



Budgets4Citizens

Budget Participation Guide

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With the aim of contributing to the participation of civil society organizations in the budgetary processes in Armenia and the effective implementation of monitoring and advocacy in that field, the Armenian Association of Lawyers and Agora Central Europe (Agora CE) have commissioned this Budget Participation Guide.

The “Budgets 4 Citizens” (B4C) project funded by the European Union is implemented by a consortium consisting of the Armenian Lawyers’ Association, cooperation with partners “Economic Development and Research Center” (EDRC) NGO and “Agora Central Europe” NGO from Czech Republic. The Overall Objective of the project is to foster an inclusive and transparent budgetary process with participation of Civil Society in Armenia and to enhance participation of Civil Society in public budgetary processes. The sectors of justice, agriculture, social security and education are selected as the target sectors of the Project.

The “Armenian Lawyers’ Association” non-governmental organization was founded in 1995 with the aim of creating a strong civil society and supporting the development of Armenia as a sovereign, democratic, legal and social state. The organization has contributed to the development of Armenia’s public policies in the areas of anti-corruption and return of stolen assets, human rights and gender equality, budgetary processes, good governance and rule of law.

Agora CE has been active for almost fifteen years in the Czech Republic. It was founded as a Czech non-governmental and non-profit company by two Dutch partners, an open dialogue and involvement of citizens in public affairs tradition takes a unique place in Netherlands. The mission of the Agora CE is to strengthen the process of democratization of our society. Long-term commitment of Agora CE is to improve communication and cooperation between citizens and town halls, and encourage citizens interested in public affairs with the aim of increasing the political culture in the country.

This publication has been produced with the assistance of the European Union in the scope of “Budgets 4 Citizens” (B4C) Project. The contents of this publication are the sole responsibility of the author and can in no way be taken to reflect the views of the European Union.

The Budget Participation Guide has been compiled on behalf of Agora Central Europe by Jana Stehnová.

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Abbreviations and Acronyms

ALA	Armenian Lawyers' Association (NGO)
B4C	Budget for Citizens (the Project)
CSO	Civil Society Organization
EDRC	Economic Development and Research Center (Armenia)
EPRC	European Parliament Research Center
FOIA	Freedom of Information Act
FY	Fiscal Year
IMF	International Monetary Fund
MOF	Ministry of Finance
MTEF	Medium Term Expenditure Plan
NGO	Non-governmental organization
OGP	Open Government Partnership
PB	Participatory budgeting
RA	Republic of Armenia

Preface

In response to a continuous effort of local advocates for greater transparency and accountability and persisting pressure of the international community, the Republic of Armenia (RA) has made a commitment to promote greater fiscal transparency and increase citizens' participation in its budgetary agenda.¹ The availability of information on governmental budgets is an essential pre-requisite for such effort, yet it is only a first step in a long run. The agenda of budget and fiscal transparency is still rather new in the country and thus challenging for both, the representatives of state authorities as well as general public including non-profit organizations and other representatives of the civil society.

Generally, there are two ways in which participation in fiscal policies can be initiated:

- (i) by state actors inviting non-state actors to participate (i.e., **invited participation**).
- (ii) by non-state actors, such as civil society organizations (CSO) or social groups, initiating the engagement (i.e., **invented or claimed participation**).²

In this publication, our main focus will be on the later, i.e. on the ways how civil society actors may engage in fiscal policy debate.

Presented publication (**Guide**) is an output of a multi-year project Budget for Citizens (B4C), a multi-year project financed from the funds of the European Union Representation in Armenia, which is conducted under the leadership of the "Armenian Lawyers' Association" NGO (ALA) and implemented in collaboration with two other representatives of the non-profit sector, independent non-partisan think-tank EDRC and non-profit organization based in Prague, Czech Republic, AGORA Central Europe.

In line with the overall goals of the project, this guide has been elaborated to increase the capacity of CSOs in Armenia in the area of budget work.

This guide draws from a baseline study conducted by the ALA that provided useful insights into the current state of awareness, needs, and capacity as well as outlined existing gaps and issues of Armenian CSOs aiming to practice budget work. The baseline study discovered, among others, that out of thirteen surveyed organizations, four fifths have never conducted budget monitoring, less than half the surveyed CSOs access budget information with any regularity, moreover, many of them only access budget information from local self-governments (LSG) bodies (rather than state bodies). It has been confirmed that there is a high need for analytical skills, as well as skills in monitoring and advocacy. The representatives of

¹ <https://www.opengovpartnership.org/members/armenia/commitments/AM0029/>,
<https://www.opengovpartnership.org/members/armenia/>

² <https://fiscaltransparency.net/public-participation-principles-and-guide/>

the CSOs are poorly aware of data sources and opportunities to monitor particular sectors and/or aspects of the budget process.

In Armenia, quite recently, public authorities in charge of drafting public budgets or their parts (including territorial self-governments) became obliged to conduct discussions with interested stakeholders, including civil society representatives, before elaborating and submitting the final draft of their Medium-Term Expenditure Plan (MTEF).³ Without sound knowledge and understanding of the budgetary-related issues, the CSOs can hardly involve in a meaningful discussion.

In this document, a five-step approach has been defined to help the CSOs and other social groups to structure their budget studies and applied work, these “steps” constitute individual chapters of the guide, providing some instructions and inspiration where and how to start, even with no (or not sufficient) previous knowledge of budget related issues. You don’t need to follow one step after another as budget work is rather complex and requires continuous and multi-disciplinary approach, nonetheless, they can help you to constitute your own “road-map”.

Mostly due to its substantial technicality and overall unattractiveness, the budget process and systems themselves might not immediately emerge as the first choice while selecting the initial areas of activities. In many instances, however, it might work just well as learning about and analyzing the budget system are important in building an organization’s own expertise. In addition, if the national or local budget process is not designed in a manner that allows access and makes information available, demanding an establishment of a workable budget process might be the way to start.

Budget work should be year-round because the budget cycle itself is ongoing throughout the year. The timeliness aspect of research includes both the ability to identify relevant research opportunities at the right point in time and the capacity to release the completed work when it can have the most impact on decision makers. An organization should always keep an eye on the policy process and be able to allocate resources to a specific issue when needed.⁴

CSOs must make sure that their budget analysis is sound, particularly to ensure the long-term credibility of the organization. Policymakers and the media are going to place greater weight on an organization’s work if they are confident it is accurate and reliable. It is possible for an NGO report that has newsworthy content to receive attention in the media even if the underlying work is not solid; but over time, future

1 (GET TO) KNOW YOUR BUDGET

2 WATCH THE CALENDAR

3 MONITOR AND ANALYZE

³ Decision of the Prime Minister of the Republic of Armenia N 35-A of 18 January 2021.

⁴ <https://internationalbudget.org/publications/budget-advocacy-skills-tools-and-tactics/>

work will receive less attention if an organization's papers and reports have been inaccurate.⁵

The accessibility of the research is equally important. The target audience will typically not be familiar with the details of the policy issue being analyzed, so it is imperative that the products be produced with the needs of this broader audience in mind. This requires that reports be written in clear language, with understandable terms. Jargon should be avoided. The presentation of information and data should be well structured and should follow a helpful format and include illuminating graphics.⁶

CSOs around the world have gained voice in the public arena by analyzing public policy, budgets, and service delivery. The results are made available to decision makers and stakeholders either directly or through the media, in an effort to influence decision making and build capacity elsewhere for engagement with public policies. The public policy and service benefits include enrichment of the public debate and improved accountability for policy making and implementation. Such work can serve as a catalyst for public participation and collective action.⁷

While creating this guide, a various body of materials have been taken as an inspiration and drawn from. As the pioneer of the budgetary work agenda – the International Budget Partnership (IBP) – has elaborated many very useful guides and how-to publications, it has also constitute a major resource for the work. Besides the publication by IBP, other policy briefs, reports, manuals, academic and research papers, and compendiums have been used as a source. A non-exhaustive list of those publications can also serve you for your further studies and budget work activities. The list can be found at the end of this publication, in the chapter Resources.

4 RAISE AWARENESS

5 BECOME INTERMEDIARY

⁵ Cit. <https://internationalbudget.org/publications/budget-advocacy-skills-tools-and-tactics/>

⁶ Cit. <https://internationalbudget.org/publications/budget-advocacy-skills-tools-and-tactics/>

⁷ <https://knowledge-uclga.org/IMG/pdf/participatorybudgetingwb.pdf>

Introduction

Constructive participation by civil society can raise the quality of the budget debate and improve budgetary outcomes through a variety of means, such as training (provided to other CSOs, journalists, or even legislatures), highlighting crucial information and policy issues (especially by feeding the perspectives of the poor, vulnerable, or otherwise disadvantaged people into the budget decision-making process), identifying best practices (thanks to their external viewpoint), and demanding accountability.

Public participation in fiscal policy: the variety of ways in which civil society, businesses and other non-state actors interact directly with the executive on fiscal issues including government taxation and revenue collection, resource allocation, actual spending and performance, auditing and the management of public assets and liabilities. (Source: [GIFT](#)).

Public participation in fiscal policies may take many different forms: it may be through face-to-face communication, deliberation or input to decision-making, also written forms of communication including via the internet, or a combination of different mechanisms. Public participation may also be formal or informal ranging from one-off public consultations or invitations for submissions, to on-going and institutionalized relationships, such as regular public surveys, standing advisory bodies, or administrative review mechanisms. It may also include potentially participatory budgeting, this is where citizens actually vote on and decide how a specific line in the budget will be spent.

Overall, civil society groups have the potential to make the budget more accessible and understandable to a wider range of stakeholders outside the executive — from the legislature to interest groups — that might otherwise view the budget as too arcane and confusing to warrant their attention. Applied budget work can help to “demystify” the budget for these stakeholders and bring them into the important debate on how to allocate a country’s resources to meet its most pressing needs.

SUCCESSFUL BUDGET DEMYSTIFICATION IN CROATIA

In 2000, the Institute of Public Finance in Croatia published a guide with general introduction to public budgets with an analysis of fundamental aspects of national and local budgets (including revenues, expenditures, extra-budgetary funds, and the consolidated budget of the general government), description of different stages of the budgetary process. Published at the time when the executive’s budget proposal was to be discussed in parliament, the guide had been widely quoted not only in the media but also by the politicians. One of the members of the parliament stood up, flashing the document, and said to the deputy minister of finance: “Now we don’t have to simply listen to you anymore, we have a guide!” (Source: [IBP](#), p.38)

Public finance fulfills three basic functions – allocation, redistribution, and stabilization, they serve to finance the operation of the state and its institutions, enable the mitigation of poverty and differences in society, and help dampen fluctuations in economic activity. **The instrument facilitating the management of public finances is public budget.**

Just as public finance (and thus public budgets) serves several different functions, so too can the budget work of CSOs pursue various objectives and thus, **the approaches of budget work deployed by individual CSOs may vary accordingly. Similarly, the scope of their focus or the subject of their analysis may differ.** While some organizations may prefer to look at the bigger (macroeconomic) picture (e.g., to discover how much the state spends, what is the budget deficit, its reason and how it is proposed to be financed, how resources are collected e.g., with respect to “tax justice” agenda), others may focus on a particular policy sector and measure programmatic financing. Another approach might be to deal with more systemic aspects of the budgetary process, or elaboration of comparative analyses e.g., of local governments budgets.

When you made clear, what the purpose and intended outcome of your budget work should be, you can get into your budget work activities.

***Public budgets:** budgets of institutions that are part of the government sector. Budgets are used to plan, capture, and control the management of the institutions that draw them up and implement them. The budgets of government sector institutions most often contain an overview of income, expenditure, and balance for a given time unit, which is usually a (calendar) year, also called a **fiscal year**.*

If the aim of your budget work is to focus on the macro level, such as assessing state deficit and depth, or tax policies and reforms, you might consider searching for materials on webpages of national fiscal institutions, those can be advisory bodies of the government (i.e., a cabinet council for fiscal or economic policies), executive bodies (such as the ministry of finance), or a national fiscal council (Learn more on Independent Fiscal Institutions – IFIs on the EC website: https://economy-finance.ec.europa.eu/economic-and-fiscal-governance/fiscal-frameworks-eu-member-states/independent-fiscal-institutions_en)

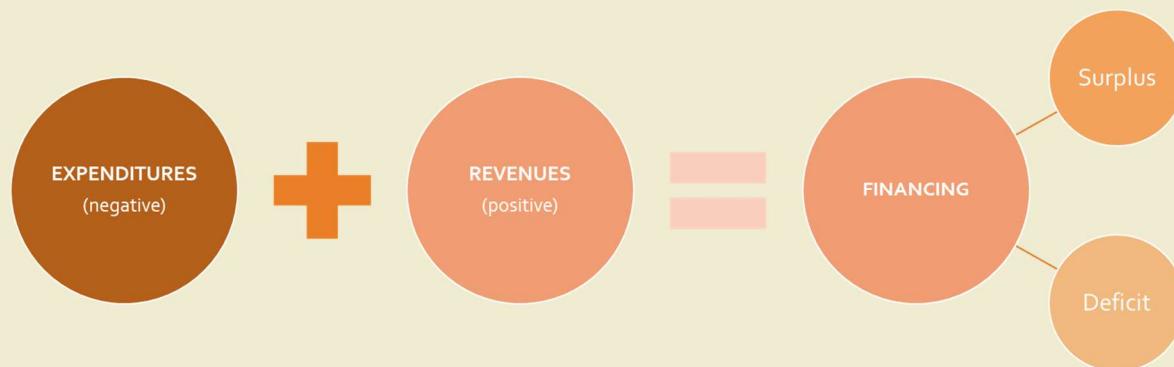
Public Budgets at a Glance

There are various ways how to perceive the budget which can further determine what type of activities you might consider to implement during your budget work.

a) Budget as a Balance of Revenues and Expenditures

Public budget presents major document of economic management of public finance for a given period. It is a list of anticipated revenues and planned expenditures and includes the information about the balance, or imbalance, of the management of a given budgetary organization. If the value of income is equal to the value of expenditure, it is a balanced budget. Achieving such a balance is, however, a matter of chance when implementing the budget. In most cases, income and expenses are not equal. If income exceeds expenditure, it is a surplus; otherwise, a shortfall (deficit).

Nowadays, it is not a common practice that state budgets would end with a surplus at the end of the fiscal year, the situation is different in case of local budgets, anyway. By reaching a surplus, unused funds remain in the property of the municipality. These can be used, for example, to pay part of the debt or to create a certain reserve for worse times. If the economy is in deficit, the municipality must obtain additional funds somewhere – use the reserve from previous years or borrow from the capital market. A specific case of covering the budget deficit is the sale of property. Optically, it may appear that the budget is balanced, as sales revenues appear on the income side. In reality, however, this operation has no effect on the size of the deficit, as it is only a change in the structure of assets.



b) Budget as a Financial Plan

The second way to understand the budget is to look at it as a financial plan. Its goal is thus to harmonize the income possibilities of the state or municipality with spending activities as, just like every citizen, public authorities are limited in their spending by the amount of funds they have at their disposal. The need to draw up a budget limits the policy representatives in their activities and forces them to assign priorities. An important role here is also played by the ability to think in a longer time horizon than one year – for this purpose, the current legislation of most countries requires medium-term budgetary outlooks and medium-term expenditure plans.

The state budget, which takes a form of a law, contains a summary of financial documents, including detailed chapter budgets and a breakdown of state budget indicators. State budget indicators are an important part of it, as they determine in detail what the state budget funds are to be spent on. These indicators are binding, and the government can deviate from them only under predetermined conditions and within defined limits (these limits are prescribed by the law). This greatly limits the government's ability to use funds in violation of the State Budget Act.

c) Policy Implementation Instrument

Closely related to the concept of the budget as a financial plan is the third possible view of this institute, which is the understanding of the budget as an instrument for promoting the goals and policies. The structure of budget expenditures essentially determines which activities will or will not be supported. This is also the reason why the approval of the budget is one of the most discussed and often the most controversial votes in both local councils and national parliaments. Only if the elected representatives of executive power enforce their form of budget, they will be able to realize their political programs.

STEP 1: (Get To) Know Your Budget(s)

It is a common practice that in one country several public budgets exist alongside, not only on the vertical plane (as democracies are often pursuing a model of decentralized power and thus, naturally, local governments are granted some extent of fiscal autonomy), but also on the horizontal plane (health and/or social insurance funds' budgets, budgets of semi-budgetary or extra-budgetary funds and organizations).

At the same time, especially (but not exclusively) with respect to territorial self-governments, some policy areas are in the jurisdiction of multiple levels of government.⁸ Moreover, various money flows usually take place between these budgets in a form of transfers and other subsidies, eventually even in a form of loans and return payments.

The combination of multiple public budgets system and distribution of power and responsibilities among several state bodies and governing authorities in one state can get overwhelming. **Therefore, the first step anyone interested in doing proper and meaningful budget work should do is to get familiar with the budgetary landscape in their country on the general ground** (i.e., what is the budgetary system, what types of budgets there are and what are the general interactions and relations between them), **and particularly with respect to their desired agenda.**

Generally, the majority of units of the government sector are connected to the state budget, as subsidized organizations, state funds and other non-budgetary institutions, health insurance companies, and local governments receive subsidies from it.

In order to study the budget or its components, you need to get hold on it first. In most cases, lot of information can be found on the web portal of the Ministry of Finance (MOF), however, these

GET TO KNOW THE SYSTEM OF PUBLIC BUDGETS

***Inter-Governmental Transfers:** transfers of financial resources between levels of government to support public spending. Countries build the transfer of central government income to sub-national governments into their fiscal system, to support activities such as local policing and schools. Transfers often play a fundamental role in supporting the delivery of public services, particularly where sub-national governments have limited fiscal powers to raise their own revenues through local taxation and other sources. Although, generally, transfers are government payments made without goods or services being received in return, often the donor may require that the funds are 'earmarked' and spent on a particular program.*
(Source: [Future Learn](#))

To get familiarized with the budgetary structure in your country, you do not need to start from scratch as various resources already exist. For instance, the IMF elaborates assessments of fiscal transparency of individual countries, Armenia being one of them. In these reports, the structure of public government sector is described with respect to budgetary institutions so you might want to start from here. See: <https://www.imf.org/external/pubs/ft/scr/2019/cr19134.pdf>

DEFINE WHAT BUDGET(S) IS/ARE OF YOUR CONCERN

⁸ In the Czech Republic, for instance, the domain of education and corresponding powers are distributed among all the three levels of domestic governance, i.e., national, regional, and municipal.

usually concern “macro” data, that means aggregated information on total sums with regards to revenues, expenditures and other indicators. If you look for more specific information such as budgets of a particular state or local authority, you will most likely find this information on their respective web pages. If the information is not available or comprehensive enough, you might consider to file request for information on the legal basis of the freedom of the information act.

FIND OUT WHO IS RESPONSIBLE FOR ADMINISTRATION OF THE BUDGET AND VISIT THE OFFICIAL WEB OF THIS INSTITUTION TO LOOK FOR THE BUDGET

The things you will be looking for while studying your budget will vary according to the objective of your budget work. In most cases, however, you will need to understand the budget structure and composition at least partially.

Budget Structure

Ideally, the budget should capture the sum of all the financial transactions of government — the total revenues to be collected, funds to be expended, debts to be repaid, and new and old liabilities to be incurred. The full picture of the government’s financial status cannot be captured if some programs, agencies or commitments are “off-budget,” or outside the budget. For instance, certain public entities are often not fully included in budget totals, on the rationale that they are semi-autonomous and supposedly self-sustaining. Yet if these entities (whether they are utility companies or national airlines) falter, they are typically bailed out with public funds. These unexpected and unaccounted for expenditures can be a significant shock to the budget and can take funds away from other priorities.

The budget does not contain all the financial operations (i.e., individual payments), rather total allocations and their basic purpose. The key figures in the budget act are **the indicators** – those are divided into summary, cross-sectional and specific. Aggregate indicators, as the name suggests, establish the total income and expenses of the chapter. Cross-sectional indicators are used across all budget chapters and determine the volume of funds for selected expenses (e.g., employee salaries, fund allocation for research and development, etc.). Specific indicators differ for each chapter and define the expenditure on services provided by individual ministries or other chapters (e.g., a specific indicator in the chapter of the Ministry of Labor and Social Affairs is expenditure on pensions, expenditure on state social support benefits, expenditure on active employment policy and others).

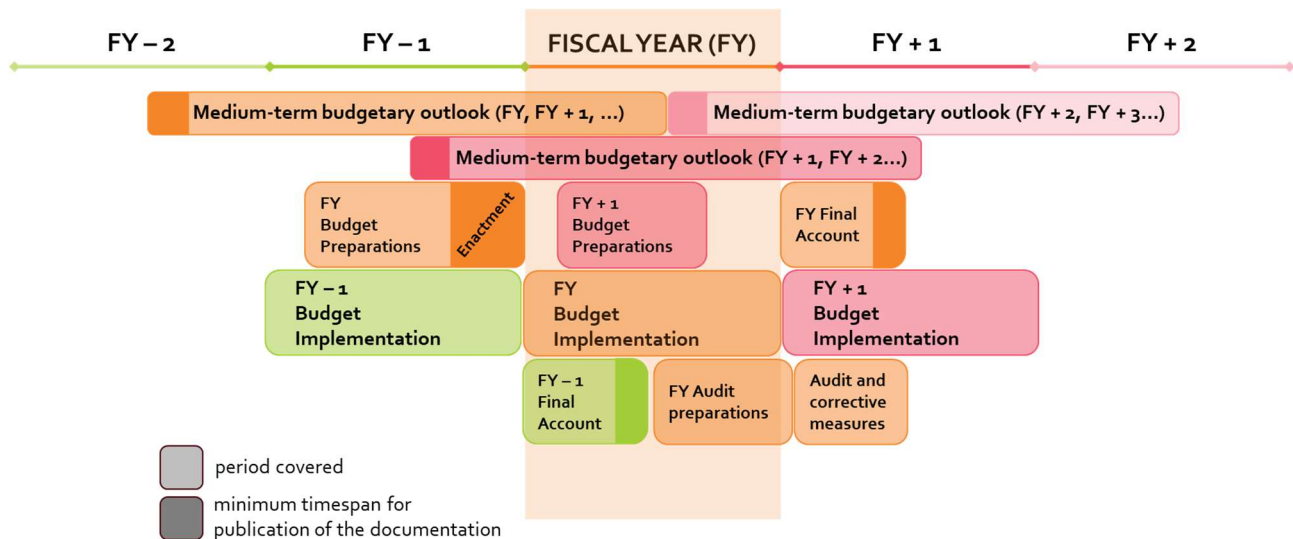
A standardized classification of incomes, expenditures and financing items of budgets and financial funds is called budget composition and is usually determined by the MOF (e.g., by decree). The budget composition is a system of uniform classification of incomes and expenditures binding for all the budgetary units (including autonomous units). The classification enables standardized monitoring of the implementation of general government cashflow.

STEP 2: Watch the Calendar

Public budgets are constructed for a one-year period; however, the overall budgetary process takes significantly longer, and it is a common practice that a public authority deals even with three different budgets at a time. The schedule of budgetary process is prescribed by the law (an act or a set of acts) that is often called “**budgetary rules**”. In these rules, you find **concrete terms**, i.e., in a form of deadlines (e.g., the executive state budget should be finalized by the end of September), and **relative terms**, i.e., in a form of time limits (e.g., the proposal of municipal budget has to be published 15 days before the debate takes place).

Budgetary rules: the term refers to (usually a set of multiple) legal acts that regulate the creation, functions and content of central and local governments’ annual budgets, medium-term budgetary outlooks, and their final accounts. These rules most often prescribe the procedure on different stages of the budgetary cycle including some key terms and deadlines, regulate the financial management of governmental bodies, local authorities, and extrabudgetary entities, define budget revenues and expenditures, financial assets, liabilities, grants, and subsidies. The rules frequently guide the process of management of the state treasury and the state debt, and provisional budgeting.

Figure 1 A diagram depicting a concourse of different budgets within a year.



Read the budgetary rules and search for time management related clauses, then start elaborating a calendar with dates relevant for you case. **First put down dates that are concrete and then deduce the relative terms.** While constructing your calendar, remember to note what task is due from the part of decision-making or implementation bodies and what are the parties are involved in the

READ THE BUDGETARY RULES AND SEARCH FOR DEADLINES REGULATING THE BUDGETARY CYCLE

process. The summarizing table might be inspired by following layout:

Figure 2 Layout for budgetary calendar

TERM	STAGE	ACTIVITY
By the end of April	Budget audit (BA)	Finalization of the Draft Final State Account (Year-End Report)
By the end of June	Budget formulation (BF)	preliminary budget allocation sent by MOF to budgetary entities
After the end of June	Budget implementation (BI)	Mid-term implementation report
By the end of July	Budget formulation (BF)	Chapters' budgets submitted to the MF
by the end of September	Budget enactment (BE)	finalization of Draft Budget Bill and Medium-term Budgetary Outlook for the years consecutive the fiscal year.
...

If it is the state budget that is of your concern, then it might not suffice to read the budgetary rules. That is because the state budget takes form of a law. It might help to check the webpage of the Parliament where there is usually the law-making process explained. Also, you should be able to find there a calendar of meetings and events which will help you to fill in some specific terms to your calendar.

GET FAMILIAR WITH THE (BUDGET) LAW MAKING PROCESS

Budgetary Process Explained

As already indicated, regardless it is the national or the local government budget that is of your concern, the budgetary process of one fiscal year (FY) always lasts more than one calendar year. This is because the whole process includes, besides the execution/implementation of the budget itself, also preparatory works (years preceding the FY) and ex-post control/audit and approval of the final account.

A. Budget Formulation:

The state budget process begins with the preparation of the budget proposal by individual ministries and government bodies, which is then consolidated by the Ministry of Finance (MOF). The MOF shall inform the administrators of the chapters on preliminary budget allocation and other binding numerical data (budget indicators) by the end of June. The administrators of the chapters proceed similarly to the budgetary organizations in their scope (the state organizational units, extrabudgetary funds and semi-budgetary organizations) and consequently submit their respective chapter's budget to the MOF by the end of July. The MOF also informs local governments on the preliminary budget allocation, local authorities than contemplate their local government budgets.

Local government budget proposals are put together by a budget manager (which is usually a mayor, head of economic department or a representative of municipal board). Budget manager draws up the proposal either by himself or based on the documents from the sub-budget (budget chapters) managers. The administrators of sub-budgets are the heads of the municipal office departments, organizational unit or directors of semi-/extra-budgetary organizations. The budget administrator is understood here by analogy with the minister of finance, who is responsible for the preparation of the draft state budget.

B. Enactment

While the enactment of local budgets is generally less complicated (as are the local budgets themselves), the procedure to be followed in order to pass the state budget act takes several months. Usually, the process takes place during the last quarter of the preceding year.

The process starts when the executive budget is submitted to the legislature for consideration (which may include hearings in various committees) and eventual adoption. A country's legal framework will determine the types of changes the legislature can make.

C. Execution

Budget execution begins when the government initiates expenditures authorized by the budget law. In practice, however, budgets are not always implemented in the exact form in which they were approved: funding levels are not always adhered to, and authorized funds are not always spent for the purposes for which they were authorized. As explained in more detail below, these deviations can reflect a number of factors, ranging from changing conditions to public corruption. When the gap between authorized and actual expenditures is large, civil society should demand an explanation.

D. Audits and Performance Evaluations

The last stage in the budget cycle includes a number of activities that aim to measure whether public resources have been used effectively and efficiently. Ideally, the executive branch should report on its fiscal activities to the legislature and the public. Expenditures should also be subjected to regular review by an independent and professional body, such as an audit institution or a country's auditor general. The findings of the audit body should be submitted to the legislature, which is responsible for holding the executive accountable for its budget execution practices. Evaluation and auditing enable the legislature to determine not only whether the government has followed the budget law, but also whether public resources are being used in the best possible way. For that reason, modern budgeting reforms place heavy emphasis on providing public entities with information on budget performance in order to improve their operations.

Throughout the budgetary cycle, various institutions and entities are involved from both the executive and legislative branch of the government, these are:

- **financial administrators;**
- **budgetary entity** (i.e., this is the institution whose financial management is covered by the corresponding budget chapter;
- **consulting and oversight bodies**
- **decision-making bodies** (i.e., the politicians)
- **controlling / auditing bodies** (such as the Supreme Audit Office).

**IDENTIFY WHAT
AUTHORITIES AND
GOVERNMENT BODIES
ARE RELEVANT FOR YOU**

The roles of these institutions vary among them, but also throughout the various stages of the budgetary cycle.

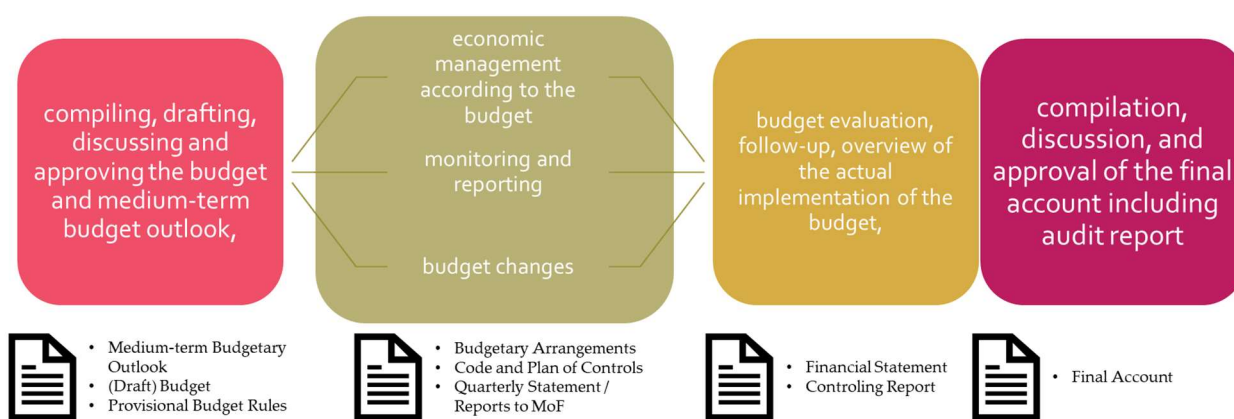
Figure 3 Overview of different bodies in the budgetary process. (Abbreviations: PR – preparations, EN – enactment, EX – execution, EV – evaluation)

type of institution	example	stage			
		PR	EN	EX	EV
administrators	MOF (central government level), Economic Department of Municipal Office (local government level)	X	X	X	
Budgetary entity	Ministries, Government bodies and agencies, Offices, Local Authorities, etc.	X		X	X
consulting bodies	Parliament Committees		X	X	X
Decision-making bodies	Parliament (central level), Board of Representatives / City Council (local level)		X	X	X
Controlling bodies	Supreme Audit Office				X

Based on the defined goal of your budget work, define what stage of the budgetary process you plan to monitor and subsequently, indicate concrete institutions and bodies relevant for your case. For instance, if your case is to enter the budget planning process with respect to the state budget allocation on educational policies, the stakeholders relevant for your case are the line ministry (*budgetary entity*), parliament committee for education (*consulting body*); if you want to monitor overall changes to the budget proposal between the executive budget and the enacted budget, the relevant entities will be budgetary committee of the parliament and the national assembly, etc.

When you finish this exercise, you should put this information to the calendar table. The calendar you elaborate will help you to keep track on what is going on in the budgetary cycle. The deadlines and other terms are usually met with publication of some document. Throughout the different stages of the budgetary cycle, there is a number of documents that are being produced.

**EXPLORE VARIOUS
BUDGETARY
DOCUMENTS**



In the table below, you can find a list of budgetary documents and possible activities you might consider for your budget work:⁹

Figure 4 List of typical budget cycle-related documents with possible activities for CSOs. (Q - quarter; FY - fiscal year)

Document	Content	Possible activities
Pre-Budget Statement (Q1-2, FY - 1)	<ul style="list-style-type: none"> states the macroeconomic assumptions underlying the formulation of the forthcoming budget articulates the government’s fiscal strategy and the underlying rationale considers medium-term outlook and ensures the sustainability of the budget and the solvency of the government; describes broad sectoral and sub-sectoral budget priorities 	<ul style="list-style-type: none"> comment on the appropriateness of macroeconomic policies (appropriateness to current economic situation, to policy targets); ask for justifications on the assumptions and projections based on analyses provided by international and other independent financial institutions; compare with past budgets and track programmatic priorities; lobby key legislators to influence their comments in the legislative discussion; initiate discussions with sectoral ministries and the MOF on issues over which there is significant disagreement; produce an alternative budget.
Executive’s Budget Proposal (Q3, FY - 1)	<ul style="list-style-type: none"> government’s budget proposal submitted to the legislatives in a form of a bill (draft law); states major budget indicators (incl. the balance/deficit) and contains multiple annexes with tables covering incomes, expenditures, and financing; presents numbers concerning the relations of the state budget with other public budgets. 	<ul style="list-style-type: none"> assess allocation to different sectors; assess distribution of expenditures by the level of obligation (quasi-/mandatory expenditures vs. other) compare multiannual trends; elaborate budget guides for general public
The Enacted Budget (Q4, FY - 1 / Q1, FY)	<ul style="list-style-type: none"> the actual Budget that has been promulgated to the law. the only budget document that has a legal status (thus critical for monitoring purposes) 	<ul style="list-style-type: none"> (same as with the executive budget); review economic forecasts, measure changes in the economy relative to the economic forecasts underlying the enacted budget review program performance and budget expenditures monitoring advocate for greater detail in the budget bill (the level of detail delineates the extent to which government can

⁹ Content taken from: <https://internationalbudget.org/wp-content/uploads/Guide-to-Transparency-in-Government-Budget-Reports-How-Civil-Society-Can-Use-Budget-Reports-for-Research-and-Advocacy-English.pdf>

		change the budget during the year without returning to the legislature for authorization to change spending plans, and it varies across countries)
In-Year Reports <i>(periodically, FY)</i>	<ul style="list-style-type: none"> review financial reports (statements) issued on a monthly or quarterly basis during budget implementation to communicate actual figures versus those projected in the budget. 	<ul style="list-style-type: none"> ask for explanations in case of deviations from the plan (I.e., the Enacted budget)
The Mid-Year Review <i>(Q3, FY)</i>	<ul style="list-style-type: none"> narrative reports on the first six months of the budget year with reflections on the actual implementation of the budget and ongoing economic developments 	<ul style="list-style-type: none"> this report is usually a very good one for initial budget work in terms of information source. It provides thorough interpretations on ongoing events and can help to grasp the whole technical nature of budgetary work

STEP 3: Monitor and Analyze

Monitoring activities and analytical work is going to constitute a significant part of your budget work. There are plenty of opportunities for conducting monitoring activities throughout the budget cycle, depending on your overall target.

In the stage of budget formulation, for instance, you can assess the openness and inclusiveness of the process and compare the practice of individual authorities. There are various ways how you can analyze the executive budget – from the sectoral point of view, from the point of view of historical trends, from the point of view of the structure of anticipated expenditures, from the point of view of the economic cycle, etc. In the enactment stage, you can analyze and report on statements of coalition and opposition politicians from the plenary debate, you can assess how the enacted budget differs from the original executive one, etc. In all those cases, you should keep in mind what is your purpose, because only than your analyses can be of further use.

What is important to keep in mind is that the budget (no matter how comprehensive) is:

- (i) only a plan – *it anticipates both the revenues and the expenditures; however, the reality might differ during the implementation process;*
- (ii) can never cover all the transactions – *as it summarizes budget allocations and does not cover all the public funds; and is*
- (iii) “on the paper” – *i.e., does not report on the quality of service delivery.*

The questions that can be answered by budget analyzes are for instance:

- How much does the state or municipality spend?
- What proportion of the final money goes for different sectors?

METHODS TO ANALYZE BUDGET PROCESSES AND SYSTEMS

Various toolkits elaborated by multilateral institutions, such as the World Bank, are available online and can be used for comprehensive work on a budget process, as well as on the analysis of a particular stage or aspect of the process.

Those tools set out the principles which experience suggests should underpin public sector governance arrangements, provide methods for assessing the degree to which specific country arrangements are consistent with those principles, and present those assessments in a format that readily contributes to the dialogue between the government, donors, and civil society on reform priorities. The topics include:

- Assessing Central Government Policy-Making Institutions in Cabinet Government;
- Assessing Constraints on Service Delivery;
- Diagnostic Framework for Revenue Administration;
- Governance and Poverty Toolkits;
- Inter-Governmental Relations Institutional Review;
- and Public Expenditure Institutional Assessment.

See: <http://www1.worldbank.org/publicsector/pe/petoolkit.htm> and <http://www1.worldbank.org/publicsector/anticorrupt/toolkits.htm>. (Source: IBP)

- How much money is allocated for the regular operational costs and salaries, how much money is redistributed via transfers and how much money is invested?
- What is the amount spent on one citizen? In case of municipalities, you can compare with similar municipalities (e.g., in terms of size).
- Are the revenues and expenditure in balance? If not, why is that? (For instance, a municipality's budget can be in deficit, but the reason might be for long-term investment, etc.)

Budgetary rules define the procedure that has to be undertaken, if a government needs to deviate from the enacted budget, in reality, however, also a malfunctioning budget process or a weak management system can lead to a disconnect between allocated funds and disbursed funds. To analyze if this could be a case in the sector of your interest, you may elaborate a "tracking" study attempting to assess how funds allocated for a particular purpose are spent on that purpose.

Expenditure monitoring can be very difficult – the financial statements and reports that are published periodically (usually by the MOF) only refer about the total sum of incomes and expenditures, eventually they can be divided into sub-sums according to pre-defined special sub-indicators (such as amount on

Types of Expenditures

From the point of view of the state's obligation to cover expenses, a distinction is made between so-called mandatory expenses and quasi-mandatory expenses. Opposite them are the so-called non-mandatory expenses, i.e., other expenses.

A. Mandatory Expenditures

The largest share of total state expenditure is made up of mandatory expenditure, i.e. expenditure that the state is obliged to pay by law (e.g. pension insurance benefits, sickness insurance, social benefits, state payments to health insurance, unemployment benefits, debt service expenses, election expenses, etc.) or they are determined by other legal norms or contractual obligations (levies and contributions to the budget of the EU and international organizations, state guarantees, subsidies for renewable resources, etc.), representing in the long term 50–60% of total state budget expenditures.

B. Quasi-Mandatory Expenditures

Quasi-mandatory expenditures, representing about 20 % of total state budget expenses, are not directly stipulated by law, but are also considered necessary, as their goal is to ensure the running of the state (e.g., salaries of civil servants, employees of state organizational units and contributory organizations, defense expenses, etc.).

C. Other Expenditures

The remaining approximate quarter of state budget expenditures enable the government to respond to economic developments and pursue social and economic development of the country by implementing the policy program (i.e., investments to transport infrastructure, education, sports, etc.).

salaries and contracted staff, amount for operational costs, etc.), however, it is impossible to assess the efficiency of these costs.

In order to have better idea, what the authorities have obtained for their financial resources, it is needed to conduct a contract analyses. Contracts between public authority and a provider are usually closed upon a procurement process. It is a common think that countries have their centralized procurement informational system that shows past and ongoing procurements. Also, a contract register should be available for the public to access it. If there is not sufficient legal framework in place or for some reason the analyzed public authority does not publish details about their procurements and contracts, you might consider to file a request for information based on the FOIA.

STEP 4: Raise Awareness

Once you start with your budget work, you will soon find yourself quite familiar with different mechanisms and rules of the budgetary process, at the same time, as the subject matter is rather a technical one and given the time span issue concerning an individual budget, you'd better remember to keep track and record on what you have learnt – **be it for the internal purposes of your work and the work of your group, or for some wider audience.** In fact, instead of keeping all that know-how just for yourself, you can **focus on awareness raising activities.** A **budget guide** is a useful initial project from the perspectives both of organizational development and generating relevant products and it can cover various topics and stages of the budgetary cycle.

DEVELOP A GUIDE

Budget guide is an easy-to-understand practical summary and/or a how-to manual written with the needs of the general public in mind, using everyday language, providing narratives, explanations, and references for those who want to know more.

A most common approach is a creation of the *executive budget guide*, which should summarize the main features of the annual budget as presented to the legislature, explain the content of the draft law and its expected effects, and contain links or references to more detailed documents. With respect to the executive budget guide, the term *citizens budget* is also used often. Technically speaking, a proper citizens budget is not produced by a CSO, as it has to be produced by the government itself, although in collaboration with the civil society. Terminology aside, an executive budget guide aka citizens budget not only is a great tool for bringing more people into the budget policy debate, but also, it might help to achieve greater system change and inspire the public officials and policymakers to consider creation of a proper budget guide themselves.

CONSIDER CREATING A CITIZENS BUDGET

Citizens budget is produced by the government, in consultation with citizens; it enables public understanding and ownership of the budget and serves as a "door" to more information about the budget. It should focus on the budget planning documents and be published at or around the same time as the executive budget itself. The citizens budget can take many forms, but its distinguishing feature is that it is designed to reach and be understood by as large a segment of the population as possible. (Source: [OECD](#), [IBP](#))

DEVELOPMENT OF A CITIZENS BUDGET IN KAZAKHSTAN

A few years ago, Kazakh CSO – the Center for Legal and Economic Reforms Assistance – developed "Citizens Budgets" for the national, regional, and local levels. In May 2011, the Kazakh Ministry of Finance (MOF) formally established a working group to develop procedures and a methodology for the production and publication of its own Citizens Budget. The working group included civil society representatives and members of National Budget Network of Kazakhstan.

In the months that followed, based on an active engagement of the MOF and CSOs, a legislation was drafted to authorize production of a Citizens Budget. The bill, which was signed into law in June 2011, covers the development of Citizens Budgets at both the central and local levels. (Source: [IBP, 2012: 12](#))

In case the budget is significantly amended by the legislature, a *change tracking guide* explaining the differences between the executive budget proposal and the passed budget can be useful. Other plain-language documents may be produced at other points in the budget cycle, such as a *guide to financial reports* (where and when to find them and how to read them) or *guides on the final state or local budget accounts*.

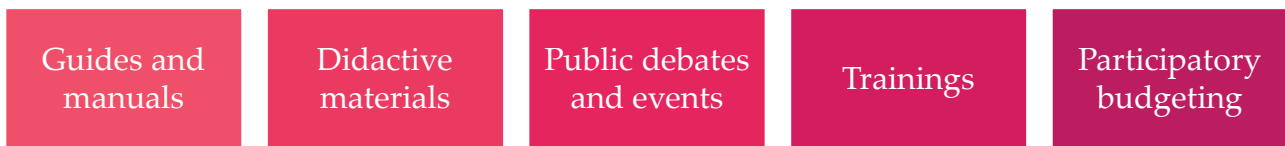
You can get inspired on the guide-creation process in an article by OECD: *Producing a Citizens' Guide to the Budget: Why, What and How?*, which is available here: <https://www.oecd.org/gov/budgeting/48170438.pdf>, or follow a more comprehensive (yet targeted at governments) guide by the IBP, available here: <https://internationalbudget.org/wp-content/uploads/Citizen-Budget-Guide.pdf>

Several activities can be organized around budget guides, such as **training sessions for various stakeholders** (politicians, journalists, citizens and various communities, etc.), **online or offline awareness raising campaigns** including posting of didactic articles or audio-visual materials on social media, producing podcast series, organizing debates or disseminating electronic or hard copies of your product; and other constituency building activities.

THINK HOW TO MAKE USE OF THE ACQUIRED KNOWLEDGE

You can find *Tips for Effective Budget Communication* not only for public officials in this article: <https://www.govloop.com/community/blog/tips-for-effective-budget-communication/>

Figure 5 Types of outputs that can contribute to an increased awareness of public.



Insufficient budget literacy appears to be still an important obstacle in budgetary processes, be it on the side of the public and CSOs or even on the side of legislatures themselves. Guides, trainings, and campaigns can all contribute to an increase in the level of budget literacy among various target groups. Going further, another great instrument is the institute of **participatory budgeting**, which has proven to **promote public learning and active citizenship**. As indicated in the Open Government Partnership (OGP) Action Plan of the RA for the years 2022–2024, it has been planned to develop and expand the participatory opportunities on municipal level, including participatory budgeting. The history has proven that sound and sustainable implementation of public budgeting does require a great deal of engagement from the side of the CSOs, thus, you should cease the opportunity and momentum and engage in the PB in your region.

SEARCH FOR AND INFORM ABOUT PARTICIPATORY BUDGETING OPPORTUNITIES IN YOUR REGION

Participatory budgeting: a process in which members of a community decide directly how to spend part of a public budget. 'It represents a direct-democracy approach to budgeting. It offers citizens at large an opportunity to learn about government operations and to deliberate, debate, and influence the allocation of public resources. It is a tool for educating, engaging and empowering citizens and strengthening demand for good governance. The enhanced transparency and accountability that participatory budgeting creates can help reduce government inefficiency and curb clientelism, patronage, and corruption'. (Source: EPRC)

Participatory budgeting

Since its emergence in late 80s in Brazil, participatory budgeting has spread literally to all different corners of the world and become a popular participatory instrument among both the officials, and the civil society representatives alike. Various forms of participatory budgeting (PB) have been developed, responding to different needs and possibilities of various contexts and societies, for this reason, no unified definition of what participatory budgeting is can be laid out. Basically, PB allows the participation of non-elected citizens in the conception and/or allocation of public finances. However, five further criteria need to be added:

- 1) Discussion of financial/budgetary processes; PB is dealing with scarce resources.
- 2) The city level has to be involved, or a (decentralized) district with an elected body and some power over administration and resources (the neighborhood level is not enough).
- 3) It has to be a repeated process over years (If it is from the outset planned as a unique event, it is not a PB process).
- 4) Some forms of public deliberation must be included within the framework of specific meetings/forums (The inclusion of ordinary citizens into the institutions of “classic” representative democracy represents no PB process).
- 5) Some accountability on the results of the process is required.

Participatory Budgeting provides avenues to make the fiscal policy a subject of public dialogue and engages citizens in all phases of the budget cycle. Citizens are involved throughout the entire budget cycle, in:

- Identifying and prioritizing the most pressing local needs.
- Preparing a budget proposal for submission to the local authority.
- Overseeing the budget approval process (review, discussion, and voting).
- Monitoring budget execution, monitoring procurement (tendering, bidding, and contracting) and monitoring the implementation of projects.

PB promotes a bottom-up approach and empowers communities to set and monitor public spending thereby, also improves public provisioning of essential services.

In case there is not a PB being implemented in your area, you might as well consider promotion of this instrument, such as:

- writing articles and shooting audio-visual materials for officials and politicians (supply side) or for general public (demand side)
- initiate a petition to send to your local government to consider PB as a tool.
- deliver speech at city board meeting on the PB mechanism, etc.

Although the final decision on PB has to be made by the authority, the CSOs can help a great deal.

PARTICIPATORY BUDGETING COUNCILS IN ALBANIA

A World Bank-funded project in Albania, implemented through the Urban Institute in partnership with local NGOs, used participatory budgeting councils and a redesigned budget process to improve citizen participation in budgeting. The project selected municipalities in which the local governments were willing to include participatory mechanisms in the budget process, development partners were already active, and a minimum base of organized civil society groups existed.

The project began with an awareness campaign on citizen and local government rights and responsibilities. It then divided each locality into zones. At a first public meeting in each locality, local government officials presented budget forecasts and information on the implementation of the current budget. At a second meeting, representatives to the participatory budgeting council for the locality were elected. This meeting also identified priorities for the neighborhood. The council and local government staff subsequently conducted field visits (a “bus caravan”) in order to evaluate priorities, constraints, and possible solutions with citizens. The caravan process exposed officials and citizens to each other’s pressing issues and problems. The council then underwent intense training on priority setting and financial planning before proposing plans to the city councils, which made the final decision. (Source: [Fölscher](#))

STEP 5: Become Intermediary

The involvement of CSOs in PB does not stop at the stage of awareness raising and provisions of trainings to increase budget literacy – on the contrary. Over the years, CSOs across the globe have worked towards demystifying budgets and to draw the attention towards the implications of budgetary policies on the marginalized sections of the population and on critical social sectors. PB initiatives have been most successful in municipalities/cities with strong civil society involvement.

CHOOSE AN ACTIVITY TO FOCUS ON IN THE PB PROCESS

Once you identify a public authority with PB in place, there are various ways how you can get involved, also depending on the PB design of the given authority. Some ideas how to get involved are listed in the table below.

Figure 6 Types of activities in the PB where the CSOs can play their part.

Type of PB:	PB as competition of ideas	PB as "joint budgeting"
	A procedure in which the emphasis is placed on the independent activity of individual citizens or formally and informally organized groups of residents. The city management sets clear and simple rules that determine what ideas they can enter into the creation of the budget. Citizens stand behind their proposals, and the office is a partner for them, which helps them to finalize their proposals into a feasible form and at the same time ensures their promotion among the general public. At the end, there is a vote on feasible projects accessible to all residents of the city.	This procedure emphasizes connecting the ideas of individual citizens with the subsequent involvement of process outputs in the overall management of the city (strategic development planning). The city management will determine the form of the process and determine what the defining mechanism will be and selection of budgetary priorities. Proposals are made by groups of citizens who meet in specific working groups. Citizens' proposals are checked for technical feasibility and enter the selection process, which differs from city to city. Sometimes it is based on the voting of a selected part of citizens, in other places it is based on voting open to all or a combination thereof.
Activities that CSOs might conduct towards different target groups		
Policymakers and officials	<ul style="list-style-type: none"> • Guiding through the PB process • Implementation monitoring • Oversight and evaluation • Create off-the-shelve handbooks and other products (e.g., web-page layout, etc.) 	<ul style="list-style-type: none"> • Conducting surveys among citizens and provide with baseline data • Elaboration of analyses • Oversight and evaluation
Public	<ul style="list-style-type: none"> • Dissemination of information including schedule related information (when and where the town meeting will take place, until when the proposals should be submitted, etc.) • Explanation of rules • Assistance with idea formulation 	<ul style="list-style-type: none"> • Representation of various (marginalized) interest groups • Provision of shadow reports from the assemblies • Interpretation of budget-related data and figures

Besides entering the process of PB, which is generally very suitable for CSOs, there are other ways how to enter and engage in the budget-related agenda. As CSO are often in close, regular contact with different sectors of society and interest groups, they can feed these perspectives into the budget decision-making process and highlight important information and policy issues that might not otherwise receive enough attention. You can further disseminate this information with other stakeholders, such as the legislatures, or the media.

HIGHLIGHT CRUCIAL INFORMATION AND POLICY ISSUES

Given the legislature's role as the representative of citizens, it is often considered the most appropriate point for civil society budget influence. It is a common think that legislatures lack their own staff with appropriate budget expertise and without adequate capacity, legislatures are unable to assess budget proposals and recommend changes. If you, for example, focus with your budget work on a specific sector of public policy and services (such as the area of health care or drawing subsidies for agriculture), it is quite expected that your expertise and understanding of the budget will soon be greater than the understanding of political representatives, who have a much larger agenda. You can take advantage of that and provide the politicians (e.g., members of parliamentary committees) with regular newsletters containing reports from you monitoring activities and other analyses, share tips for best practice, and so on. In return, you can expect these officials to be more aware of your activities and gain some credit. Once you become respected for your expertise, it is more likely that the politicians will be willing to come to debates and other events you will organize for public.

ENGAGE WITH THE LEGISLATURES

Another great channel are the media, which can (in exchange for your expertise and information) provide you with free publicity for your analyses and conclusions. Establishing a positive working relationship with the media requires repeated effort. Make sure you provide them with information in advance and keep them updated on your work and results. Also, free trainings for journalists about budget-related topics might help to establish yourself as a credible institution.

FEED THE MEDIA

In most countries, the supreme audit offices and other overview bodies receive very little attention from the public or media, even though their reports can contain a lot of interesting findings. These reports not only inform on underspending or overspending in programs and agencies, but can uncover fraud and malfeasance, identify unauthorized or unsubstantiated expenditures, and highlight systemic weaknesses in financial management practices in public sector agencies. These reports can provide a wealth of information to civil society organizations that are interested in

TRANSLATE AUDIT REPORTS INTO POPULAR, EASY-TO-READ LANGUAGE

assessing problems in budget implementation. Audit reports are often the only independent source of information on the government's financial health, however, even more often, they can be written in a technical bureaucratic way that is very hard to understand for general public. Popularization of the findings – by adjusting the language and publish highlights might help to disseminate the findings into wider audience, another way is to organize public online or offline events with representatives of the controlling bodies and let them explain their findings to the public.