MODULE 2: Defining the Problem

THE 4 STAGES OF THE BUDGET PROCESS
STAGES OF THE BUDGET PROCESS

1. Budget Formulation:
The executive formulates the draft budget.

2. Budget Approval:
The legislature reviews and amends the budget – and then enacts it into law.

3. Budget Execution:
The executive collects revenue and spends money as per the allocations made in the budget law.

4. Budget Oversight:
The budget accounts are audited and audit findings are reviewed by the legislature, which requires action to be taken by the executive to correct audit findings.

Key Budget Documents:
- Audit reports;
- Legislative Audit Committee reports
- Executive’s budget proposal;
- Supporting budget reports
- In-year reports;
- Mid-year report;
- Year-end reports;
- Supplementary budgets
- Budget law; Reports of legislative budget committees

p. 6 in Our Money, Our Responsibility
KNOWING WHICH STAGE TO TARGET

• Different **decisions** are made at each stage of the budget process

• You should intervene **before** the decisions you want to change are being made, not after
STEPS IN THE FORMULATION STAGE (national level)

• Modeling of the economy (macroeconomic forecast: GDP, growth, inflation, deficit, unemployment, etc.)
• Estimation of revenue (tax & non-tax, grants & loans, etc.)
• Determining expenditure ceilings for ministries/departments/agencies (MDAs then draw up budgets)
• Release of the Pre-Budget Statement (parameters of upcoming budget proposal – budget priorities & policies)
• Formulation & negotiation of ministry/department/agency expenditure budgets
• Cabinet approval
STEPS IN THE FORMULATION STAGE II (subnational level)

- States receive block transfers & conditional grants from national Ministry of Finance
- Expenditure ceilings determined for state departments
- State department expenditure budgets formulated
- Approval by State Cabinets
STEPS IN THE APPROVAL STAGE

- Budget tabled in national & state legislatures by Minister of Finance
- Committees review and scrutinize budget & revenue proposals and report to the full legislature
- Amendments made (in countries where legislatures have amendment power)
- Budget voted into law by legislature
STEPS IN THE NATIONAL & STATE BUDGET EXECUTION STAGE

• Funds transferred to spending agencies, e.g., the Ministry of Health

• Delivery of goods and services as per budget

• Ministries/departments/agencies produce in-year reports on spending of allocated funds

• Ministries/departments/agencies produce year-end reports on spending of allocated funds
STEPS IN THE NATIONAL & STATE OVERSIGHT STAGE

• Year-end reports submitted to the Supreme Audit Institution (SAI)
• SAI conducts audits of spending agencies
  ▪ Government spending compliant with budget
  ▪ Funds accounted for in terms of best financial practices
• SAI prepares audit reports and submits reports to legislature (national/state)
• National/State legislatures submit reports to the Public Accounts Committee (PAC)
• PAC makes recommendations to the full legislature about the SAI’s findings
• Contents of this presentation found in Chapter 1 of *Our Money, Our Responsibility: A Citizens’ Guide to Monitoring Government Expenditure.*
TASK 2.3: WHICH STAGE TO MONITOR?

Which stage of the Polarus budget process would you monitor if you were concerned about:

1. The total amount being allocated to Sunrise State.
3. The size of the National Government deficit.
4. Wastage in the national health budget.
5. How much money is allocated to primary health care within the health budget.
6. Procurement fraud in the provision of medicines at state clinics.

In each case, explain your choice!
Knowing Which Stage to Monitor & When to Intervene

• Different decisions are made by different people at each step of the budget process.

• You need to monitor the people and processes that have an impact on the development problem that you want to address and gather evidence.

• Then use the evidence to target the person(s) that makes the decisions that you want to influence before they make that decision.

• For example, if you want to know how much money is allocated for training of skilled birth attendants in Sunrise State, you need to monitor & influence budget formulation & approval stages.
TASK 2.4: WHO IS RESPONSIBLE FOR THE MATERNAL MORTALITY PROBLEM IN SUNRISE STATE?

1. **Read** the transcripts of media interviews with government officials on the maternal mortality situation in Sunrise State [READING 2.3]. (10 minutes)

2. **Formulate** further questions that you would like to pose to any or all of the officials [TASK SHEET 2.4]. (10 minutes)

3. **Meet** with the officials and find out as much as you can. (35 minutes)

4. **Generate** some “theories” or hypotheses: Who or what could be causing the problem of poor maternal health care in Sunrise State? (10 minutes)

5. **Debrief**, exchange hypotheses, and discuss. (15 minutes)
BREAK
MODULE 2: Defining the Problem

A CLOSER LOOK AT THE BUDGET EXECUTION PROCESS
THE BUDGET EXECUTION PROCESS

- Funding released by treasury to spending agencies
- Agencies initiate spending (through payrolls, procurements, etc.)
- In-year and year-end accounting statements and budget reports are prepared for each agency
- Transactions are recorded in the accounting system
- Payments are made for the goods and services procured

p. 14 in Our Money, Our Responsibility
IMPORTANT DOCUMENTS FOR BUDGET MONITORING

• **Enacted Budget (law):** reflects what government is legally obliged to spend its funds on during budget year

• **In-Year Reports:** produced on monthly, quarterly, or mid-year basis; compare actual spending with approved budget (doesn’t show information on service delivery)

• **Supplementary Budgets:** allows government to revise original budget due to unexpected circumstances; important to monitor how these are used

• **Year-End Reports:** consolidates information on actual expenses of MDAs, and revenue collection and debts
THE PROCUREMENT PROCESS

Documents: purchase request forms, tenders, bids, purchase orders, quality control reports, invoices, records of transactions
THE OVERSIGHT PROCESS

Documents: In-Year Reports, Mid-Year Reports, Year-End Report
TASK 2.5: WHO WOULD YOU TARGET?

• Which actors in the budget implementation process would you target if you were concerned about the following:

1. The Sunrise State Health Department didn’t receive all of the money that was allocated to it in the State budget.
2. Contracted service providers do not deliver the goods and services as set out in their government contracts.
3. The Procurement Board is not following accepted procedure for deciding on bids.
4. The Emergency Services Program in the Sunrise State Health Department is under-spending on its allocation for ambulances.
5. Contractors in Sunrise State are building inferior roads.
6. Money allocated to the National Department of Health has been moved to Defense.