who work together.
- Make sure that every group has a mix of advocacy, organizing, and budget monitoring skills.

## FACILITATION NOTES

*Ensure that the laminated display posters of case studies that were discussed in Module 1, are still up against the walls around the training room.*

### **SESSION 2: DEFINING THE DEVELOPMENT PROBLEM**

#### **1. TASK 2.1: WHAT IS THE DEVELOPMENT PROBLEM?**

**40 MINUTES**

- **Aim:** The aim of this exercise is to draw attention to the purpose for monitoring budget implementation, which is usually to address a development problem or bring about an improvement in society, the democratic system or the budget system.
- Introduce this activity by asking participants why they want to learn to monitor government budget implementation. Field a few responses from the floor. The main point that should emerge from the discussion is that we rarely monitor budget implementation just for its own sake. Usually, budget implementation is monitored by CSOs because they are trying to address something else: solve a development problem, help to reduce poverty, advance human rights, strengthen democracy, and so forth.
- It is important for budgeting monitoring projects to grow out of a clear sense of what it is you want to achieve as a civil society group or network. What is the ultimate purpose of your budget implementation monitoring? At the end of the day, participants will have an opportunity to address this question in relation to their own budget advocacy projects.
- But first, invite the participants to have another look at the 10 case studies up around the training room, and to list the development problems (or other challenges) that the CSOs in these case studies were trying to address by means of their budget monitoring.
- Refer participants to **TASK SHEET 2.1: WHAT IS THE DEVELOPMENT PROBLEM?** in their Workbooks. Ask them to circulate around the room in pairs and to write down their answers on the task sheet. They have 15 to 20 minutes to complete the task.
- When the pairs have finished or after 20 minutes, invite participants to gather together in plenary. Facilitate an unstructured report-back to clarify and confirm the development and democratic challenges being addressed in the case studies. Model responses to the task are provided below.
- Draw the exercise to a close by confirming and emphasizing that when we talk about ‘monitoring budget implementation’, this refers to a variety of tools and methods that can be applied to a broad range of development issues, problems and sectors. The essential challenge is to be clear about the latter first and foremost. Decide what purpose you want to achieve – and then choose monitoring tools and methods not for their own sake, or because they sound exciting – but because they are best-suited to helping you achieve your purpose.

## ANSWERS TO TASK 2.1

Participants are likely to find that while most of the methods and tools described in the case studies have been used to pursue various development challenges, they have also aimed to strengthen democratic practices and systems, and advance access to information and budget transparency. Possible responses to the specific case studies could include the following challenges and problems.

Case study/ Organization	Development problem/other challenges being addressed
Mazdoor Kisan Shakti Sangathan (MKSS) in India	<ul style="list-style-type: none"> <li>• Unemployment, lack of work opportunities, lack of income amongst the rural poor.</li> <li>• Citizens' right of access to information</li> </ul>
Civil Society Coalition for Quality Basic Education (CSCQBE) in Malawi	<ul style="list-style-type: none"> <li>• Inadequate/poor quality of basic education</li> <li>• Insufficient teacher training colleges</li> <li>• Irregular payment/non-payment of teachers</li> <li>• Inadequate education for children with special needs</li> <li>• Discrepancies in the quality of education between rural and urban schools</li> </ul>
Procurement Watch Inc. (PWI) in the Philippines	<ul style="list-style-type: none"> <li>• Corruption</li> <li>• Lack of transparency</li> <li>• Inadequate quality of medicines/vitamins provided to the public at state hospitals</li> </ul>
Government Watch (G-Watch) in the Philippines	<ul style="list-style-type: none"> <li>• Poor production and distribution of school text books</li> </ul>
Public Affairs Centre (PAC) in India	<p>Weaknesses or problems in the delivery public services:</p> <ul style="list-style-type: none"> <li>• Telecom services</li> <li>• Water and sewerage services</li> <li>• Electricity services</li> <li>• Hospital services</li> </ul>
FUNDAR Center for Research & Analysis in Mexico	<ul style="list-style-type: none"> <li>• Inadequate provision and management of government HIV/AIDS program</li> <li>• Lack of budget accountability</li> </ul>
HakiElimu in Tanzania	<ul style="list-style-type: none"> <li>• Budget awareness/budget literacy</li> <li>• Lack of oversight and accountability for audit results</li> </ul>

Case study/ Organization	Development problem/other challenges being addressed
Hakikazi Catalyst in Tanzania	<ul style="list-style-type: none"> <li>• Inadequate or poor implementation of government poverty reduction strategies</li> <li>• Inadequate or poor delivery of goods and services by district governments to local communities in the areas of education, health, agriculture, roads and water</li> </ul>
Concerned Citizens of Abra for Good Government (CCAGG) in the Philippines	<ul style="list-style-type: none"> <li>• Poor or inadequate quality of public works projects</li> <li>• Poor construction of roads and bridges</li> </ul>
Public Service Accountability Monitor (PSAM) in South Africa	<ul style="list-style-type: none"> <li>• Corruption in state spending</li> <li>• Poor oversight over state spending</li> </ul>

## 2. WELCOME TO POLARUS

10 MINUTES

- Announce to the participants that for the duration of the rest of the workshop, they will be living in a country called Polarus. In fact, from this very moment forward, they now hold dual citizenship - of their own country and of the Republic of Polarus.
- Hand out passports to all the new citizens of Polarus. Congratulate them: You are all citizens of Polarus!
- Throughout the workshop, learning will be applied to the country of Polarus and to the participants own countries where they reside for most of the year. In order to get to know their new country a bit better, hand out copies of **The Republic of Polarus: Special Country Report on Maternal Health** to all the participants.
- Explain the reason for using a simulated country as a basis for learning about budget advocacy work. Point out that the participants in the workshop come from many countries, each with their own budget systems and laws. It would be complicated to use each participant's unique country as the context to conduct the various exercises that form part of the workshop. However, participants should be assured that what they learn about budget work in Polarus will allow for application to a wide range of country contexts.
- In the Polarus Sourcebook, the participants will find lots of information about the country's political system, geography, demography, budget system, budgets, and so forth. Encourage them to read this information and become familiar with it as soon as possible. The more they engage with the country of Polarus – and get to understand its problems and challenges– the more they will gain from the training activities.
- Participants are therefore strongly urged to become active citizens of this interesting country! Warn the participants that there will be a quiz sometime on Day 2 to see how well they have informed themselves about Polarus as a country. The best way to prepare for this quiz is to read

their Polarus Sourcebooks.

- Invite any questions of clarification about Polarus and the simulated learning process.

### **3. EXERCISE 2.2: POLARUS CASE STUDY – WHAT COULD BE CAUSING THE PROBLEM? 40 MINUTES**

- **Aim:** For participants to get acquainted with their extended group work case study set in Polarus, and to have some practice in defining development problems and identifying possible causes.
- Explain to participants that they are not merely visiting or living in Polarus: they are working for a civil society organization. For the next few days, participants will be undertaking an extended group work assignment together with colleagues from their Polarus CSOs.
- Reveal the names of the participants who will work together in the various groups. Their first task will be to tackle this exercise as a team.
- Ask participants to turn to **READING 2.1: HEALTHY MOTHERS, HEALTHY CHILDREN (HMHC)** in their Workbooks. This case study contains a great deal of vital information that will form the basis of their group work over the next few days. Participants should all take some time immediately to study the reading.
- Once everyone in the group has finished reading the HMHC case study, they should decide on a name for their organization. Then they should work together to answer the questions on **TASK SHEET 2.2: WHAT COULD BE CAUSING THE PROBLEM?**
- After 30 minutes, re-convene briefly to confirm that participants have completed the task. Ask the groups to report back on the names they have chosen for their CSOs in Polarus.
- Field a few responses to the question of what could be causing the maternal mortality situation in Sunrise State. Note the causes down on flipchart paper.
- Explain that at this point, the groups did not really have enough information to know for sure what was causing the problem. They could only really provide informed guesses. In order to begin deepening and fine-tuning our understanding of a development problem, and what could be causing it, it is necessary to know a great deal more about the kinds of decisions that are made and that influence the problem, and when these decisions are made and by whom.
- Leave the sheet of possible causes up on display somewhere in the training room. Clarify that you and the participants will be returning to this list as you continue to work through this Module.

### **4. FACILITATOR INPUT: FOUR STAGES OF THE BUDGET PROCESS 15 MINUTES**

**Note:** This input is supported by slides from the PowerPoint file *MODULE 2 Defining the Problem*.

- Use Slides 2 to 8 to discuss the stages of the budget process in Polarus.

### NOTES on SLIDES 2 & 3:

- Slide 2 presents the four basic stages in the budget process, as well as the key documents produced at each stage.
- It is important to have detailed knowledge of the budget process in the context where you are trying to influence the budget. This involves getting to know all the role-players and steps involved in each stage of the budget process.
- Without this knowledge, it would be impossible to identify the most strategic and effective points to intervene with budget advocacy.
- 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, not after.

### NOTES on SLIDE 4:

- 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 modelling of the macro-economic framework: Economic trends are analyzed in order to project the likely macro-economic environment for the upcoming year and over the medium-term. For example, this exercise results in projections of the GDP, deficit, inflation and exchange rates in the country concerned.
  - The executive estimates revenue trends for the upcoming year and the medium-term to establish the likely size of the forthcoming budget. These estimates include taxes and non-tax revenues, donor funds, multi- and bi-lateral agreements.
  - Expenditure ceilings are set for departments and other implementing agencies to draw up their spending plans.
  - In most countries, the government releases a pre-budget statement.
  - Department and other agency expenditure budgets are then formulated and negotiated.
  - The budget is submitted to the country's cabinet for approval.

### NOTES on SLIDE 5:

- In most countries, the formulation stage also involves planning processes and decisions at sub-national levels. For example, in Polarus:
  - The National Department of Finance determines the block transfers and conditional grants for all nine states.
  - 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 expenditure budgets for the medium-term, and these are

submitted to State cabinets for approval.

#### **NOTES on SLIDE 6:**

- The budget is tabled in the national legislature, by the National Minister of Finance. State budgets are tabled in their respective state legislatures, by their respective State Finance Ministers.
- The National and State budgets are referred to relevant parliamentary committees, who are mandated to review and scrutinize the executive's spending and revenue proposals. The committees report back to the main chambers of the legislatures.
- Amendments are made to the budgets (in those countries where legislatures have the power to make amendments).
- The budget is voted into law.

#### **NOTES ON SLIDE 7:**

- Money is transferred to departments and other implementing agencies in line with the approved national and state budgets.
- Ideally, departments and other implementing agencies 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, departments and other implementing agencies produce in-year reports to show how they are spending allocated funds.
- At the end of the fiscal year, departments and agencies produce year-end reports to set out in full how they have spent allocated funds.

#### **NOTES ON SLIDE 8:**

- The year-end reports of all departments and agencies are submitted to the Supreme Audit Institution (SAI) in the country concerned.
- 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 at least include an assessment of whether government spending was compliant with the budget, and whether funds are accounted for in terms of sound financial management principles.
- The SAI prepares a report on government spending for each department or implementing agency and refers these reports to the National legislature or relevant State legislature.
- The legislatures refer the audit reports to their Public Accounts Committees (PAC), as well as other relevant committees.
- The PACs makes recommendations to their Chambers as to the findings of the SAI in relation to each department and implementing agency.

*Participants will find the information covered during this presentation in **READING 2.2 ■ STAGES OF THE***

## **SESSION 3: WHO IS RESPONSIBLE?**

### **5. TASK 2.3: WHICH STAGE TO MONITOR?**

**20 MINUTES**

- **Aim:** To give participants a chance to apply what they have learnt by identifying in which stage of the budget process decisions are being taken that impact on various budget problems.
- Refer participants to **TASK SHEET 2.3: WHICH STAGE TO MONITOR?** in their Workbooks. The task questions also appear on **SLIDE 9** of the PowerPoint file for Module 2.
- This is a plenary activity. Participants can buzz in pairs or small groups of three before calling out their answers.
- Invite the participants to consider each of the issues listed on the slide and task sheet. If necessary, clarify any concepts like ‘under-spending’, ‘wastage’ and ‘deficit’ and give examples of any issues the participants find unclear.

#### **ANSWERS TO TASK 2.3**

The interventions would best be made at the following stages of the budget process:

1. The total amount being allocated to Sunrise State - **National formulation stage & National approval stage**
  2. Underspending in the Sunrise State Department of Health – **State execution stage and State oversight (audit) stage**
  3. The size of the National Government deficit – **National formulation stage**
  4. Wastage in the national health budget – **National budget execution and oversight (audit) stages**
  5. How much money is allocated to primary health care in the health budget – **State formulation stage and State approval stage**
  6. Procurement fraud in the provision of medicines at state clinics – **State/national execution and audit stages (national if medicines are procured on national scale).**
- In wrapping up this task, the main point to get across is that different decisions take place in different stages of the budget process. For budget monitoring to be effective, it is necessary to monitor the stage(s) in the process when the decisions get taken that will impact on the development issue you hope to address. So if, for example, your concern is with how much money is allocated for training of skilled birth attendants in Sunrise State, you need to monitor and influence the budget formulation and budget approval stages in that State. This key message is reiterated on **SLIDE 10**.

## 6. TASK 2.4: ROLE PLAY – WHO IS RESPONSIBLE?

80 MINUTES

### AIMS OF THE ROLE PLAY

- To get participants thinking about the budget issues and decisions that underpin the development problem they are trying to address;
- To introduce participants to some of the role-players involved in budget process;
- To energize this module by engaging in an active, participative learning activity;
- To further strengthen the Polarus simulation; and
- To allow the mock CSO groups to come up with some suspicions and hypotheses about how the budget may be linked to the maternal mortality situation in Sunrise State.

### INTRODUCTION & GETTING INTO ROLE (20 MINUTES)

- Begin by explaining that participants will undertake this exercise as members of their civil society organizations in Polarus. In order to understand their challenge better, they have all been briefed to go and investigate what is causing the maternal health crisis in Sunrise State.
- Their task in this role-play is to find out as much as they can about **what is causing** this problem in Sunrise State and **who is responsible**. The task is also outlined on **SLIDE 11** of the PowerPoint file for Module 2.
- Refer participants to **READING 2.3** in their Workbooks. It contains transcripts of interviews recently conducted by journalists with different government officials, as well as government contractor, regarding the maternal health problems in Sunrise State.
- Through their contacts in the media, the participants' CSOs have been able to get hold of these transcripts from reporters at the Polarus Times.
- Ask participants to read carefully through the transcripts and then to gather in their CSO groups. In 20 minutes time, they will have an opportunity to meet with the same officials, and ask them any questions they like to help uncover what is causing the poor delivery of maternal health care services in Sunrise State.
- Participants are to spend more or less 15 minutes in total reading the transcripts, and then meeting in their CSO groups to gather some preliminary ideas on what they will ask each of the officials. Naturally, they may change and review these questions as they learn more from each interview.
- After 5 to 10 minutes of reading time, encourage the participants to gather in their groups and start planning the questions they would like to ask of the various officials.
- Participants can record their questions and any other relevant information on **TASK SHEET 2.4: INTERVIEWS WITH OFFICIALS** in their Workbooks.

### ROLE PLAY: INTERVIEWS & REFLECTION (45 MINUTES)

- The role play is set in Polarus, and involves the participants visiting and interviewing four mock government officials. The officials are:
  - An official at the National Department of Finance;
  - A senior official at the Sunrise State Department of Health;
  - An official from the District Health Services program, in the Sunrise State Health Department
  - The CEO of MedLife Supplies, a contractor to the Sunrise State Department of Health.
- Allocate the roles of the four government officials to four different facilitators and ask each of them to set up a mock office in a break-away room or corner of the training area.
- Invite the participants, in their Polarus CSO groups, to circulate amongst the officials. Only one group should visit each official at a time, and spend no more than 6 to 8 minutes.
- After the groups have visited and interviewed all four officials, ask them to gather together for a few minutes and to reflect on what they have learnt. They should try to identify as many possible explanations as they can for what is causing the maternal mortality problem in Sunrise State.
- Ask the groups to write each of their 'theories' or hypotheses on a different sheet of paper or card.

#### **PLENARY DISCUSSION & DE-BRIEFING (15 MINUTES)**

- Gather together in plenary and invite groups to volunteer their possible explanations for the maternal mortality crisis in Sunrise State.
- These are some of the plausible explanations the groups may have generated:
  - The Sunrise State Department of Health does not have enough funds (relative to demand);
  - The Sunrise State District Health Services program is under-funded (and/or other programs within the health department are crowding out spending on maternal health).
  - The Sunrise State District Health Services program is under-spending or wasting money.
  - Too little is being spent on training skilled birth attendants and/or on allocations to salaries for skilled birth attendants at primary health clinics.
  - There is corruption in the procurement of goods and services by the DHS program.
  - The contractors responsible for supplying vital obstetric medicines and equipment are incompetent and/or corrupt
  - The performance of the contractors responsible for supplying vital obstetric medicines and equipment is not being monitored and/or managed effectively by the Department of Health.
- There are several ways to discuss these possibilities further. For example:
  - Invite participants to arrange the explanations according to the stages of the budget process;
  - Ask participants to cluster the explanations according to role players involved and ask for a show of hands on which is currently the most likely 'culprit'.
  - Or, ask the participants to arrange the explanations from most to least likely cause.

- Or, simply discuss each explanation, starting with the ones that came up most often.
- This role play activity was meant to get the participants interested and engaged with the budget dimension of development problems. However, at this stage, they do not know enough about the budget implementation process to go much further than mere speculation.
- If participants leave the role play with some suspicions about the budgetary issues that could be linked to the maternal mortality situation in Sunrise State, enough has been accomplished.

## **7. DEBRIEF AND REMINDER**

**5 MINUTES**

- Briefly recap what participants have learnt so far about the budget causes that could be underlying development problems.
- Remind participants to study their Polarus Sourcebooks tonight in preparation for a Polarus Quiz in the near future!

## **SESSION 4: UNCOVERING BUDGET IMPLEMENTATION PROBLEMS**

### **8. POLARUS QUIZ**

**20 MINUTES**

- **Aim:** To check if the participants have read the Polarus source material and to what extent they are becoming informed about the Polarus simulated environment.
- Announce that a quiz is now going to be conducted to see whether participants are well-informed and upstanding citizens of Polarus.
- Invite the participants to gather in their Polarus CSO groups. There are a number of ways to conduct the quiz. For example:
  - **Live quiz show:** Pose one question to each group in turn, and allocate one point for every correct answer. Make sure questions are posed to different members in each group (so that the groups are obliged to rotate their answer-givers). If a group cannot answer correctly, re-pose the question to the next group.
  - **Written quiz against time:** Distribute copies of the quiz to all the groups. Set a timer and announce 'Go!'. The groups are to complete the quiz sheet as quickly as they can. When a group thinks they have all the correct answers, they yell 'Done!' and all the groups have to stop working. If all their answers are correct, they are the winners. If not, the clock is re-started and the groups keep working until the next group yells 'Done!'.
- Have some prizes ready for the winners.

### **ANSWERS TO THE POLARUS QUIZ**

1. How many states are there in Polarus? **Nine**
2. What is the name of the tallest mountain peak in Polarus? **Trulku**
3. What is the currency of Polarus? **The Dinar**
4. Who is the ruling party of Polarus? **The Love Status Quo Party (LSQP)**
5. Which state of Polarus has the highest level of urbanization? **Capital State**
6. Which state has the highest proportion of people living in extreme poverty? **Sunset State**
7. What is the adult literacy rate in Polarus? **68.6%**
8. What does the acronym SeDeN stand for in Polarus? **Service Delivery Now**
9. What does SeDeN publish every year? **The Polarus Peoples' Budget**
10. What is the dominant language in Polarus? **Poli**
11. When does the financial year begin and end in Polarus? **1 January to 31 December**
12. According to the Constitution of Polarus, does everyone have the right to own a car? **No**
13. At which level of government does most health spending take place in Polarus? **State level**
14. When does the Auditor-General in Polarus receive year-end reports? **Six months after the end of the financial year**
15. Over the last five years, what has been the focus of civil society mobilization? **Lack of**

### **government service delivery**

16. Who is the Director-General of Family Health in Sunrise State? **Dr. B.Knott-Sihke**
17. What was the economic growth rate in Polarus in 2007? **5%**
18. In terms of national health policy in Polarus, which types of medical cases should be given priority in secondary hospitals? **Cases involving children, the elderly and women who are pregnant or in the post-partum period.**
19. Which pandemic is contributing to the rise in extreme poverty in Polarus? **HIV/AIDS**
20. Who were the first known inhabitants of Polarus? **The Lemas**

## **9. FACILITATOR INPUT: CLOSER LOOK AT BUDGET IMPLEMENTATION**

**15 MINUTES**

**Note:** This input is supported by Slides 12 to 16 from the PowerPoint file ***MODULE 2 Defining the Problem.***

### **NOTES on SLIDE 12**

- Clarify, if necessary, that the term ‘budget implementation’ is seen to include two stages of the budget process, namely the execution stage and the oversight stage.

### **NOTES on SLIDE 13**

The budget execution process generally follows five steps:

- Monies are released to various line ministries, departments or agencies (sometimes referred to as MDAs) as per the approved budget. This usually occurs after the budget has been passed into law. The payments are generally made in quarterly or monthly installments from a central revenue fund.
- MDAs spend the funds directly, or use them to procure goods and services. The chief accounting officer within each MDA usually has to ensure that specific spending decisions are in accordance with the approved budget, and that correct procedures are being followed.
- Payments are made for these expenditures, usually by the accounts department of a ministry, department or agency, or by the central treasury.
- Expenditure transactions are recorded in accounting books. Many developing countries use cash accounting systems. This means that expenditures are recorded once payment has been made, immediately after a payment order has been issued. Cash accounting systems make it difficult to gain a comprehensive picture of a government’s financial situation at any point in time. The alternative is an accrual accounting system, under which financial transactions are recorded when the activities that generate them occur.
- In-year reports are produced throughout the year, culminating at the end of the year with the closure of accounting books and the production of year-end reports.

## NOTES on SLIDE 14

Four kinds of government reports are useful for monitoring budget execution:

- The **Enacted Budget** is the only budget document with legal status. In some countries, it sets specific allocations to individual spending agencies, and in others only sets overall expenditure levels. It provides a critical foundation for budget monitoring as it reflects what government is legally obliged to spend money on in the coming financial year.
- **In-year reports** are produced on a monthly, quarterly or mid-year basis by the government as a whole or by individual MDAs. These are vital for monitoring as they compare actual spending with the approved budget. However, in-year reports generally don't show whether a government is delivering services that the budget was meant to support.
- **Supplementary budgets** allow a government to revise its original budget proposals in response to unanticipated needs or circumstances that arise during the course of the financial year. It is important to monitor how supplementary budgets are used, as over-reliance on this mechanism can indicate poor budget planning and/or financial management. According to good budget practice, supplementary budgets should be approved by the legislature.
- **Year-end reports** consolidate information on the actual expenses of MDAs, as well as their revenue collections and debts. This may be a single document for government as a whole, or year-end reports may be issued by individual departments, ministries and agencies at the various levels of government.

## NOTES on SLIDE 15

- The procurement process is part of the budget execution stage. Multiple procurement processes are likely to be in operation concurrently across various MDAs and levels of government.
- The **pre-bidding process** involves the submission of a purchase request form to the procurement department within government or one of its MDAs. If relevant, specifications are also drawn up to outline the precise nature, dimensions and quantity of goods or services being procured.
- During the **bidding process**, one or more tenders are issued and responses are received from interested bidders or contractors. The bids are evaluated and the vendor or contractor is selected to deliver the specified goods or services.
- A **purchase order** is submitted to the vendor requesting goods or services.
- Goods or services are produced or delivered and **inspection** or **quality control** reports are issued to record whether the goods and services received are in line with the procurement contract.

- The contractor or vendor issues an invoice to indicate the **accounts payable**.
- The contractor or vendor is **paid for the goods or services** and the transactions are duly recorded.

#### **NOTES on SLIDE 16**

- When all the expenditures for a given financial year have been completed and all transactions have been recorded, an annual report is drawn up – either by individual MDAs or for the government as a whole.
- The next important step is for an independent auditing agency to verify that the expenditures have been recorded accurately.
- In monitoring budget implementation, it is important to take the oversight process into account and to consider the documents produced during this stage.
- Most audits focus attention on financial accuracy, while some also look at compliance with agreed accounting and financial management procedures.
- In some countries, there are shifts towards also undertaking performance audits, which typically consider whether government spending has been economical, efficient and effective.
- Audit institutions usually issue Audit Opinions once they have scrutinized an MDAs records. Audit opinions generally fall in one of the following five categories: unqualified, emphasis of matter, qualified, adverse or disclaimer. Participants will learn more about this in Module 5.
- Audit reports are submitted to the legislatures at national and sub-national level in most countries, together with recommendations for follow-up. It is then the task of the MPs or members of other legislatures to ensure that corrective actions are taken to address or resolve the findings of Audit Reports.

*Participants will find the information covered during this presentation in Chapters 3, 6 and 12 of **Our Money, Our Responsibility**.*

#### **10. TASK 2.5: WHICH ACTORS TO TARGET?**

**15 MINUTES**

- **Aim:** For participants to apply what they just learnt about the budget implementation process by identifying which role-players in the process make different decisions.
- Refer participants to **TASK SHEET 2.5** in their Workbooks. This exercise can be conducted individually or in pairs where people are sitting, without the need to break away into groups.
- The questions also appear on **Slide 17** for easy reference.
- After 10 minutes, review the answers in plenary, without conducting a formal report-back. Invite participants to call out responses to every example, and give special attention to those where participants came up with divergent answers, or couldn't answer the question.

## ANSWERS TO TASK 2.5

1. State Treasury or Ministry of Finance.
2. Procurement Board; Senior officials from the Ministry or Department that is meant to be managing and overseeing the contract.
3. Procurement Board; Supreme Audit Institution; Public Accounts Committee in the relevant legislature.
4. Officials in the Sunrise State Health Department; Head of the Emergency Services Program; Provincial legislature; Legislative committees on Health and Public Accounts in Sunrise State
5. Sunrise State Roads & Transport Department; Contractors; Procurement Board; Supreme Audit Institution.
6. National Treasury or Ministry of Finance; Public Accounts Committee.

## 11. FACILITATOR INPUT & DISCUSSION: BIDS 1

15 MINUTES

- Lead a brief presentation of the Budget Implementation Diagnostic Sheet 1 (BIDS 1).
- Participants will find copies of BIDS 1 in their Workbooks under Module 2.
- The BIDS 1 sheet focuses attention on the authorizing agencies and the documents generated at each step in the budget implementation process.
- Field questions of clarification and open the floor to a few minutes of general discussion about the challenges of diagnosing budget implementation problems, and accessing the documents that can help you to investigate them further.
- In the next module, participants will spend some time considering and planning how to access the documents and other information needed to monitor budget implementation.
- An important point to get across is that the methods and tools that appear in **Our Money, Our Responsibility** – some of which participants will learn to use during this workshop – are specifically geared to be able to test whether a suspected budget implementation problem has actually occurred.
- **So how could participants use the BIDS 1 in practice?** Say, for example, you suspect that anti-retroviral medicines are not available at clinics as they are meant to be in terms of health policy. Looking at the BIDS 1 sheet, it directs your attention to inspection and quality control reports, warehouse reports on stock inventories, and audit reports. If you can access these documents, you will be able to study them to look for anomalies and discrepancies. This may further confirm your suspicion that the medicines have not been distributed as agreed. You can then also make use of surveys, for example, and the social audit process, to further investigate whether medicines have been dispensed at clinics. In this way, you will be able to gather several kinds of evidence that shed light on and provide proof about failures in service delivery.

## 12. REPEAT OF TASK 2.2: HMHC CASE STUDY

35 MINUTES

- **Aim:** To give participants an immediate opportunity to use the BIDS 1 tool to review and consolidate their diagnosis of what budgetary causes could be contributing to the maternal mortality problem in Sunrise State.
- This exercise should be conducted in participants' Polarus CSO groups.
- Ask them to use the BIDS 1 tool to reconsider their answers to Task 2.2, which was conducted in the first session of this module on Day 1. The list of possible causes emerging from this exercise should still be on display in the training room.
- Participants can record their answers on **TASK SHEET 2.6** in their Workbooks. It poses the following questions:
  - Which possible budget implementation reasons didn't you list?
  - Which actors are responsible for these problems?
  - Which documents could help you locate the problem?
- After approximately 20 minutes, reconvene in plenary and discuss the answers by inviting responses from the group.

## 13. WRAP-UP: WHAT ARE THE NEXT QUESTIONS?

5 MINUTES

- Draw Module 2 to a close by briefly re-capping the main learning points of the last three sessions.
- Participants learnt that:
  - All budget advocacy work, including monitoring budget implementation, should have a clear purpose or ultimate goal. Usually this is to impact on a development problem, or to strengthen democratic practice or the budget system itself.
  - The budget process is made up of four main stages.
  - When we talk about budget implementation, we are focusing on the last two stage of the budget process, namely execution and oversight.
  - Different role-players make different decisions at different points in the budget implementation process: it is important to investigate who is responsible for the decisions that impact on your ultimate goal.
  - Different documents are generated at different points in the budget implementation process: they can shed light on how budgetary causes may be contributing to a development problem.
- The next step in the workshop will be to spend the rest of Day 2 looking at one of the key challenges for all budget advocacy work, namely access to budget information.