

# **CIVIL SOCIETY ENGAGEMENT IN THE NATIONAL BUDGET PROCESS**

**By**

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## **INTRODUCTION**

The National Budget is a vital economic policy instrument. It is also essential to the sustainability of government programmes in any given country. The Budget reflects the choices the government has made to realize the countries' social and economic agendas. It is a fundamental tool in the implementation of public policy and a more telling indicator of the priority accorded to fighting poverty and developing the nation.

This booklet aims to raise awareness on civil society engagement in the Budget process. It starts by looking at the Zambian budget process, levels of civic participation, strategies for civic engagement and finally the conclusion is drawn. It is hoped that this will assist civil society engage in the Budget process from an informed basis and ultimately be heard in the formulation and execution of the national budget.

## **WHAT IS A NATIONAL BUDGET?**

A national budget is an annual plan which shows how much money government thinks it will receive in the next year and what it will spend that money on. This shows that the budget has two sides, namely the Revenue and Expenditure sides. The revenue side shows where the government will get money to spend of which among other sources include; taxes, customs, duties, overseas loan, grants and donations. The expenditure side on the hand shows where the money will be spent on, for instance on health, education, infrastructure development etc.

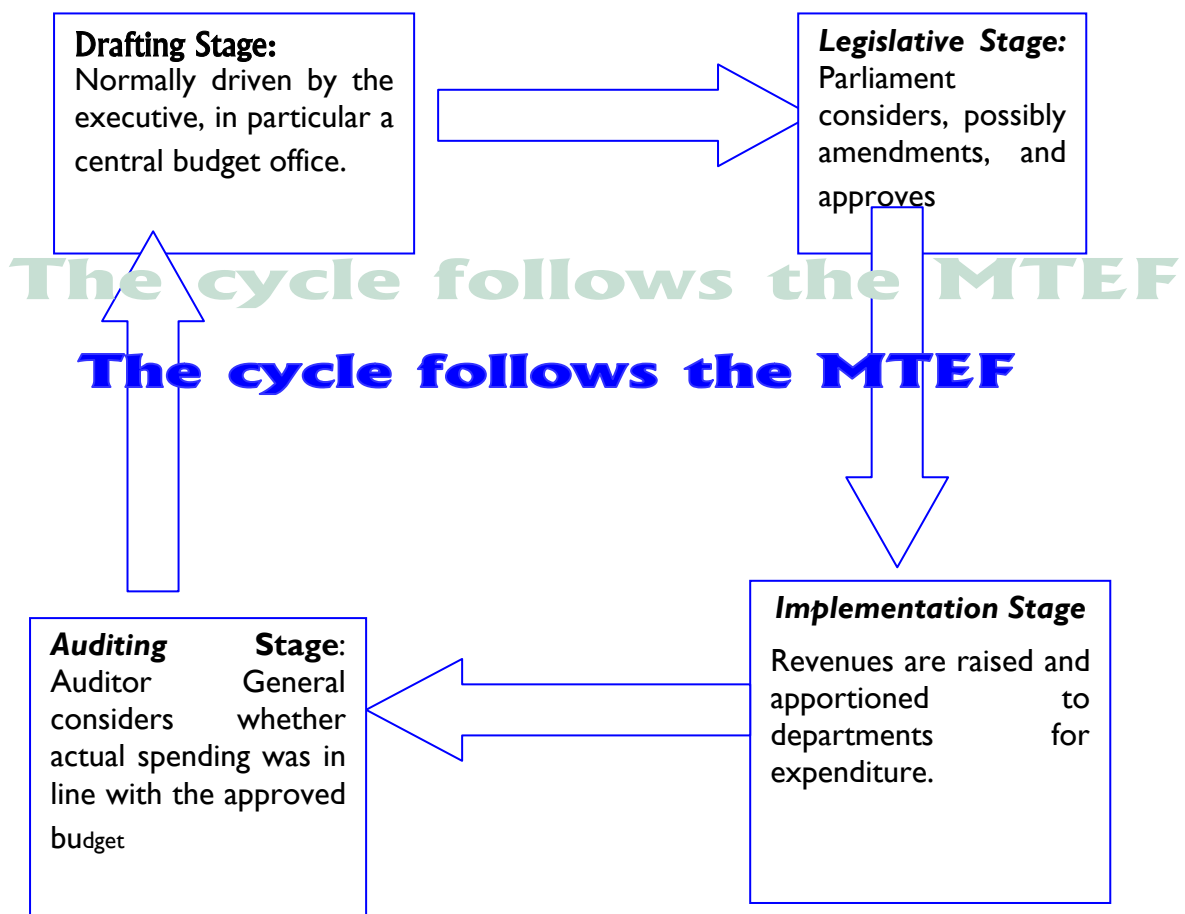
The National Budget outlines how revenue raised by the national government will be divided between ministries and quasi- government agencies. Traditionally, budgets have performed several central economic and social functions: they allocate resources, provide basic social services, ameliorate income and wealth disparities, stabilize prices, and generate economic growth and employment. Budgets reflect the vision of economic and social development of governments and more generally the values of a society. They also reflect the choices that governments have to make in order to realise their social and economic agenda. Underlying these choices is also the balance of power relations among different social groups.

## **CIVIC ENGAGEMENT**

The engagement of civil society in the budget formulation processes is increasingly being viewed important for strengthening people's empowerment. The United Nations Human Development report (2003), describes civic

engagement as “a process, not an event that closely involves people in the economic, social, cultural and political process that affect their lives”. This implies that civic or citizen engagement is an ongoing process that requires continuous participation. This participation however, requires that institutions and decision making processes are located closer to where people live. Budgeting institutions should be able to draw policy input from the grass roots that includes traditional leaders, church groups and other organisations working closely with the grass roots. This civic engagement should provide policy space for the grass root to demand transparency and accountability from their leaders.

## THE ZAMBIAN BUDGET PROCESS



The Zambian budget process broadly follows the procedure set out above and basically has four stages namely Drafting, Legislative, Implementation and Auditing stages.

In Zambia, the National budget runs from the 1<sup>st</sup> January to 31<sup>st</sup> December of the same year. Around May and June, the Minister of Finance and National Planning issues a Budget call circular to spending ministries asking them for

budget proposals based on the Medium Term Expenditure Framework (MTEF) as a guiding principle. The MTEF determines the overall direction of the annual Budget. The spending ministries and agencies submit budget proposal to the Ministry of Finance and National Planning (MoFNP) Between June and November. In November, MoFNP submits a draft budget to Cabinet for review. In January, the Minister of Finance and National Planning on behalf of the Republican President presents the budget proposal to parliament for approval. Then, Parliamentary debates commence thereafter.

## **1. DRAFTING STAGE**

This is mainly the domain of the executive. Generally, MoFNP initiates the budget formulation process. This is done through the issuance of a '**call circular**' to controlling officers. The call circular gives the general economic policy guideline and expenditure ceilings on which the budget for the following year is to be based. The Minister of Finance considers possible levels of revenues and the ways of financing this magnitude of the budget based this guideline. Once this is determined, the total expenditure level is worked out depending on the MTEF.

Upon receipt of the call circular, controlling officers prepare draft estimates for the budget in the form in which they are to be submitted. These draft estimates are debated by the controlling officers (permanent Secretaries) from various ministries chaired by the Minister of Finance. At this stage, adjustments are made in order to adhere to the general policy agreed upon earlier.

Thereafter, the proposed draft budget measures are sent to cabinet for debate and approval, before compiling the Estimates of Revenue and Expenditure (Yellow Book). Once Cabinet approves the budget proposals, the Yellow Book and Budget Speech are printed for general circulation.

## **2. LEGISLATIVE STAGE**

Constitutionally, the Budget is supposed to be announced by the Minister responsible for finance and approved by the National Assembly within three months [ninety (90) days from the beginning of a financial year, as spelt out in article 117 (1) of the Constitution of Zambia, being Act No. 18 of 1996.

During this stage, the budget is presented to the National Assembly for approval. In explaining the Budget, the Minister reads what is commonly known as the 'Budget Address. On the Budget day, the Minister of Finance tables the appropriation bill before the National Assembly for it to consider the draft estimates and pass the bill. At this stage, it must be pointed out that the National Assembly is only permitted to propose savings in the budget and not to propose additional spending for a particular head of expenditure. By convention

Parliament does not amend the budget, although the Constitution makes provision for both revenue and expenditure to be adjusted downwards.

### **3. IMPLEMENTATION STAGE**

Implementation of the Budget is an executive function. The MoFNP at this stage informs other Ministries to start spending as it disburses funds. In practice, Budgets are not always implemented in the exact form in which they were approved. There are two processes that influence spending during the fiscal year.

Firstly, several supplementary expenditures are passed during the fiscal year to authorise additional expenditures which were not provided for in the main budget estimates.

Secondly, a regular internal committee of the MoFNP decides what requests for funding from spending agencies are met, given the cash available from revenue receipts.

### **4. AUDIT STAGE**

This is the last stage in the budget cycle; it includes a number of activities that aim at measuring the effective use of public resources. The major player at this stage is the Auditor General's office.

Under Article 121(1), of the constitution the Auditor General is appointed by the President subject to ratification of the National Assembly. The principle function of the Auditor General is to audit the public accounts. Ideally, the Executive branch should report extensively on its fiscal activities to the Legislature and the public. These fiscal activities should be subject to regular reviews by the Auditor General's office.

It is the function of the Auditor General to submit the audited public accounts and report within 12 months to the Public Accounts Committee of parliament. This committee scrutinises the audit report, after which the committee makes recommendations. The follow - up on the audit report is the responsibility of the Auditor General.

## **APPROACHES TO CIVIC PARTICIPATION**

Civil Society Budget work can either be at national or local levels or a combination of both. Generally, this budget work involves;

- ✚ simplifying the Budget for popular consumption,
- ✚ Developing expertise in training,
- ✚ Developing analytical or advocacy expertise.

## **THE ROLE OF CIVIL SOCIETY IN BUDGET WORK;**

Over the years civil society organisations have established a niche in budget work using their own innovative and cost effective methods. Some of the roles of civil society include.

- Contributing positively to public expenditure management and oversight, since they are potential sources of critical and independent information on the impact of the budget.
- Building literacy on public finances among citizens and facilitating discussions and debates on budgetary issues.
- Adding new data into the budget process by collecting, synthesizing, and disseminating information on public finances
- Providing training on public finances to citizen groups, the media, and legislature. This strengthens the capacity of all of these groups for oversight and to demand accountability from government agencies.
- Examining the passage of the budget through the legislature and its subsequent implementation.

## **STRATEGIES FOR CIVIC ENGAGEMENT**

### **1. Participation during Drafting Stage:**

- The drafting stage is the most closed part of the budget process in most countries including Zambia. It is usually dominated by the Executive. The intervention opportunities for civil society that exist in the drafting stage are often informal, based on the organisations initiative and networks, and reliant on departmental and ministerial contacts. Civil society may rely on the media or other methods of capturing the executive's attention. The primary input value from civil society at this stage may be their ability to bring new information for public debate on citizen priorities and, through training, build the capacity of the community to take part in this formulation process.

### **2. Participation at the Budget legislative stage:**

- This is the most effective time to influence the budget. It is at this stage that policies are translated into programmes and prioritisation of programmes is made and indicative resource figures established. During this stage, budget work includes building budget literacy and analysis that brings a pro-poor perspective to budget deliberations. Analytical skills of applied budget work are very critical at this stage. Parliament is critical at this stage and civil society should seek ways to engage with their constituencies to define priorities and needs of the community.
- Civil Society can undertake impact analysis of previous budgets and distribute them to Members of Parliament (MPs). Furthermore, the

media should expose relevant issues before the budget is released to create public awareness; and spotlight the budget immediately upon release in order to provoke timely analysis.

### **3. Participation at the Budget Implementation stage:**

- The stage is important in that it provides opportunity for collecting information on expenditure, revenue and output that will contribute to the quality of their participation in the legislative stage.
- Civil Society can focus on whether amounts for specific projects such as schools or roads have been used for the intended purpose. The quality of spending can also be assessed to see if the policy goals associated with the budget allocation are being met, and if government funds are being used effectively.
- This stage also provides the linkages between the formulation of a government's policy agenda and the budget to ensure that it is fully affordable and representative within a general programme expenditure framework. Effective parliaments are critical at this stage because they can push for government financial accountability through their oversight of the reading and adoption of the budgets. As representatives of the people and to effectively partake in the budget debates, MPs should have disaggregated budgets to enable them to access relevant information, including ability to assess potential impact of the budget to the most vulnerable groups of society. This is the stage also where government and civil society cooperate in public service delivery as highlighted in previous sections

### **4. Participation at the Audit stage:**

- At this stage the main actors are the Auditor General and the Legislature. This is one area where most civil society organisations have not fully exploited the potential opportunity. In Zambia reports from the Auditor General's office often show an element of expenditure and procurement irregularities. One of the reasons for lack of civil society engagement at the audit stage is because the report is not presented in good time as stated and required in the constitution. There is need to provide for constitution provision to compel;
  - firstly the minister of finance to submit a financial report within six months after the end of the financial year to the Auditor General and;
  - Secondly, the provisions should also compel the Auditor General to review and submit the audited report not later than nine months after the end of each financial year to the President and National Assembly.

The provision should compel Parliament to act on the report in three months.

## CONCLUSION

The Zambian Budget Process has four stages namely the Drafting, legislature, implementation and Auditing. This process has different actors at each stage, and those actors and stakeholders not provided for in the constitution have limited contribution.

Although civil society has for some time now advocated for an open budget system, which reflect the aspiration and desires of the poor people, it has limited space to contribute in the process. The work of civil society around the budget has mainly been to simplify the Budget, and other related document for popular consumption. It has also been working at developing expertise in training both civil society organisations and other public leaders to understand the budget process and enable them to influence the process and content of budgets. It is also worthy mentioning that civil society has also advanced and established a niche in analytical budget work.

The major benefits that arise from effective civic engagement in budget work are seen in better transparent and accountable budget processes and also efficient resource allocation and expenditures. It also helps to improve service delivery, as government feels pressured. Feedback from civil society budget analysis can be used as input to the development of future budgets. Activities such as Expenditure tracking and monitoring helps improve service delivery in terms of quality, quantity and effectiveness. Civil society's general oversight role and information sharing strengthens the capacity of local people to demand accountability from government.

There is great need by government to accept budget groups as partners in the formulation, implementation and monitoring of the national budget. Government should work towards creating strong linkages with such groups, it be able to develop a budget which meets the needs of the people especially the poor. The role of parliament is to bridge the gap between the grassroots' and the executive, therefore its capacity and authority to scrutinise the National budget and the Audit reports should be enhanced. Government should use its capacity to focus and include civil society into appropriate stages in the budget process; this should be based on formalised and legalised consultation.