CSOs Examine Chad-Cameroon Pipeline Project and Chad Budget Process

Civil society organizations are examining the multibillion-dollar Chad-Cameroon oil pipeline project with the goal of promoting transparency in the use of oil revenues. Chad ranked 142nd out of 145 countries evaluated in the Corruption Perceptions Index prepared by Transparency International, and has the world's 167th position out of 177 countries evaluated in the human development ranking, according to the United Nations Development Program. The pipeline project has been funded by the International Finance Corporation of the World Bank in order to help reduce poverty.

Successfully distributing Chad's state oil revenues is of utmost importance to achieving the nation's poverty-reduction goals, as these revenues make up an increasing share of the national budget. Chad's total budget in 2004 was approximately $950 million. The nation's $144 million in oil revenues was more than 15 percent of the government's total anticipated receipts and approximately 40 percent of non-oil revenues (excluding aid, grants, and loans). Furthermore, oil revenues are expected to grow substantially in the future: experts believe they could exceed non-oil revenues in 2005 and could double by 2007, when the ExxonMobil Consortium's tax exemption expires.

As Chad's oil revenues and national budget grow, so does the need to establish transparent governance mechanisms. At the behest of the World Bank, the government established the
Petroleum Revenue Management Law (also called "Law 001") in 1999, which outlined the allocation of direct oil revenues and established a Petroleum Revenue Oversight and Control Committee (commonly called the "Collège") to oversee the expenditure of oil revenues. Also, government decrees issued in July 2003 established revenue stabilization and sterilization mechanisms and clarified both the functioning of the "Collège" and the spending procedures for the sectors of society on which Chadian human development depends.

"Chad’s Oil: Miracle or Mirage?," a recent analysis of the implementation of the pipeline project by Ian Gary of Catholic Relief Services (CRS) and Nikki Reisch of the Bank Information Center (BIC), highlighted several weaknesses in Law 001:

- The Collège only has jurisdiction over direct oil revenues. Indirect revenues, such as corporate taxes and custom duties generated by the oil project, are not covered and go directly into ordinary Treasury accounts.
- The law only covers three oil fields in Doba: Boloba, Komé, and Miandoum, even though ExxonMobil will begin production on five new fields in 2005 and soon thereafter.
- The law specifies that 5 percent of direct oil revenues should be allocated to the Doba oil-producing region, but this requirement can be changed by presidential decree five years after the law’s passage (i.e., from 2004 onwards).

Several weaknesses in the Chadian government’s budget process can also impede efforts to ensure that oil revenues are spent efficiently to alleviate poverty. First, elected officials have little time to discuss the budget proposal with their constituencies. Second, no needs assessments or planning discussions take place at the regional or local levels. Chad also lacks the capacity to spend its new revenues promptly because its economy is underdeveloped and its procurement procedures are long and complicated.

Civil society groups are aware of the need to find ways to participate in all stages of the budget process given the lack of transparency throughout the process. According to the Local Permanent Oil Commission (CPPL), a CSO that works in the south of Chad where there are important oil deposits, the budget is not publicly accessible. CPPL states that it is difficult to comment even on the executed budget, since access to budget data is very limited and existing information is not sufficiently disaggregated.

Another obstacle faced by CSOs is that because Chad has little history of budget advocacy work, public officials sometimes feel threatened by civil society interest in the budget. However, parliamentarians are showing growing interest in working with CSOs on the use of public funds. Also, since CSOs are new to budget work, they lack sufficient full-time staff to conduct budget analysis and communicate the results of this analysis to broader audiences.

Despite the challenges of doing budget work in Chad, CSOs such as the Group of Alternative Research and Chad-Cameroon Oil Project Monitoring (GRAMP/TC) have created initiatives to promote transparency of oil revenues. CPPL sees in Law 001 an opportunity to obtain useful information for its work in Doba, where it facilitates meetings between community representatives and villages and has developed regional development plans to address different aspects of the oil project’s impact on the region.

Through the Observatory for the Use of Oil Revenues, GRAMP/TC disseminates government information on budget and oil revenue transfers and publishes a monthly newsletter. GRAMP/TC is also interested in monitoring the allocation of resources to different ministries and in raising awareness inside and outside Chad on the importance of transparency and
good governance. Finally, GRAMP/TC intends to develop its budget analysis skills by participating in the elaboration of Poverty Reduction Strategy Papers and the National Strategy for Good Governance, two venues that offer an opportunity to obtain and analyze budget information.

According to Nikki Reisch of the Bank Information Center, "the attention to the transparency and management of oil revenues and the mobilization of civil society around the oil sector could represent an important opportunity to expand public access to and participation in the budget process — monitoring its formulation and execution. However, there is concern that the attention to the oil sector is deflecting attention from the rest of the state budget, and that there is consequently a risk of increased mismanagement of other (non-oil) public funds."

This and other concerns, such as the need to strengthen citizen participation in the budget through budget literacy and budget advocacy tools at the local level (where civil society networks are already in place), were discussed at an introductory workshop on civil society budget work organized last November by Intermon Oxfam, the Africa Budget Project at Idasa, and the Publish What You Pay coalition. Workshop attendees, including representatives from GRAMP/TC and CPPL, had an opportunity to study the manifold challenges and opportunities ahead for budget work in Chad.

To read "Chad’s Oil: Miracle or Mirage?,” go to: http://internationalbudget.org/wp-content/uploads/Chads-Oil-Miracle-or-Mirage.pdf

To read the GRAMP/TC newsletter, go to: http://www.gramptc.org/Activites/bulletin%20000.pdf.

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**Budget Analysis and Human Rights Meeting, Portugal**

The first-ever "Linking and Learning Programme on Budget Analysis and Economic, Social, and Cultural Rights" for human rights activists from around the world was held in Alcochete, Portugal, from 11-19 March. The meeting was hosted and organized by Dignity International in coordination with the International Network for Economic, Social and Cultural Rights (ESCR-Net), the International Budget Partnership (IBP), Fundar, and the International Human Rights Internship Program. The 19 attendees came from Argentina, Brazil, China, Egypt, Hungary, India, Indonesia, Israel, Kenya, Mexico, Nigeria, Palestine, Portugal, Spain, Thailand, Uganda, and Venezuela.

The goal of the meeting was to provide human rights practitioners with the skills to understand and analyze budgets, so that they can use these skills to strengthen human rights defense and advocacy. Combining budget analysis with human rights creates a powerful tool to promote social justice. Not only does the budget reflect the government's priorities, but analysis of the allocation of financial resources can uncover discrimination against specific sectors of society or inattention to the fulfillment of economic, social, and cultural rights.

Participants in the ten-day meeting analyzed the budget cycle and the composition of the budget, learned how to adjust figures for inflation and measure changes in variables over time, and conducted human rights analysis and budget analysis of hypothetical case studies.
Participants also discussed the specific projects in which they intend to use the skills they learned. For example, the Argentine group Civil Association for Equity and Justice (ACIJ), which focuses on public services, plans to investigate possible discrimination on the basis of income in the provision of public services. (One example is that trains running to rich neighborhoods have new cars, while those going to poor neighborhoods use old cars that lack air conditioning or are otherwise in poor condition.)

Another participant in the workshop, the Kenyan group Centre for Minority Rights Development (CEMIRIDE), works to ensure that the rights of minority communities of pastoralists and indigenous peoples are identified and protected. CEMIRIDE is part of a working team developing a methodology to enable organizations to monitor the trends of pastoralism in Kenya and suggest appropriate interventions. In 1970 the pastoralist community of Endorois was relocated to smaller, arid areas not suitable for pastoral sustenance; it now faces great food insecurity, high mortality and illiteracy rates, and exclusion from government social and economic programs. In addition, the community has not received the promised compensation for the loss of its land or any benefits from the Lake Bogoria National Park, which now occupies those former lands.

CEMIRIDE is eager to integrate budget analysis into its work. According to CEMIRIDE representative Bill Rutto, "the Portugal training has certainly changed the way I see things in human rights advocacy work. It seems to have suddenly transformed my approach and the way I would assess situations before coming up with concepts. I think the idea of linking budgets to human rights is one strategy that strengthens arguments in a manner authorities would find impossible to counteract."

South African NGOs React to 2005 Budget Speech

South African NGOs have been critical of 2005 budget presented by Minister of Finance Trevor Manuel in February. The People's Budget Campaign (an NGO coalition consisting of the Congress of South African Trade Unions, the South African Council of Churches, and the South African National NGO Coalition) and the Institute of Democracy in South Africa (Idasa) released separate statements raising their concerns about issues such HIV/AIDS and its impact on specific populations, including women and children.

Of particular concern to both organizations was the Minister's omission of HIV/AIDS in the 2005 budget speech. According to the People’s Budget Campaign, previous budget speeches have included an explicit funding commitment for HIV/AIDS, against which actual government spending could then be compared. In addition, Idasa expressed concern about the lack of gender-sensitive plans and programs within the budget to address the inequalities faced by women, who have the country’s highest HIV/AIDS infection rates. Although the 2005 budget gives some consideration to addressing gender inequalities, many such initiatives tend to ignore the vulnerability of women to poverty, unemployment, and exposure to HIV infection.

According to Idasa, government services and funding for vulnerable children fall far short of need because of extensive poverty, structural unemployment, neglect and abuse, disability, and HIV/AIDS. Some of the most urgent needs are:
The development of standards for early childhood development and other welfare services, which are critical to the protection and development of vulnerable children.

The development of costing models to provide guidance on how much should be allocated to different services for vulnerable children.

A clear commitment by the government to fully finance the provision of statutory welfare services for children and an explanation of how the needed funds will be executed.

Extending the coverage of the Child Support Grant (CSG), now available to children through age 14, to children aged 15-18.

The quality of education and the health sector still remain a challenge affecting vulnerable children, and both People's Budget Campaign and Idasa were surprised that the 2005 budget addressed the health sector so inadequately. Idasa stated that shortages of staff and management at the district and local levels are undermining HIV/AIDS programs by slowing the provision of health services, including anti-retroviral treatment. The People’s Budget Campaign observed that no money is being allocated to improving the working conditions for health workers.

Furthermore, important steps still must be taken to facilitate the monitoring and analysis of information on health spending. In particular, Idasa recommends that the National Treasury and National Department of Health devise a mechanism to capture and disseminate spending data for every component of HIV/AIDS programs funded by conditional grants.


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**Snapshot of Kazakhstan’s 2005 Budget**

In November 2004, the Development of Tax Culture Public Association, in Almaty, Kazakhstan, conducted a comparative analysis of several items in the country's draft budget for 2005.

The study, conducted with support from the Soros Foundation's Kazakhstan Revenue Watch program, examined public expenditures in health care, education, social security and welfare, housing and communal services, fundamental and applied research, and the agriculture, water, forest, and fish industries and environmental protection.

Although only 71 percent of the 2004 budget was executed, the 2005 budget (which was adopted by the parliament last November) called for an 11-percent increase in overall expenditures. The government’s decision to spend more on health care and education in 2005 is welcome, considering the number of unresolved problems in these sectors. Given the low level of utilization of public funds in the past, however, the public and the parliament must ensure that these allocated resources are spent as effectively as possible.

Expenditures for the agriculture, water, forest, and fish industries and environmental protection declined by 5 percent in 2005. This reduction raises concerns about the present
ecological crisis in many regions of Kazakhstan, though it is not clear whether the reduction reflects a change in government policy on this issue.

The information available is not sufficiently transparent, in that it does not specify how the budget increments will be used. Such details are necessary for these allocations to be monitored. Moreover, it is not possible to determine the extent to which the budget redistributes funds among regional budgets in order to address the problem of unequal regional development.

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**Snapshot of India's 2005 Union Budget**

In February, India's United Progressive Alliance (UPA) government issued the Union Budget for 2005-06. Political parties, civil society organizations, grassroots activists, economists, and the general public, have been eager to find out if the UPA government will fulfil the promises made in the National Common Minimum Programme (NCMP) to achieve employment-oriented growth.

The Center for Budget and Governance Accountability (CBGA) observed that the proposed funding increase for rural development, health, and education is welcome, although it is only half of the increase demanded by leftist parties and other progressive sectors. In addition, the introduction of gender budgeting as a separate budget category will make it easier to document development schemes for particular castes and tribes.

Although the budget shows that rural areas and the social sector in general have become higher government priorities, it contains no major increases in budget allocations for the sectors listed as priorities by the NCMP. The budget allocates less to rural housing than last year, and it calls for larger spending increases in defense than in agriculture and related activities.

Moreover, while the rollout of new programs like the National Rural Health Mission is a positive sign, their success still depends on proper implementation and continued funding. According to CBGA, the main reason for this half-hearted attempt to address the problems of the rural poor and social sectors is the prevailing conservative fiscal thinking, as well as the Fiscal Responsibility and Budget Management Act.

To review the Union Budget 2005, go to: [http://www.cbgaindia.org/publications_responses_to_union_budgets.php](http://www.cbgaindia.org/publications_responses_to_union_budgets.php)

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**Decreasing Budget Transparency in the U.S., CBPP**

The Center on Budget and Policy Priorities (CBPP) based in Washington, D.C., released a report in February which documented the omission of detailed information on planned future spending cuts in the budget proposal that President George W. Bush submitted to Congress. The report noted that this was the first U.S. executive budget plan in 16 years to lack this sort of detailed information.

When the President's Office of Management and Budget (OMB) released its budget proposal for the next fiscal year on February 7, it included plans to cut funding for annually
appropriated domestic programs (excluding homeland security), by $214 billion over the next five fiscal years. Examples of domestic "discretionary" programs in this category include public services like education, transportation, military veterans' health care, environmental protection, medical research, and food and drug safety.

These cuts were promoted as the administration's response to widespread criticisms of the growing annual budget deficits in the U.S., and were justified as active steps to slow that increase. However, despite the large cuts proposed to domestic discretionary spending, the president's budget would actually increase deficits relative to current law, since the president's budget proposes a number of large tax cuts that would disproportionately benefit higher-income Americans, as well as increases to defense and homeland security spending.

CBPP reported that details in the budget on the amounts of proposed cuts to specific programs were included only for one fiscal year, even though the overall cuts to those budget areas were projected to grow deeper in future years. Under the 5-year budget projections used by the administration, cuts in these program areas for fiscal year 2006 (the only year for which detailed information was provided) were proposed in the range of 5 percent. But the report noted that "by 2010, these cuts would reach 16 percent and thus be three times deeper."

By analyzing and documenting data from unpublished backup budget documents which the OMB had prepared for the legislative budget committees — but had not provided to the public — analysts at CBPP were able to calculate the size of cuts being anticipated by the administration for specific program areas in future years. Through this analysis, they were also able to demonstrate plans by the executive for cuts in specific budget areas and the amount those cuts would increase over five years. This in turn refuted executive claims that these cuts were planned by the application of a predetermined formula, rather than resulting from decisions made on specific spending priorities.

The report by CBPP, which was published only two days after the release of the President's budget proposal, was thus able to make a significant and timely civil society contribution to the public debate over the administration's budget priorities.

To read the full CBPP report "Unpublished Administration Budget Documents Show Domestic Cuts Would Significantly Reduce Funding For Most Public Services," go to: http://www.cbpp.org/cms/index.cfm?fa=view&id=2942

For a detailed follow up report:

Strengthening CSO Budget Participation, Burkina Faso

The Center for Democratic Governance (CGD), one of five budget-related projects selected to receive financial and technical support from the Civil Society Budget Initiative in CSBI's first year of operation, has launched a year-long project to educate civil society organizations and citizens in Burkina Faso about participating in public budget debates.
CGD was created in 2000 by a coalition of academics, jurists, and civil society leaders to promote good governance in Burkina Faso; its current activities include research and public policy analysis, advocacy, and training. Last year, in collaboration with Idasa, CGD completed a survey of budget transparency that made clear the need for budget information in an accessible form to permit effective citizen oversight of government.

Using the knowledge gained in its transparency work, CGD and its resource network are working to increase the capacity of local civil society organizations to analyze and participate in budgetary processes and PRSP monitoring. As a first step, they formed a "think tank" working group on transparency and budget issues to study opportunities for budgetary participation in Burkina Faso; the working group included 12 representatives from NGOs and government finance offices. A subset of this group prepared an analysis of the government’s draft national budget for 2005 after the budget's release in September. The analysis was presented to the press and national CSOs in December.

CGD and its resource network then developed modules on budget analysis for selected CSOs and grassroots organizations. These modules were presented as part of two-day workshops conducted in seven communities over a two-month period. Each workshop included a practical exercise analyzing a model communal budget in relation to the national budget; participants also completed a questionnaire to assess the degree of openness and participation in communal budgeting.

CGD will prepare booklets summarizing the workshops and distribute them to CSOs, public authorities, and network partners. The booklets are intended to popularize the training modules on making budget information accessible, educate CSOs on opportunities for involvement in budget processes, and raise community and governmental awareness about these issues.

How U.S. NGO Reacts to the National Budget

Each year, on the first Monday in February, the President of the United States submits to Congress his budget proposal for the coming year. This begins a several-month cycle in which Congress evaluates the President's budget, crafts a budget blueprint of its own, and then sets about passing the appropriations bills that fund various government activities. In addition, Congress will sometimes pass legislation that makes changes in tax law or individual entitlement programs such as Medicare (which provides health care for the elderly), which also has a budget impact.

The Center on Budget and Policy Priorities (CBPP), based in Washington, D.C., plays a leading role in evaluating these budget proposals and communicating its findings to policymakers and the media. Some of the tactics that CBPP regularly employs include:

- **Rapid response.** The President's budget proposal consists of thousands of pages of numbers, which can easily overwhelm even the most determined reader. Members of the press and policymakers must rely on the President's description of his own budget unless they can obtain an independent analysis from non-government experts. This is where CBPP comes in. Within hours of the release of the President's budget, a team of CBPP analysts plows through these numbers and issues a report
that addresses such questions as: What is the impact of the budget on the deficit? Did the President use any tricks to make his budget look better than it really is? What tax policy changes are being proposed? What significant policy changes are being proposed that would affect low- and moderate-income people?

- **State-by-state and human impact analysis.** Whenever possible, CBPP tries to go beyond simply reporting the overall dollar amount of a proposed policy change and describe the proposal likely impact on specific states and/or specific groups of people. For example, CBPP showed this year that a proposed $1 billion cut in food stamps would cause 200,000 families to lose nutrition assistance. Since state-by-state and human impact analyses can prove time-consuming, CBPP often provides these kinds of analyses as a follow-up to its initial "rapid response" evaluation of the budget.

- **Media outreach.** CBPP regularly hosts telephone conference calls with journalists from around the country to present and discuss just-released CBPP analysis concerning a topic in the news. Participants range from editorial writers to TV producers to reporters for regional newspapers. After an initial presentation by an expert from CBPP or other research organization, reporters are given an opportunity to ask questions.

- **Communicating with policymakers and advocates.** To ensure that its analyses reach policymakers, other non-profit organizations, and advocates, CBPP maintains extensive email notification lists to announce new publications (which are posted in their entirety on the CBPP website). CBPP's legislative team also communicates regularly with key legislators and their staffs to reinforce the key messages in CBPP analyses.

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**New in the IBP Library**

*Trust in Public Finance: Citizens' Views on Taxation by Local Authorities in Tanzania*

By the Research on Poverty Alleviation (REPOA), Dar es Salaam, Tanzania

This project brief outlines citizens' views regarding both the uses of tax revenues collected by local authorities in Tanzania and the procedures used to collect and allocate those revenues; it also discusses the policy implications of these findings. The project brief is one of a series of easily readable summaries of research findings from a survey of six councils in Tanzania, part of a four-year research project to document the impact of the country's Local Government Reform Program.

*Research on the Current State of PRS Monitoring Systems*

By Henry Lucas, David Evans, and Katherine Pasteur with Robert Lloyd/Institute of Development Studies, University of Sussex

This report reviews recent literature on monitoring Poverty Reduction Strategies and discusses four challenging areas: the institutional arrangements for PRS monitoring, the role of non-governmental organizations, the importance of monitoring implementation and intermediate outcomes, and how best to disseminate and use the results of monitoring. Regarding the role of civil society in government monitoring systems, the authors emphasize the importance of stakeholders' awareness of civil society participation.

*Governance Hybrids: Pro-poor, Rights-based Approaches in Rural Peru*

By Aaron Schneider and Rebeca Zuniga-Hamlin/Institute of Development Studies, University of Sussex
This paper explores the hybrid forms of governance that have resulted from the introduction of rights-based approaches to poverty reduction into areas of extreme poverty in rural Peru.

The Seven Habits of Effective Aid: Best Practices, Challenges and Open Questions
By Andrew Rogerson and Paolo de Renzio/Overseas Development Institute (ODI)
This paper, issued in advance of the "High-Level Forum on Harmonization and Alignment for Aid Effectiveness" held in Paris in February, looks at the challenges associated with improving aid effectiveness. The "seven habits of effective aid" it outlines are: 1) aligning financing with the policy priorities of the partner country, 2) improving the predictability of aid, 3) relying on the partner country's systems for distributing aid whenever possible, 4) increasing donor complementarity by avoiding major gaps or overlaps among donor initiatives, 5) intensifying and incentivizing joint action between donors and partner countries, 6) ensuring mutual accountability between donors and partner countries, and 7) strengthening the institutions within the partner country that are needed for the country's sustained development.

El presupuesto de defensa en América Latina. La importancia de la transparencia y herramientas para el monitoreo independiente (The Defense Budget in Latin America: The Importance of Transparency and Independent Monitoring Tools) (in Spanish)
By Marcela Donadio (Coordinator)/RESDAL
This report presents, in simple language, the vital elements of defense budget analysis and strategies to assist civil society groups in doing budget work. The first half of the paper explains the current status of the defense sector in Latin America and highlights important considerations in undertaking defense budget work. The second half of the paper provides citizens with the necessary tools to carry out work on the defense budget, including suggestions for budget analysis and strategies for effective budget work.

Announcements

OSI JOB OPPORTUNITY: REVENUE WATCH PROGRAM DIRECTOR
The Open Society Institute (OSI) seeks candidates to fill the position of director for its Revenue Watch Program. OSI, a private operating and grant making foundation, implements a range of initiatives to promote open society by shaping government policy and supporting education, media, public health, and human and women's rights, as well as social, legal, and economic reform. Revenue Watch www.revenuewatch.org was established in 2002 to improve accountability in natural resource-rich countries by equipping citizens, governments and other interested parties with the information, training, networks, and funding to improve transparency of government revenues and expenditures.

The director develops strategy and implements Revenue Watch’s operating and grantmaking programs. The director supervises staff, oversees research, publications and grant-making, interacts with foundations and manages the program's budget. The director will coordinate all Revenue Watch-related activities of OSI and the Soros foundations network. The director will work in close cooperation with Soros network partners in Central Asia, Africa, Latin America, the Middle East, and elsewhere on initiatives related to resource revenue transparency and management, public finance monitoring, and anti-corruption.

The position is based in New York, with frequent travel to relevant countries where Revenue Watch presently operates. The position reports to OSI's Associate Director, Anthony Richter, as well as to a Board of Advisors. The deadline to apply is May 20th, please no phone calls.
PARTICIPATORY BUDGET LISTSERV
The Transformative Learning Centre (University of Toronto) is starting a listserv on participatory budgeting, an outgrowth of the session "Participatory Budgeting in the Geopolitical North" at the 2005 World Social Forum. For information about this session, go to: http://ncdd.org/rc/item/2543