

# Budget advocacy for the water and sanitation sector in Nepal: **A primer for civil society organisations**



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A copy of the report can be downloaded from **[www.wateraid.org/nepal](http://www.wateraid.org/nepal)**



WaterAid transforms lives by improving access to safe water, hygiene and sanitation in the world's poorest communities. We work with partners and influence decision-makers to maximise our impact.

**Cover picture:** Scene of Nigalopani village in Dhading District, Nepal  
*Mana Laxmi Shakya, aged 66 and villagers collecting water*  
Charlie Bibby /FT

A decorative graphic of water splashing, rendered in a light purple color, is positioned on the right side of the page, extending from the top header area down towards the bottom. The water droplets are captured in mid-air, creating a sense of movement and freshness.

# Foreword

When a government makes a commitment to a national or international goal, the government is also signalling that it will put in resources in place to meet that goal. Often, resources (usually meaning funds) that come in are inadequate to meet the goal. And with regards to the funds that do come in, the public at large do not have information on how the funds have been procured, how they have been distributed and how they've been evaluated for effectiveness. Sometimes, even if all that information is there in the public domain, those most affected by the government's reaching (or not reaching) its own goal are not in a position to make informed decisions. They do not have the knowledge or the skills to interpret what the funds-related information means for them.

This publication, a primer on budget, sets out to address this knowledge gap. It aims to equip civil society advocates, who help the poor and the marginalised to demand both rights of and access to water and sanitation, with skills in understanding the underlying principles, processes and the scope of budgeting from formulation to the auditing phase. To that end, it is produced as a compendium of practical tools that teach how to do a basic budget analysis, how to interpret the numbers, and when and how to be engaged in the four phases of the budget cycle. All these skills are relevant for civil society advocates who want the duty bearers in the government to succeed in meeting its own declaration to meet the MDG goals of providing water and sanitation by 2015, and the Nepal-specific universal access goal to all by 2017.

This publication is an outcome of previous WaterAid in Nepal experiences on budget advocacy and related trainings on the subject matter. Credit goes to Ananda Pokharel, ex-parliamentarian; Bidhyanath Bhattarai, Ministry of Physical Planning and Works; Durga P. Khatiwada, National Planning Commission; Nimal Hari Adhikari, Ministry of Finance; Arjun Pokharel, Department of Drinking Water and Sewerage (DWSS) and Ishwor Nepal, Auditor General Office, for their valuable contributions and presentations in budget advocacy trainings.

WaterAid acknowledges the support of our partner organisations such as NGO Forum for Urban Water and Sanitation (NGOFUWS), Federation of Drinking Water and Sanitation Users in Nepal (FEDWASUN), Nepal Water for Health (NEWAH), Lumanti Support Group for Shelter and Radio Sagarmatha FM 102.4 for their contributions in sharing practical experiences.

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Suraj Sharma, ex-Research Officer, Anita Pradhan, Documentation Manager, and Shikha Shrestha, Advocacy and Research Officer — all three from WaterAid in Nepal — have played key roles in capturing WaterAid's and our partners experiences in the document. Sanjaya Adhikary, ex Country Representative of WaterAid in Nepal, encouraged the Advocacy Team to produce this document. Last, but not the least, thanks also go to Rabin Lal Shrestha, Research and Advocacy Manager of WaterAid Nepal for his conceptualisation of the primer and for shepherding it to success from start to finish.

We hope that this budget primer will play a catalytic role in enhancing capacity of civil society groups as they dig into the details of the government's budget, and use their analyses to influence the budget cycle in favor of the poor and the marginalised. Such evidence-based activism will help us to achieve our mission of transforming lives by improving right to access of safe water, hygiene and sanitation in the world's poorest communities.



Ashutosh Tiwari  
Country Representative

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# Introduction 1

## 1.1. How to use this primer

This primer provides information on documents and processes which make up the government's budget in Nepal, and the opportunities for Civil Society Organisations (CSOs) to influence them through advocacy. It focuses on the water and sanitation sector but much of the material will be relevant to other social sectors.

It is **not** necessary for you to read the primer straight through. Depending on how familiar you are with the issues, it may be more useful select the most relevant sections for your need. The primer is organised into four main sections, including this introduction:

- **Introduction:** The first section is essential reading for anyone new to budgets or the water and sanitation sector. It explains the importance of budgets to the sector, and the importance of the sector to wider human development, before outlining the fundamental roles which CSOs can play in budget advocacy.
- **Budgeting in Nepal:** If you are familiar with budgets in general, but not with the details of budgeting in Nepal, this is the place to start. It outlines the two most significant dimensions of the budget: revenue and expenditure (this primer focuses mainly on the latter). It then clarifies the key players and stages involved in the budget process.
- **Timing of budget advocacy:** This section gets to grips with budget advocacy in practice. It sets out not

only when, but why and how CSOs can use the different stages of the official budget process to undertake budget advocacy for water and sanitation.

- **Tools and techniques for budget advocacy:** The final section explores some of the key techniques for budget advocacy in more detail. It is presented more as a standalone reference guide to techniques, grouping them under 'planning', 'research' and 'engagement'. Additional resources are suggested for further information.

Case studies are used throughout all sections to inspire, illustrate and inform. Finally, an annex provides a glossary of common terms used in the context of budgeting.

## 1.2. What is a budget?

The budget is both a document and a process. As the former, it is a statement of government finances - historic, current and, above all, future. It is also a statement of policy, since it sets out the government's priorities in financial terms over the course of a fiscal year.

The budget is concerned both with revenue (where the money comes from, eg a tax on certain goods, or loans from donors) and expenditure (where the money goes, eg the amount

allocated to healthcare or defence). Budget advocacy from CSOs tends to focus on the expenditure side - in our case we are particularly concerned about the volume, effectiveness and equity of expenditure on water and sanitation. But the revenue side should also be kept in mind: ultimately, the source from which funds are obtained is an important consideration.

As a process, the budget comprises four stages: **Formulation, Enactment, Execution** and **Auditing** (see section 2.3). The preparatory (formulation) and monitoring (auditing) stages take place before and after the relevant fiscal year. There are different intervention points and advocacy actions for CSOs related to each stage. Preparations for intervention at any stage can begin well in advance. It is also important to understand that each new budget is built on its predecessors and looks forward to longer term plans and policies.

## 1.3. Why do budgets matter?

The simple answer is: money matters. The national budget is the government's most significant planning and policy document. It sets out decisions about how money is to be collected and spent by government - decisions which affect us all.

But while everyone, from the poorest to the wealthiest, is affected by the budget, few people fully understand its

significance, and even fewer have the opportunity and skills to influence and improve it. This is especially the case for poor people, whose voice is most often lost in the budget process, and yet are most seriously affected by weak public institutions and infrastructure.

This primer concerns budget advocacy for the water and sanitation sector in particular. Broad budget advocacy goals include securing a greater share of the budget for this essential sector, and ensuring that this share is distributed more equitably and implemented more effectively. Water and sanitation is often a top priority for the poor, who most often go without, and budget advocacy can help secure the resources required. Case study 1 illustrates why budget advocacy is so important.

This primer focuses on the government budget. In a country like Nepal, with a high proportion of financing from external sources (donors), it is important to recognise that the government budget does not incorporate all the money going to the sector - although several large volumes of donor finance go through the government financial systems, such as the World Bank's contribution to the sector via the Rural Water Supply and Sanitation Fund Development Board. Off-budget funds from NGOs and some donor governments can be even less

## Case study 1: Why we need budget advocacy

On the release of the 2009/10 budget, WaterAid in Nepal questioned whether policy promises were being backed up with resources. Only with a national tragedy and close media attention, combined with advocacy, were promises made to increase the budget for the sector.

The 2009/10 budget promised a policy of "One Toilet in One House". This was a positive reaffirmation of the government's goal of universal access to water and sanitation by 2017. However, budget analysis raised questions about whether policy statements were being backed up with finance. The budget allocation for sanitation-only projects in 2009/10 increased to Rs. 7.9 crore (79 million), up from 5 crore in the previous budget.<sup>1</sup> Assuming a generous 10% share of combined water and sanitation projects, this would mean Rs. 30 crore (300 million) going to sanitation.

Compared to the number of unserved people (and leaving aside population growth) WaterAid calculates that an annual spend of Rs. 30 crore would provide only Rs. 250 for each unserved person to 2017. This is far from sufficient to meet the necessary sanitation promotion, hygiene education, and support costs, and to support the very poor with capital costs, even if the government relies on households largely financing their own latrines.

Eventually additional money was promised to sanitation, after the budget had been formally passed ('enacted'). However, the circumstances preceding this change were little cause for celebration. In the summer of 2009, a diarrhoea epidemic in Jajarkot and other districts of Mid and Far-Western regions brought national attention to the issue of sanitation. By late August, the death toll stood at 346<sup>2</sup>. This moved the government to promise an additional Rs. 70 crore (700 million) to sanitation in 2009/10. Such an amount is certainly an improvement, if it materialises and is sustained in future years.

transparent than on-budget funds. The way that these agencies prioritise and spend their funds is of course a legitimate target for advocacy efforts, for which many of the tools and techniques explored in section 4 are applicable.

<sup>1</sup> Ministry of Finance, Government of Nepal (2009) Budget Speech of Fiscal Year 2009-10. Available at: [www.mof.gov.np/publication](http://www.mof.gov.np/publication)

<sup>2</sup> Ministry of Health (Government of Nepal), World Health Organisation and UNICEF (2009) Outbreak Situation Report 23 August 2009

Finally, it is essential to note the relationship between budgets and wider sector plans. Although budgets are planning documents in themselves, they focus mainly on a single, upcoming financial year. Consequently they cannot substitute for a rigorous, properly costed long-term plan for the sector, or sub-sector. Nepal is in the process of completing such plans, for example a National Hygiene and Sanitation Master Plan. Such documents, if they are formulated with the genuine participation of stakeholders at all levels, can represent a valid roadmap for the sector, and a useful link between policies and budgets. In fact, well-costed plans are an important, legitimate benchmark for budget advocacy purposes, against which the commitments and actions of government can be compared in successive years.

#### 1.4. Why do water and sanitation matter?

Diarrhoeal disease caused by lack of clean drinking water and adequate sanitation is the second biggest killer of children under five, worldwide.<sup>3</sup> Improvements in water, sanitation and hygiene have the potential to reduce global child mortality by 28% - related diseases are responsible for 10% of the

global disease burden.<sup>4</sup> But the burden of inadequate water and sanitation is not just felt in unnecessary child (and adult) deaths. 443 million schooldays are lost each year due to water related diseases.<sup>5</sup> The burden of collecting water falls especially hard on women and children, further inhibiting their opportunities and education. Girls are especially likely to drop out of school when sanitation facilities are not available, particularly during menstruation.

Water and sanitation have received recognition in their own right under Millennium Development Goal 7 for Environmental Sustainability, but they are clearly essential to other goals: eradicating extreme hunger and poverty, achieving universal primary education, reducing child mortality, and improving maternal health and gender equality. The potential gains from water and sanitation investment - across health, education, and general productivity - are such that the UN estimates each Rs. 100 invested can return Rs.800.<sup>6</sup>

The government of Nepal has recognised the importance of water and sanitation with an ambitious target of access for all by 2017. With 7 years to go, however, 50% of the population are without sanitation, and 25% are without safe drinking water. The Three

<sup>3</sup> WaterAid (2009) *Fatal Neglect: How health systems are failing to comprehensively address child mortality*. Available at [http://www.wateraid.org/documents/plugin\\_documents/wateraid\\_fatal\\_neglect.pdf](http://www.wateraid.org/documents/plugin_documents/wateraid_fatal_neglect.pdf)

<sup>4</sup> World Health Organisation (2008) *Safer Water, Better Health*. Available at [http://whqlibdoc.who.int/publications/2008/9789241596435\\_eng.pdf](http://whqlibdoc.who.int/publications/2008/9789241596435_eng.pdf). 28% figure from correspondence with authors (Annette Prüss-Ustün)

<sup>5</sup> United Nations Development Programme (2006) *Human Development Report 2006. Beyond Scarcity: Power, Poverty and the Global Water Crisis*. Available at [http://whqlibdoc.who.int/publications/2008/9789241596435\\_eng.pdf](http://whqlibdoc.who.int/publications/2008/9789241596435_eng.pdf)

<sup>6</sup> *Ibid.*

Year Interim Plan acknowledges the place of water and sanitation with bold words: "Improved water supply and sanitation ultimately contribute towards nation building and prosperity."<sup>7</sup> But it is essential that these policy commitments are matched by financial ones, if the government's plans are to be achieved. It is the budget through which these and subsequent plans will be resourced and implemented.

### 1.5. What is the role for CSOs in budget advocacy?

CSOs form an essential link which allows those most affected by budgetary decisions - the poor and marginalised - to influence the budget processes from which they are traditionally excluded. CSOs, therefore, have a primary facilitation role, acting as a conduit to enable those unheard voices to make themselves heard. While it is essential that CSOs enable citizens to articulate their concerns directly where possible, budgets are complex and highly politicised, and CSOs can also perform an important role in representation, directly criticising and assisting the budget process. Furthermore, as well as acting as a conduit from the people to government, CSOs can help with dissemination in the other direction, clarifying and transmitting information about government spending and

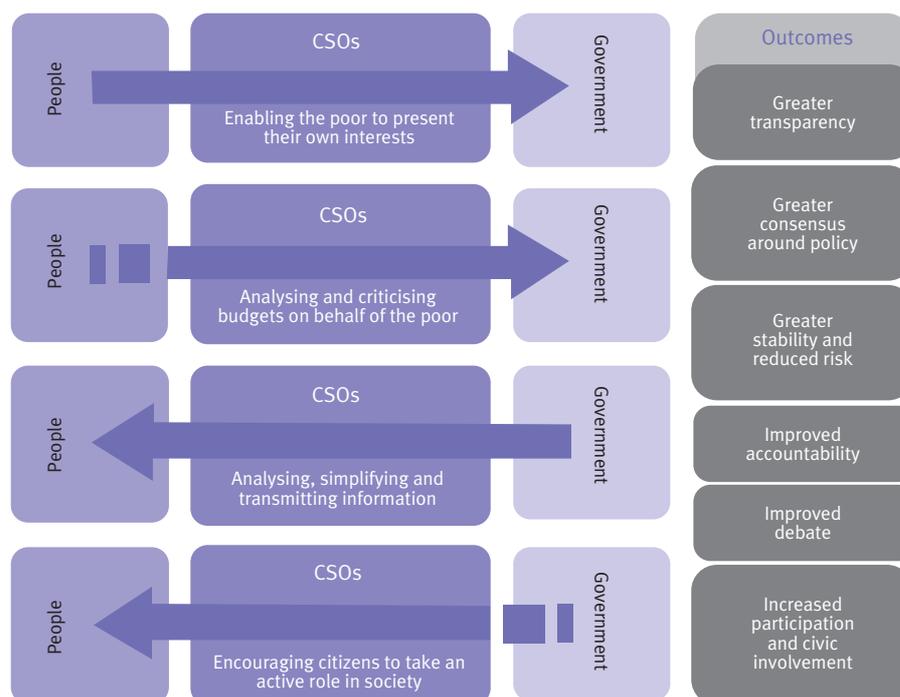
#### Hygiene - undervalued by the sector

Anyone familiar with the sector will note that this primer focusses on water and sanitation rather than WASH (water, sanitation and hygiene). This is because hygiene expenditure is currently almost impossible to track in Nepal's budgetary arrangements. However, this does not mean that hygiene should be neglected by budget advocacy. Sustained advocacy to improve the attention given to sanitation in the budget has resulted in a separate sanitation budget line being created in for the 2009/10 financial year. Previously, specific sanitation expenditure was incorporated into water. The separate budget line is a first step in determining how much is being allocated to sanitation, and for targeted advocacy to improve the sustainability, equity and efficiency of expenditure on sanitation. Similar arguments should be used for hygiene, which is essential for increasing and sustaining the effectiveness of sanitation interventions. A first step is to campaign for greater clarity on which ministries are responsible for financing and coordinating hygiene interventions.

systems to the people. Ultimately, this can help build genuine accountability, whereby citizens, especially the poor and marginalised, are aware of their rights, and government is aware of its responsibilities (and vice-versa). In a similar vein, another role for CSOs is to encourage involvement with political and social processes through budget advocacy, making them more active and concerned citizens. Figure 1 illustrates the different roles for CSOs schematically, while case study 2 illustrates how these roles have been played by Federation of Drinking Water and Sanitation Users Nepal (FEDWASUN), a CSO advocating around water and sanitation in Nepal.

<sup>7</sup> National Planning Commission, Government of Nepal (2007) Three Year Interim Plan

Figure 1: Roles played by CSOs in budget advocacy, and intended outcomes



## Case study 2:

### Comprehensive budget advocacy brings significant change in Dhading district

Federation of Water and Sanitation Users in Nepal (FEDWASUN) is a Civil Society network rooted in rural households and users groups who are directly concerned about water and sanitation services. This strong grass-roots base was used to advantage when FEDWASUN members in Dhading District integrated budget advocacy in 2007 as part of their wider strategy of improving water and sanitation governance through 'Citizens' Action'.<sup>8</sup> FEDWASUN engaged in all the above mentioned roles - facilitation, representation, dissemination and involvement, to achieve its successes. User networks were provided with basic information about expenditure decisions (dissemination) so that they themselves could track the way money was being spent, and how this translated into water and sanitation programmes (involvement). In directly monitoring expenditure, the users groups uncovered surprising evidence:

- Three remote Village Development Committee areas had received absolutely no budget allocation for water and sanitation from either government or NGOs

- More than a quarter of schools had no allocation for school latrines and consequently no sanitation facilities for their students
- One settlement above the water source point had been promised access through pumping, but institutional policy was preventing the service provider from budgeting for this

Through a combination of public hearings in which users could articulate the findings themselves (facilitation) and direct lobbying on their behalf (representation), FEDWASUN helped bring about positive changes to all three of the issues identified. The local government allocated expenditure to the three remote village development committees; the district education office and stakeholders committed to providing school latrine facilities for all schools; and the service provider agreed to contribute its budget for water-pumping for the community above the source-point, alongside a partial contribution from the community.

<sup>8</sup> WaterAid (2006) *Citizens' Action for Water and Sanitation*. Available at [http://www.wateraid.org/documents/plugin\\_documents/citizensactionlowres.pdf](http://www.wateraid.org/documents/plugin_documents/citizensactionlowres.pdf)

# Budgeting in Nepal 2

## 2.1. Overview

Nepal has had a budget since 1951, but the system was changed substantially in the Fiscal Year (FY) 2002/03, to be based around a three year medium term expenditure framework (MTEF). This section first considers the revenue-side of Nepal's budget, before focussing on expenditure and the MTEF.

**Revenue:** The government of Nepal has four main sources of revenue, which can be broken down as in Figure 2. The pie-chart indicates the relative proportions of these main sources. Case study 3 illustrates why revenue is an important consideration for budget advocacy.

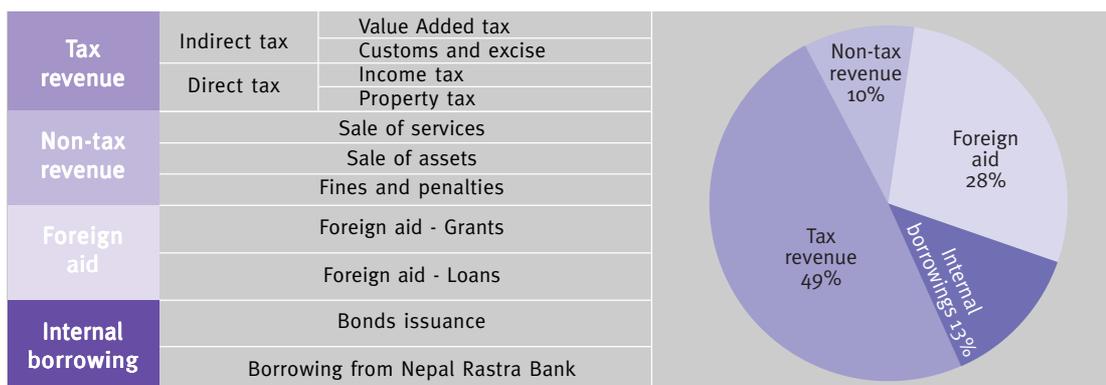
### Case study 3: Why revenue is a concern for budget advocacy

As mentioned, this primer focuses on the expenditure side of the budget. Revenue for the social sector (including water and sanitation) is raised from a mix of the above sources, and it can be challenging to trace funds from their source to the expenditure side. However, revenue remains an important consideration for budget advocacy, as illustrated by the Small Towns Water Supply and Sanitation Sector Project. This major programme of investment across several municipalities in Nepal was supported on the revenue side by a substantial loan from the Asian Development Bank. Conditions imposed in the loan contract to ensure cost recovery meant that an upfront cash contribution of Rs. 15,000 was required for each connection to the water network, which was unaffordable to the poor<sup>9</sup>. Consequently the way in which the money was raised (revenue) was affecting the way in which it was spent (expenditure)<sup>10</sup>.

<sup>9</sup> Asian Development Bank, *Small Towns Water Supply and Sanitation Sector Project, Project Information document [webpage, accessed 18/06/09]* available at: [www.adb.org](http://www.adb.org)

<sup>10</sup> WaterAid (2007) *On-lending practices at the Asian Development Bank*, available at: [http://www.wateraid.org/documents/plugin\\_documents/on\\_lending\\_discussion\\_paper.pdf](http://www.wateraid.org/documents/plugin_documents/on_lending_discussion_paper.pdf)

Figure 2: Sources and proportions of revenue for the Government of Nepal

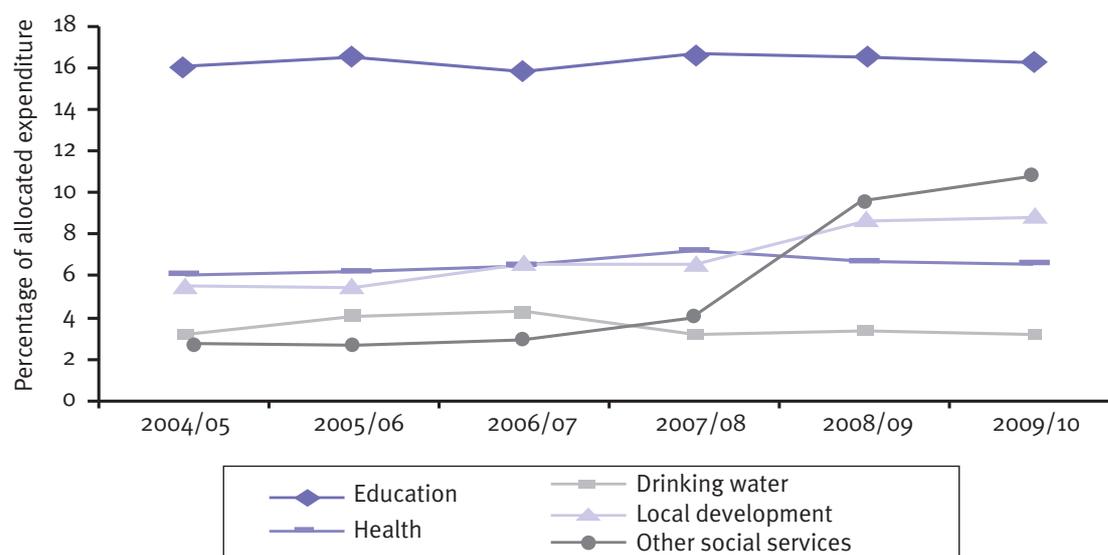


**Expenditure:** According to National Planning Commission of Nepal, the Medium Term Expenditure Framework (see Annex - Glossary) was introduced with four aims: a) developing a more consistent and realistic approach to available resources (revenue); b) improving allocations to priorities as expressed in the Poverty Reduction Strategy Paper (which currently takes the form of the Three Year Interim Plan); c) increasing incentives for efficient and effective expenditure by government agencies (a move towards ‘performance budgeting’); and d) making the budget more results-oriented by reducing low-priority projects. Before the Medium Term Expenditure Framework was introduced, Nepal’s budget worked on the principal that government offices or departments should receive annual increments in their budget for each ‘line-item’, irrespective of whether the office or department was meeting its performance objectives.

While these changes are good in theory, it is clear that there is still scope for

budget advocacy to help make the budget a more participatory, effective tool to drive Nepal’s development agenda forwards. In presenting the 2009/10 budget, the Minister of Finance stated that a major priority would be “To accelerate social development by increasing investment in education, health and drinking water and sanitation sectors”. According to the budget speech, the amount going to water and sanitation would keep track with inflation, increasing slightly from Rs. 796 crore to 905 crore (7.96 billion to 9.05 billion). With the diarrhoea epidemic described in Case Study 1, however, an additional 70 crore (700 million) was promised, however, did not materialise due to a technical problem. Even if they do, it is questionable whether this would represent significant “increasing investment” in the sector (or indeed the health and education sectors). To illustrate this, one can compare the larger increases in the percentages of the government budget allocated to the two other social sectors, local development and ‘other social services’

Figure 3: Percentage of government expenditure allocated to the social sectors over the last six financial years



(Figure 2). Once again, budget analysis reveals that there is often a gap between the government's stated priorities, and where it is putting the money.

## 2.2. Stakeholders in the budget process

From the perspective of CSOs engaging in budget advocacy, it is important to consider two main groups of stakeholders: those who already have a considerable influence in how the budget is planned and implemented, and those who lack a voice, but are most affected by the budget.

The first group consists of the government, donors, and individuals or groups which are perceived to be economically important - such as businesses and unions.

The main government institutions involved in the budget are as follows. In terms of the executive, the Ministry of Finance (MoF) and National Planning Commission (NPC) plan and supervise the budget as a whole. The Financial Controller General's office (part of the MoF) oversees revenue collection and expenditure, and prepares the government's financial statements. The Ministry of Local Development (MoLD), the Ministry of Physical Planning and Works (MoPPW) and the Ministry of Finance (MoF) under the budget head 'Investments - Public Enterprise' are the line ministries for water and sanitation. Moving towards the local level, District and Village Development Committees also have an important role in planning and implementation. Among the legislature, members of the Public Accounts Committee have

the greater influence, since they scrutinise the budget. Standing outside either legislature or executive is the Auditor General, an independent official who checks the annual report of expenditure incurred in the course of that fiscal year and advises the Public Accounts Committee.

But budget advocacy is not just about identifying and reaching the individuals and institutions which already have a say in the budget. In particular, poor and marginalised people who traditionally lack a say in the budget are perhaps the most important ‘stakeholders’. In terms of budget advocacy, this other group can be considered at the level of citizens as a whole, particular groups within it, and individuals. The media is also an important ally in assessing and engaging opinion, as are more established national and international-level CSOs.

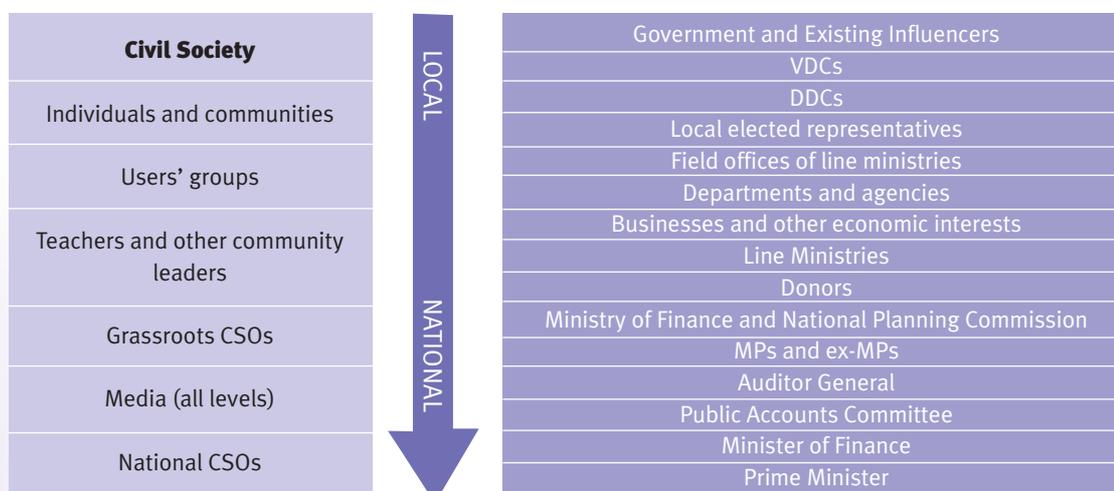
Figure 4 illustrates this dual view of the targets for budget advocacy - on the one hand, those whose voices can be elevated through budget advocacy; on the other, those who already have a reasonably established voice in the budget cycle. Budget advocacy can help increase the influence of the former group, as well as monitoring the influence of the latter group, at all levels - from the local to the national.

### 2.3. The budget cycle

The budget process in Nepal, as in most other countries, has four distinct stages: formulation, enactment, execution and auditing. This section is designed to briefly familiarise you with the different stages of the cycle:

- **Budget formulation:** The main process for developing the financial

Figure 4: Different targets for budget advocacy: Civil Society and Government



policy documents and plans which make up the budget.

An initial review of resources is led by the Ministry of Finance with the support of the National Planning Commission, from late October to mid December. This is followed by two main consultation processes which run in parallel. On the one hand, between December and March the line ministries are provided with an initial estimate of resources and asked to indicate their required expenditure and programmes, in coordination with their departments and agencies. On the other hand priorities and requirements at the local level are assessed through the ‘participatory planning process’ running from November to March - a series of planning meetings and workshops which CSOs and others can participate in. The information developed through these two consultation processes is drawn together by the Ministry of Finance, from March to late May.

- **Budget enactment:** The stage in which the budget document is passed into law, and expenditure is authorised.

The budget enactment stage is carried out in parliament from late May to mid-July. The Minister of Finance presents the budget in the form of the “Annual Financial

Statement” to Parliament for their approval or enactment. It is discussed, first in general terms, then on the basis of specific priorities for each ministry. The discussion is largely a formality, as no real adjustments can be made to the budget that year. After about two months the budget is entered into law through the “Appropriation Act”.

- **Budget execution:** The stage in which the budget shifts from being a policy document or plan, to being a practical process, translating allocated expenditure into real expenditure on goods and services on the ground.

Funds are released to line ministries who pass them through to respective departments and offices, or to District Development Councils. The latter receive the funds either as earmarked “conditional grants” or un-earmarked “block grants” which they can spend according to local needs. Most real expenditure occurs through ‘procurement’, the purchase of goods and services from third-party contractors. Bidding for contracts can either be ‘open’, where anyone can bid, or ‘closed’, where the responsible government body identifies a limited number of contractors in advance. There are a number of reporting requirements throughout the year,

culminating in a year-end report submitted to the Auditor General. The budget execution stage effectively runs throughout the financial year, until the next budget is approved the following July.

- **Budget auditing:** This is the main official process for checking the probity of the budget execution stage.

In Nepal it is entrusted to the Auditor General, who reviews the accuracy of the accounts of the government executive, and their performance in

implementing the budget. He or she then submits their opinion to the Prime Minister in the form of a Financial Report and a Performance Report. Through the Public Accounts Committee, the Prime Minister then reports to parliament, who can recommend corrective action to be taken by the executive ministries, departments and agencies who were involved in budget execution. This process takes a minimum of two years after the end of the financial year in question - it is only after this time that 'Real Expenditure', based entirely on actual historical data, is calculated and verified by the Controller General's Office.



# Timing of budget advocacy

# 3

## 3.1. Overview

Effective budget advocacy for water and sanitation (and hygiene) means developing a systematic and appropriate approach towards influencing budget processes. The budget cycle outlined in the preceding section is a useful reference point in terms of timing, and the main points of intervention are usually dictated by this official process. But budget advocacy runs parallel to it, and efforts directed at influencing a particular stage will require plenty of preparation beforehand, and follow-up long after.

Budget advocacy is most effective where it is sustained through all stages of the budget cycle, and from one budget cycle to another (Case Study 4). If your organisation is not able to

engage with all stages, consider how you can ally with partners and networks - each organisation may have particular strengths that suit it to one stage or another. This section outlines the main opportunities for advocacy at each stage - an overview of when, why, and how to engage. The 'how' of engaging in budget advocacy is then further explored in the toolkit provided in section 4.

## 3.2. Formulation stage

In Nepal, the budget formulation stage runs from late October to late May, before the budget is presented to parliament. Because of the way this stage is organised, there are essentially three levels at which CSOs can engage in advocacy:

### Case study 4: Following budgets from year to year

Budget documents and processes for a particular financial year can be influenced by those which preceded them. It is important to bear this interrelationship in mind when conducting budget advocacy, and to guard against unjustified changes to the budget (such as reduced expenditure for water and sanitation) which can arise. As an example, the utilisation rate for water and sanitation funds from 2006/07 onwards was very low because of the prolonged delays over the Melamchi Water Supply Project. This was used by the government as a justification for reducing the budget in the following year, even though it was not inefficient expenditure from the relevant ministries which was to blame, but political wrangling over this one particular project. Only by building up a sustained programme of budget advocacy, could CSOs become aware of this influence, and resist it.

- **National level - coordinating bodies:** the Ministry of Finance (MoF) and National Planning Commission (NPC).
- **National level - line ministries:** the Ministry of Local Development (MoLD), Ministry of Physical Planning and Works (MoPPW), Ministry of Finance - Investments in Public Enterprises (MoF-IPE) and associated implementing agencies and departments.
- **Local level:** District and Village Development Committees (DDCs/ VDCs) and other local government bodies, via the 'Participatory Planning Process', the official consultation process for establishing priorities at the local level.

Advocacy at each of these levels can be considered separately, but in all cases this is a key time for influencing the design of the budget, through evidence-based arguments and suggesting positive improvements

#### National Level - coordinating bodies:

**When:** late October to mid-December; mid-March to late May

**Why:** from late October to mid-December the Ministry of Finance (MoF) and National Planning Commission (NPC) are responsible for determining the budget limit (allocated expenditure) and issuing guidelines and directions for line ministries and local bodies (ie District Development Committees). This is a key time for CSOs to urge the MoF and NPC to place a greater priority on water and sanitation, both in setting the budget limit, and in the way they offer guidance to sector ministries and DDCs in the dual consultation processes (see section 2.3). From mid-March to late-May it may be possible to influence the MoF and NPC in their formulation of the final draft of the budget document, based on information from both line ministries and the local 'Participatory Planning Process' (below).

#### How:

- Arguments should be evidence-based, reinforced by analysis of previous budgets (section 4.3) and

other evidence about the importance of water and sanitation to health, education and productivity. It is important that criticism is constructive, providing positive and pragmatic alternatives wherever possible.

- Access to key decision-makers at local and national level should be considered early. Identify them using techniques such as influence mapping (section 4.2) and consider how best to target them (section 4.4).

#### National Level - line ministries:

**When:** mid-December to mid-March

**Why:** from mid-December to mid-March the line ministries are themselves engaged in establishing their sectoral priorities. Consequently, CSOs should advocate for each of the responsible line ministries to address water and sanitation adequately through their programme design and budget allocations.

#### How:

- As above, but tailoring activities to the audience - officials engaged more directly in service provision. This is an important time to urge for greater expenditure on particular focal points, such as sanitation, or programmes addressing particularly disadvantaged groups.

#### Local level:

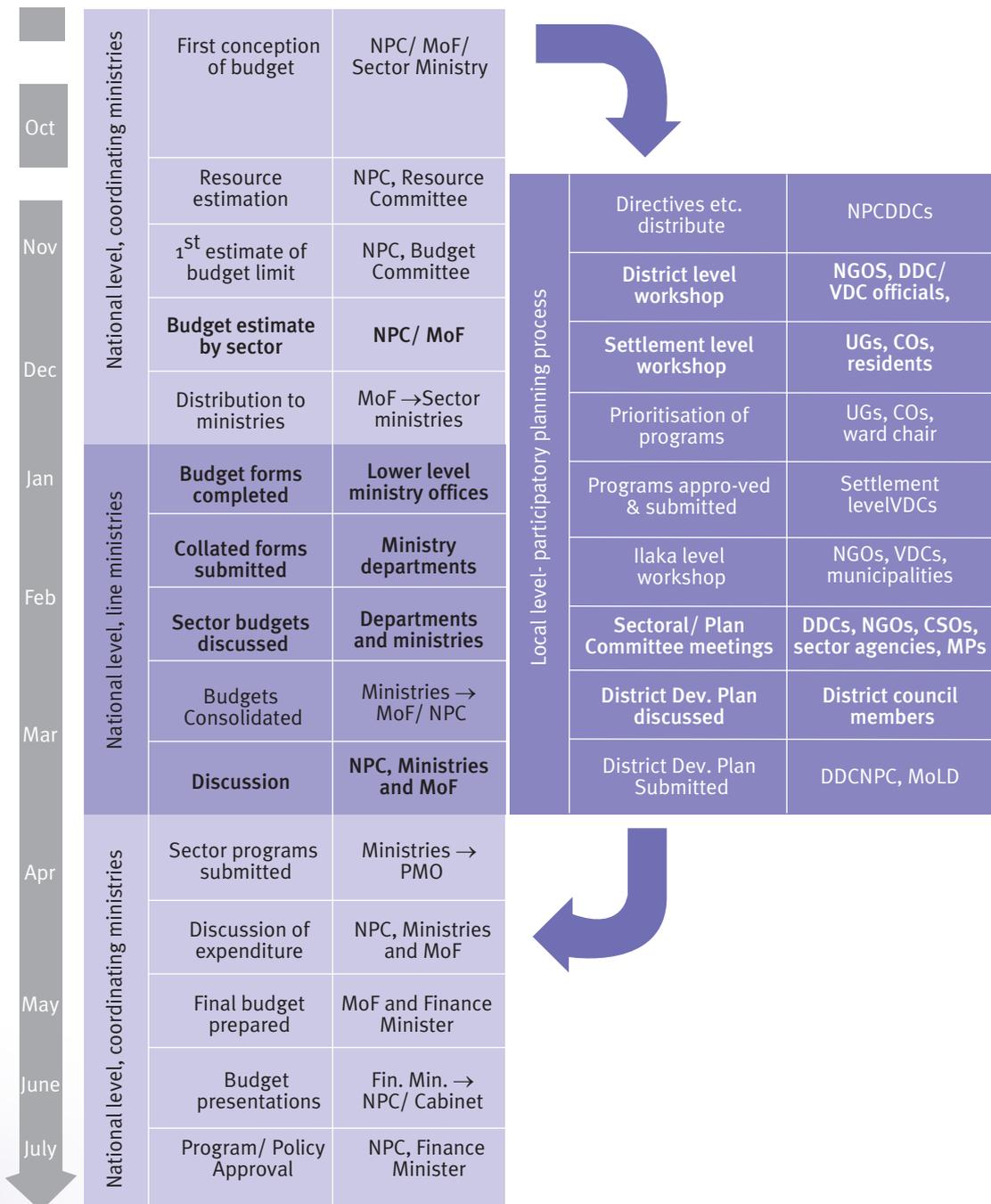
**When:** mid-November to mid-March.

**Why:** The 'Participatory Planning Process' offers a key opportunity to help influence the prioritisation of different issues at the local level. It consists of a number of workshops and planning meetings at DDC, VDC, and settlement level, which are open to CSOs. Of particular note are the initial workshops and analysis of needs and programmes at the VDC level (late Nov-Dec), and the prioritisation of these plans and programmes alongside VDC and municipal officials (Early Feb).

#### How:

- Although there is more official consultation with CSOs at the local level than at the national level (in the form of workshops and planning meetings), rigorous analysis and argumentation is necessary. Where CSOs have engaged in budget tracking during the execution stages of previous budgets this can provide important quantitative evidence and allow citizens to monitor expenditure themselves (sections 3.3 and 4.3)
- Where CSOs and citizens are new to the budget advocacy, workshops and appraisals to establish local concerns and needs qualitatively will be more appropriate.

Figure 5:  
The budget formulation stage



### 3.3. Enactment stage

The enactment stage is a two month window during which civil society can harness political, public and media attention on the budget (although there are limited opportunities to make significant alterations that year).

**When:** Late May to mid-July

**Why:** The enactment stage is essentially played out in parliament, from the presentation of the budget (the 'Annual Financial Statement') in late May, to the passing of the Appropriation Act by mid-July which authorises budget expenditure. On the face of it, this is the main opportunity for the legislature to influence the budget process. However, in Nepal enactment is largely a matter of 'rubber-stamping' the budget. Although there is debate and discussion, members of parliament cannot make changes to the budget that year. Nevertheless, there are two formal interventions which may have an impact on subsequent budgets. MPs can signal their dissatisfaction with one or more aspects of the budget during discussion, and have it noted for next year, by calling a 'vote of attention'. MPs can also request a 'cut motion' when the Appropriation Bill is put to parliament, a symbolic cut of Rs.1 which similarly indicates that there is an issue with the budget which should be taken account of the

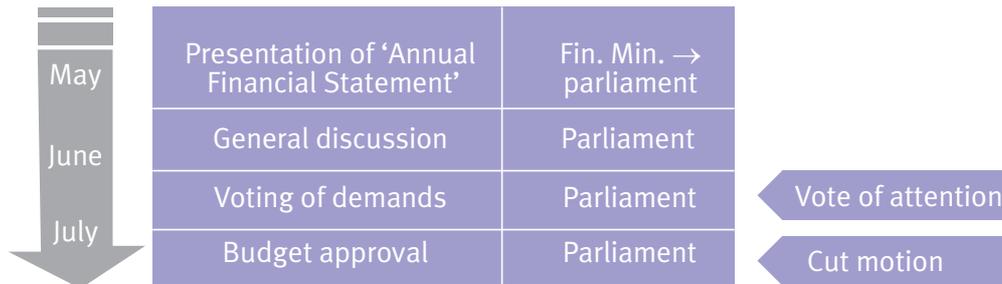
next year ('cut motions' tend to be voted down by other MPs).

Furthermore, the budget's public profile during this stage means it can be a useful time to engage people, either directly or via the media.

**How:**

- Identifying the key opinion-leaders and decision makers through influence mapping (section 4.2) is a good way to maximise the reach of activities at the enactment stage.
- Briefings (section 4.4) and other methods (eg websites, e-campaigns) based on rapid budget analysis (section 4.3) can be used to disseminate information to the public, media and politicians and engage them on key issues. Although there are limited possibilities for changing the budget for the coming year, either through public pressure or through members of parliament, these activities can be looked on as an investment - helping to develop support which will engage people in budget processes which affect them, and create pressure for positive change in subsequent years.
- Influencing opinion is not just a matter of providing information. Relationships are key. Any collaboration with media or politicians will be improved by establishing a relationship of trust, well before the actual enactment

Figure 6: The budget enactment stage



stage begins. This demonstrates how activities relating to one stage require preparation well before that stage begins. The budget is a complex document, and there will be a large number of different interest-groups wanting to get their story heard.

Allocated funds may never reach their intended goal; projects may be adjusted; and new expenditure may be required and approved. It is an important time for CSOs to actively monitor how allocations translate into real expenditure and outputs on the ground.

### 3.4. Execution stage

The various phases throughout the year, by which funds are released to ministries and hence departments and agencies, contracts are arranged (procurement), goods and services are delivered, and payments are made and recorded, offer ample chance for CSOs to directly monitor and engage citizens on the equitable and efficient implementation of the budget.

**When:** mid-July to mid-July

**Why:** Whatever the prioritization across sectors, groups, genders and policy goals in the budget documents, the actual implementation on the ground may differ considerably.

#### How:

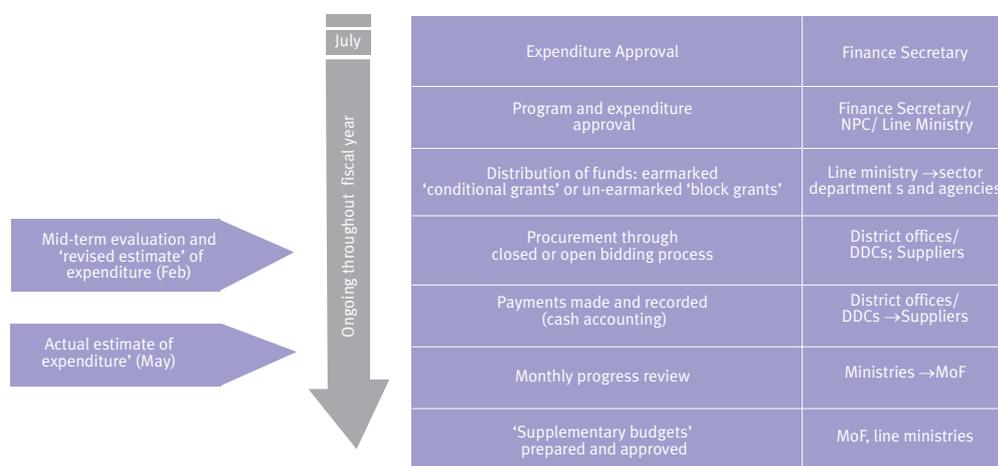
- Budget analysis which focuses on documents (Section 4.3) can continue, but attention may switch from the original budget plan to accounts and adjusted estimates published during execution process. Line ministries are required to produce monthly accounting reports recording payments once they've been made ('cash accounting'). The Ministry of Finance produces two significant revisions of expenditure: 'Revised Expenditure', calculated at a mid-term review, based on historical data for the preceding six months and projected expenditure for the next six; and 'Actual Expenditure', calculated from historical data after nine months, with an estimate for

the remaining 3 months. In addition ‘supplementary budgets’, can be prepared by the Ministry of Finance during the fiscal year, when additional expenditure is required, or revenue becomes available. A number of these have been passed in Nepal, requiring the reallocation of expenditure between sectors.

- Budget tracking (section 4.3) traces inputs (allocated expenditure) through to tangible outputs - such as water and sanitation facilities, and so is an important test of whether public finance is actually benefiting citizens. A particular focus of budget tracking may be the procurement process. Although contracts are supposed to be awarded on the basis of price and reliability, issues of accountability can arise. Transparency

International, an INGO, has developed the ‘Transparency Pact’ which sets out clear agreements for fair practice between government bodies and suppliers, as well as a monitoring system.<sup>11</sup> This might be used as a template by CSOs looking to act as watchdogs of procurement processes, even if only in a particular district. To maintain good relations, particularly with local levels of government involved directly in implementation, bear in mind that direct accusations of inefficient expenditure may prevent access to information. Highlighting positive examples and proactively suggesting improvements are an important counterpart to constructive criticism.

Figure 7: The budget execution stage



<sup>11</sup> Transparency International, Integrity Pacts [Online. Available at: [http://www.transparency.org/global\\_priorities/public\\_contracting/integrity\\_pacts](http://www.transparency.org/global_priorities/public_contracting/integrity_pacts), accessed 19/06/09]

### 3.5. Auditing stage

Budget auditing is the official, independent process for monitoring public finance. It is usually concluded a minimum of two years after the end of the financial year for the budget in question. CSOs can directly support the responsible government office - the Auditor General - by providing information, or can adapt and disseminate information produced by the Auditor General for the public and decision makers.

**When:** end of financial year (mid-July) to a minimum of two years later

**Why:** Reports produced by the Auditor General's office on expenditure and performance of public bodies can provide rich information for budget advocacy. For example, in 2006/07 the Auditor General made stern criticisms of the Small Towns Water Supply and Sanitation Sector Project, contrary to the satisfactory rating given to all components by the donor, the Asian Development Bank.<sup>12</sup> At the same time, limited capacity on the part of government means that CSOs can assist the auditing investigations by providing information, particularly concerning the Execution stage, and raising issues of concern. It should be noted that the Auditor General has no

powers to prosecute in the case of misappropriation or other financial improprieties. Meaningful change is more likely to be achieved through resolutions adopted by parliament. These are made on the basis of recommendations of a parliamentary committee which scrutinises the audit reports: the Public Accounts Committee within parliament can be an important ally for budget advocacy at this stage.

#### How:

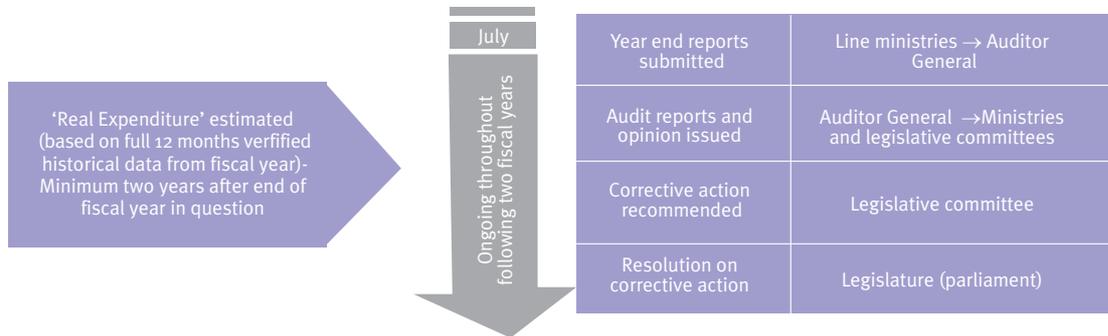
- As mentioned, one side of budget advocacy in the auditing stage involves supporting the Auditor General's office in its investigations. This is more likely to be accepted if there is a strong evidence base: consequently sound budget analysis and tracking (section 4.3) is essential, whether this has already been conducted or is engaged in retrospectively, during the two-year window of the audit stage. There is no formal process for CSOs to contribute to the audit - consequently CSO activities like 'social audits' (section 4.3) may run in parallel. It may take time to build a relationship with the Auditor General's office and ensure that CSO evidence and recommendations are accepted.

<sup>12</sup> Asian Development Bank, *Small Towns Water Supply and Sanitation Sector Project, Project Information document* [Online, available at <http://pid.adb.org/pid/LoanView.htm?projNo=31402&seqNo=01&typeCd=3#iprogess>, accessed 18/06/09]

- The other side of budget advocacy at the audit stage involves using the reports and recommendations of the budget auditor as a platform for advocacy, directly. Usually these reports are not very accessible, so briefings (section 4.4) can help make key points intelligible to the

public, media and politicians. Because the resolutions passed by parliament are the main mechanism for corrective action, it is important to target members of parliament at this stage, as in the enactment stage - particularly members of the Public Accounts Committee.

Figure 8: The budget auditing stage





# Techniques for budget advocacy 4

## 4.1. Overview

There are a number of techniques and skills that can be acquired to make budget advocacy more effective. This should not deter CSOs, as many are similar to activities which should already be familiar, for fostering participation, transparency and accountability in different areas of society and politics. Even basic budget analysis (section 4.3), probably the most technical or numerical tool, can be engaged in effectively with the minimum of financial knowledge.

Section 3 sets out the opportunities for budget advocacy in relation to the four stages of the budget process itself. However, budget advocacy runs in parallel to the budget process, and different techniques are applicable to several different stages. Consequently

this section divides the techniques into planning, research and engagement sections. Only a few of the many useful techniques, tools and approaches are covered here. Additional pointers are provided so you can find out more, and case studies illustrate how the techniques can be used in practice.

## 4.2. Planning

Effective planning is key to all advocacy - no less so in the case of budget advocacy. The complex processes and many stakeholders involved need to be understood. Planning for budget advocacy incorporates several components: consultation with stakeholders to establish the issues of concern; learning about budgets and budget advocacy techniques; and mapping of the budget landscape,

including the ‘when’, ‘who’ and ‘how’ of your own budget advocacy strategy.

#### Technique 1: Problem analysis

A first step in planning budget analysis is to identify the major challenges facing the sector. Any CSO working in the water and sanitation sector will have a reasonable idea of challenges on the ground, but consultation with other stakeholders can always deepen

understanding. Having developed your understanding of budget documents and processes using this guide, as well as further learning where necessary, you should be able to relate those problems on the ground to the budgetary issues. A simple table can help structure and prioritise the different issues, as well as identify how to gather information and target advocacy efforts - Table 9 below offers an illustrative example.<sup>13</sup>

**Table 1:** Example of a problem analysis table

Issue	Consequence	Suspected cause	Solution	Info source	Priority
Low allocations to sanitation	Impeding progress towards MDG on sanitation	Lack of political attention to sanitation	Highlight low allocations to sanitation relative to other social sectors/ progress on MDGs	Budget speeches for previous five years	High - Next month when budget is released
Perceived low utilisation of water and sanitation budgets	Reduced allocations to the sector in subsequent years	Previous projects are delayed resulting in low utilisation	Assess expenditure vs. allocation on a programme basis: highlight delayed projects and propose solutions, and advocate for sustained allocations to those which have not been delayed	Red books for previous five years	Medium - Next two months
Low utilisation of water and sanitation budgets	Poor implementation of sector programmes	Weak account - ability in procurement processes	Engage in budget tracking in selected district to monitor how allocations translate into outputs	Budget tracking programme with local CSOs	Long term - next three years

<sup>13</sup> Adapted from Miller and Covey (1997) *Advocacy Sourcebook: Frameworks for Planning, Action and Reflection*. Institute for Development Research (IDR)

## Technique 2: Stakeholder influence mapping

Budgets are highly politicised documents and processes, and consequently suffer from imbalances of power. These affect the chain of influence that leads to key decisions. A participatory, visual exercise can be used to assess the situation, following the steps laid out below.

Stakeholder influence mapping works best if it focuses on a limited decision area and time period, eg how expenditure on water and sanitation programmes is designated between districts during the formulation phase. The process is as follows:

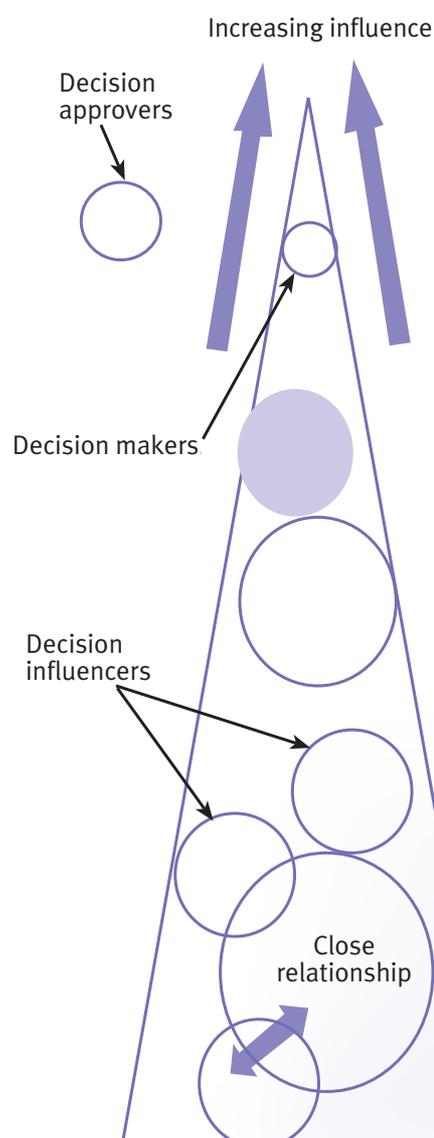
1. Identify all stakeholders, from the most powerful to the most marginalised
2. Prepare the mapping materials (improvising if necessary) including
  - a. Paper circles, of different sizes
  - b. A large paper triangle
  - c. Marker pens, pins and boards
3. Estimate the size of each group of stakeholders and attribute them to appropriate paper circles (ie large circles for large groups). Different types of group (eg CSOs, executive government, media) can be coloured differently for clarity.
4. Map the influence and relationships of the different groups within the triangle (Figure 10). Influence is indicated by closeness to the apex. Groups placed at the apex are decision makers. Further down towards the base are varying degrees of decision influencers. Additionally, it may be necessary to include a category of decision approvers (such as legislators) who have a supervisory, rather than a specific decision-making role - these

### Other resources for problem analysis

WaterAid's Advocacy Sourcebook describes several advocacy planning tools which could be transferred to budget advocacy specifically, including for example 'problem and solution trees', and 'issues, consequences and solutions' tools. WaterAid (2007) The Advocacy Sourcebook. Available at: [www.wateraid.org/advocacysourcebook](http://www.wateraid.org/advocacysourcebook)

could go outside the pyramid. Relationships are indicated by how close you place the circles to each other, or by lines drawn between them.

Figure 9: A stakeholder influence map



5. Record all key observations made in the process, as well as the final map.

Once you have established the key decision players in the influencing process, it can be useful to look at each one in turn, and consider the following questions:

- Can you contact them directly? If not, who do you need to approach first?
- Are they already an ally? A different strategy will be necessary if they are not already convinced of your argument.
- What are their natural interests? Tailor your messages to their attitudes and roles. The section on preparing policy briefings (section 4.4 below) gives more guidance on this.

### Case study 5:

## Training for budget advocacy: investing in capacity and a conducive environment

In Nepal, WaterAid initiated its budget advocacy activities in 2006 with a workshop introducing partners to local, regional, and national level budget advocacy<sup>14</sup>. The workshop was integrated within the Citizens' Action programme, which seeks to facilitate better accountability between poor and marginalised people and service providers<sup>15</sup>. The workshop provided a forum for collaborative planning, training, and relationship building. The course was organised over four days, helping partners to understand local level budget analysis and tracking activities, the four phases of the budget cycle and their implications at the regional level, and how to conduct sector budget analysis and lobbying activities at the national level. The sessions were enlivened by contributions from experts from the sector and beyond.

Key officials in charge of budget preparation contributed their knowledge and experience, from the Ministry of Finance, National Planning Commission, Ministry of Physical Planning and Works, and Department of Water Supply and Sewerage. Beyond the government executive, the Director of the Auditor General's Office (audit stage)

and a former parliament member (enactment stage) were also invited to contribute. These initiatives not only enhanced the capacity and awareness of civil society on the technicalities, but have also helped to develop a conducive environment for budget advocacy where CSOs are able to communicate amicably with the concerned agencies and individuals. This primer includes valuable inputs from those resource persons.

As well as training on the technicalities, the workshop catalysed the planning process among partners, including brainstorming 'change objectives'. This visualisation process allowed partners to agree what they really wanted to achieve through budget advocacy work, including:

- Sustained growth of the sector budget
- Effective implementation of the budget
- Equitable distribution of the budget
- Increased transparency of the budget
- Improved gender responsiveness of the budget

While these change objectives can serve as a useful guide, they are indicative only - developing your own change objectives is an important step in planning budget advocacy.

<sup>14</sup> National training on Budget Advocacy for Water and Sanitation, organised by WaterAid in Nepal in Dhulikhel, Kathmandu (22-25 December, 2008).

<sup>15</sup> WaterAid (2006) Citizens' Action for Water and Sanitation. Available at [http://www.wateraid.org/documents/plugin\\_documents/citizensactionlowres.pdf](http://www.wateraid.org/documents/plugin_documents/citizensactionlowres.pdf)

### 4.3. Research

This section distinguishes between budget analysis, which focuses on the budget as a series of policy documents, and budget tracking, which engages with the budget as a practical process. The International Budget Partnership emphasises that research on budgets should be accurate, accessible, and timely<sup>16</sup>. But these three qualities show the important links with the planning and engagement phases of budget advocacy. Timely analysis is impossible without good planning, while its accessibility depends both on good planning, and effective engagement.

**Technique 1: Budget analysis**  
Budget documents provide rich

#### Other resources for influence mapping

The International Institute for Environment and Development Power Tools series provides a more comprehensive overview. Mayers, J. and Vermeulen, S. (2005) Stakeholder Influence Mapping, Available at [www.policy-powertools.org](http://www.policy-powertools.org)

ODI's RAPID programme offers a slightly simpler explanation. Start. D, and Hovland, I. (2004) Tools for Policy Impact. Available at: [www.odi.org.uk/Rapid](http://www.odi.org.uk/Rapid)

information about government priorities and how far policy statements are supported by the allocation of finance. Historic information (eg on real expenditure) can also be used. This section outlines key sources of information, and the angles from which budget analysis can be approached.

#### Finding the right information

There are a number of documents which can be obtained from the Ministry of Finance Website ([www.mof.gov.np/publication/](http://www.mof.gov.np/publication/)). The most important of which are:

- The 'Budget Speech', which is the main public presentation of the budget, delivered by the Minister of Finance to Parliament and approved during the enactment stage. Most of the useful figures are included in the Annexes.
- The 'Red Book', which breaks expenditure down across projects and departments for each ministry.
- 'Line item-wise estimates of expenditure', which break each project or department's expenditure down further, so that you can see, for example, how much is spent on staff and office costs.
- The 'Economic Survey' which is produced around the time of the budget, and includes an appraisal

of government spending by sector. Additional tables indicate the number of beneficiaries for each sector, which can be combined with expenditure data for the same year to show per capita expenditure.

Expenditure on both water and sanitation is grouped under the budget code 33, 'Drinking Water'. In the 2009/10 budget, expenditure on sanitation could be separately distinguished for the first time.

Depending on how the document in question is organised, expenditure on water and sanitation may be listed separately under each line ministry:

- Ministry of Local Development: No. 69
- Ministry of Physical Planning and Works: No. 48
- Ministry of Finance - Investments - Public Enterprises: No. 87

<sup>16</sup> International Budget Partnership (2001) *A Guide to Budget Work for NGOs*

Although budget analysis involves numbers, you don't have to be a financial or mathematical expert to be good at it. More often than not, effective budget analysis is just a matter of looking at what money is being spent where and how that fits with government policy priorities. The main challenge may be finding the

figures in the first place, particularly in central government documents.

**Angles for budget analysis:** Using the government's own classification system. The budget documents themselves classify expenditure in various ways, which provide a useful starting point for budget analysis (Table 2).

**Table 2:** Example of a problem analysis table

Type	Where to look	What does it tell us
Capital/ recurrent	Budget Speech <sup>17</sup> Annexes 7, 8, 8a, 8b, 8c	Recurrent expenditure gives an idea of the amount going to support current projects and infrastructure, while capital expenditure roughly indicates new projects (though note this is combined with loan repayment). There is no ideal balance between the two, but increases in capital expenditure without supporting increases in recurrent expenditure over time can be a concern: this suggests that expenditure will not be sustainable - see Table 4 for how to calculate growth in expenditure over time.
Priority	Budget Speech, Annex 8	1st, 2nd and 3rd priority programmes within the budget are classified on the basis of criteria including service delivery, good governance, revenue generation and contribution to development work. All 1st priority programmes of the budget must be funded before funds can be allocated to 2nd and 3rd priority programmes.
Gender responsive - ness	Budget Speech, Annex 8b	Expenditure under each budget code (including drinking water, no.33) is classified as 'directly gender supportive' (→50% of benefits to women), 'indirectly gender supportive' (→20-50% of benefits to women), or 'neutral' (←20% of benefits to women), using criteria such as capacity development; participation in formulation and implementation of the project; share of benefits; support in employment and income generation; and reduction in time and workload arising from the project.
Poverty alleviation	Budget speech, Annex 8c	Each sector's contribution to poverty alleviation is assessed, categorising expenditure as either 'pro-poor' or 'neutral', on the basis of contribution to rural areas, social mobilisation, investment in social sector, social security, grants to local bodies, poverty alleviation and inclusion.

<sup>17</sup> eg Ministry of Finance, Government of Nepal (2009) Budget Speech of Fiscal Year 2009-10. Available at <http://www.mof.gov.np/publication/speech/2009/index.php>

**Going deeper into the data.** Budget documents provide other useful ways to analyse the data

**Table 3:** Deeper forms of budget analysis

Type	Where to look	What does it tell us
Ministry	Budget Speech, Annexes 7 (and 8, 8a, 8b and 8c)	Relative expenditure from different ministries can be compared (and combined with the above classifications, for example pro-poor spending from each ministry). It may be that you choose to target the ministry with the highest expenditure on drinking water (MoPPW in 2008/09) or others - for example, MoF provided no recurrent expenditure in 2008/09.
Project/ Department	Red Book <sup>18</sup> , Part 2	Expenditure on different projects is broken down in the Red Book, so they can be analysed either singly or in relation to each other. For each project, other information is available, including recurrent vs. capital expenditure, the source (Gov. of Nepal/ Foreign), the priority, and what part of the sector strategy the project relates to.
Expenses Type	Line Item-wise Estimates of Expenditure, 2008/09, Part 2 <sup>19</sup>	Each project is further broken down into different kinds of expenses, from salaries and programme travel ('recurrent' costs) to land acquisition and civil construction ('capital' costs). This provides an additional layer of detail for analysing particular projects.
External financing	Red Book, 2008/09, Part 2	As noted, the Red Book breaks down expenditure on each project/ department so that the relative contribution of government funds, donor loans, and donor grants can be established. High reliance on donor funds may bring the sustainability of the project into question, while use of donor loans increases the national debt.

**Deeper still: putting water and sanitation in context.** Looking at expenditure for drinking water (or sanitation) in isolation gives quite a limited picture. Budget advocacy

arguments can be much improved by providing some context. One way to do this is to compare expenditure to other sectors. The other is to compare expenditure over time (Table 4).

<sup>18</sup> eg Ministry of Finance, Government of Nepal (2009) *Budget Details for Fiscal Year 2009-10 (Red Book)*. Available at <http://www.mof.gov.np/publication/red/2009/index.php>

<sup>19</sup> eg Ministry of Finance, Government of Nepal (2009) *Line Itemwise Estimates of Expenditure For Fiscal Year 2009/10*. Available at <http://www.mof.gov.np/publication/lineitem/2009/index.php>

**Table 4:** Comparative forms of budget analysis

Type	Where to look	What does it tell us
Sector	Budget Speech, Annexes (expenditure grouped by sector); Red Book for project-level data - see Annex 4 for relevant budget codes for each sector	Drinking water (and sanitation) can be compared with any other sector, but the most relevant comparison is probably with other social sectors - alongside 'drinking water' this includes 'education', 'health', 'local development' and 'other social services'. These are all important development concerns. Rather than criticising expenditure on these sectors, it may be more effective to check for neglect of drinking water (and sanitation) by spotting declines in expenditure over time, relative to increases in other social sectors. See below for how to calculate growth or decline over time. It may also be necessary to look at non-social sectors as well, to see if there are any major imbalances.
Time - linear growth rate	Current and historical budget documents (Budget Speech Annex, Red Book, Line Item-wise Estimates of Expenditure	The simplest way to assess a change in expenditure over time, whether looking just at drinking water or across multiple sectors, is to calculate a linear growth rate: this is the percentage change from one year's budget to another. The formula is as follows:  $\text{Linear growth rate} = \frac{\text{Final Budget} - \text{Original Budget}}{\text{Original Budget}} \times \frac{100}{\text{Time Difference}}$
Time - GDP	Current and historical budget documents (Budget Speech Annex, Red Book, Line Item-wise Estimates of Expenditure; Economic Survey (see Section 1) <sup>20</sup>	Current and historical expenditure from the budget can also be compared year-on-year with GDP (which can be found in the Economic Survey). This gives an idea of whether fluctuations in expenditure on water and sanitation can be explained through fluctuations in the economy as a whole (ie does water/ sanitation expenditure as a percentage of GDP remain constant, year-on-year).

<sup>20</sup> eg Ministry of Finance, Government of Nepal (2009) *Economic Survey of the Fiscal Year 2008-09* <http://www.mof.gov.np/publication/budget/2009/survey.php>

Type	Where to look	What does it tell us
Time - real growth rate (adjusted for inflation)	As for linear growth rate	<p>Linear growth rates do not take account of inflation, the powerful economic force which causes increases in prices over time. Expenditure in previous years can be adjusted for inflation, so that it is equivalent to modern prices. To do this, you can use the 'price index'. This is essentially adjusts one year's value so that it is the same, in terms of what goods and services it would buy, as another year's value. Usually the price index is taken in relation to a base year - in the formula below the 'original budget' is the base year, while the final budget is adjusted by however much the price index has changed (as a percentage value):</p> $\text{Linear growth rate} = \frac{\text{Final Budget} \times (100\% + \text{percentage change in price index}) - \text{Original Budget} \times 100\%}{\text{Original budget}} \times \frac{100}{\text{Time difference}}$ <p>The price index can be obtained from the Economic Survey produced by the MoF each year. This gives the percentage change in the price index for each year relative to a base year.</p>

### Technique 2: Budget tracking

Once budgets are enacted and funds begin to flow, the original budget documents such as the Budget Speech and Red Book become less and less representative of reality. CSOs can support citizens to monitor and evaluate how expenditure allocations translate into real expenditure, and then into actual outputs. As with budget analysis, much of the effort involved in budget tracking involves finding information. Some of this information can be obtained from other documents. However, above all budget tracking allows CSOs to access a different perspective than the

### Other resources for budget analysis

India's Centre for Budgets and Governance Accountability (CBGA) has produced a primer on the different angles for budget analysis in a particular sector: in this case, primary education. Centre for Budgets and Governance Accountability (2007) *Primer on Budget Analysis: Taking the case of the Primary Education Sector*. Available at [www.cbgaindia.org](http://www.cbgaindia.org)

The World Bank provides detailed technical information on how to improve public expenditure, including budgets. Although directed at policy makers rather than CSOs, it may prompt ideas for more specific budget analysis for advocacy purposes. Available at [go.worldbank.org/RVZ7W2YGR0](http://go.worldbank.org/RVZ7W2YGR0)

‘official’ account from government. This opens up the huge potential for participatory, primary data collection about how far money is translating into goods and services for citizens themselves, particularly poor citizens. Consequently, this sub-section briefly lists relevant documents, before outlining a key approach to participatory budget tracking.

#### Documents for budget tracking:

- In-year and year-end accounts produced by line ministries and the Ministry of Finance, including the ‘revised estimate of expenditure’ at the Mid-Term Evaluation in February and ‘actual estimate of expenditure’ produced in May (section 3.4). These may not be publicly available, but where they can be obtained, the budget analysis techniques outlined above can be employed.
- The Auditor General’s annual report can be a source of valuable information and can be accessed at [www.oagnep.gov.np](http://www.oagnep.gov.np). However, it is produced some time after the end of the financial year. If a relationship is established with the Auditor General’s office, it may be possible to share information beforehand (section 3.5).
- Local government bodies, from VDCs to line-ministry offices can be approached individually for information on their own budget

expenditure, during the course of the execution phase itself.

#### Budget tracking on the ground: Social audits

Budget tracking should allow CSOs to question how far the representation of budget execution given in government documents accords with the actual reality in terms of outputs (goods and services) and outcomes (eg levels of access) - these are, after all, the most important concerns. Time and resource constraints mean that field-based budget tracking may have to be quite localised. Many participatory techniques have been developed by development agencies and CSOs to help achieve this. One of the most powerful, pioneered by Mazdoor Kisan Shakti Sangathan in India, and which focuses specifically on public expenditure, is the ‘Social Audit’. This in fact forms a bridge between research and engagement phases of budget advocacy, and consists of the following stages<sup>21</sup>:

- **Gathering information:** to help build a platform for discussion and create trust, the CSO takes responsibility for collating documentary information on the budget, such as from the above-mentioned documents. Nepal’s Right to Information should in theory guarantee access, but in practice it may be necessary to rely on sympathetic officials, particularly for local-level data.

<sup>21</sup> Adapted from Ramkumar, V. Case Study, Making Change Happen Series: The Right to Know Movement in India”, <http://www.justassociates.org/MKSS%20Case%20Study%20Section%2011.pdf>

- **Managing information:** often the evidence on claimed expenditure is complex. CSOs can help structure and organise the information using simple matrices so that citizens themselves are able to see discrepancies between what is claimed and what they themselves experience.
- **Sharing information:** Initially, this is best conducted on a house-to-house basis, taking the time to explain the issues as well as providing written copies. Above all, this sharing stage is about validation, for example allowing citizens to verify whether or not a claimed new water supply system has actually been built. Plays, songs and other creative media can help galvanise local people to take an interest.
- **The public hearing:** energised by the sharing process, and newly informed about what they are entitled to, citizens are by now keen to hold their public officials and locally elected representatives to account. CSOs must secure the latter's participation at the public hearings - media attention can

#### Other resources for budget tracking

As well as their general Guide to Budget Work for NGOs, the International Budget Partnership has produced a comprehensive guide to monitoring government expenditure from the execution to the auditing stage. It provides guidelines and inspirational case studies on a variety of budget-tracking techniques such as citizen report cards and public procurement monitoring. Ramkumar, V. (2008) *Our Money, Our Responsibility: A Citizens' Guide to Monitoring Government Expenditures*. Available at [www.internationalbudget.org/resources/expenditure/index.htm](http://www.internationalbudget.org/resources/expenditure/index.htm)

be a useful incentive. A panel of local people adjudicates and moderates, while citizens should be allowed to challenge officials themselves on any failures of accountability.

- **Follow-up:** The CSO documents the proceedings and distributes the report to higher-level officials and the media, to drive forward positive change. Consequently, it is helpful if such reports make suggestions for positive improvements, as well as highlighting where accountability has failed in the past.

### Case study 6:

## Understanding equity from inputs to outcomes in Tanzania

In Tanzania the civil society network on water and sanitation, TAWASANET, has investigated the equity of how budget allocations (inputs) have been translated into facilities (outputs) and actual access (outcomes), across urban and rural areas, districts, wards and even social groups<sup>22</sup>. The investigations combined budget analysis and budget tracking techniques, using both central documents on budget allocations and coverage, and field-data derived from a technique called

Waterpoint Mapping. This employed Geographical Information System (GIS) data and surveys to construct a detailed picture of the location and functionality of actual services on the ground. The investigation also used qualitative survey methods to investigate social equity, in terms of the involvement of vulnerable groups in key decision making processes. Table 5 indicates the different data sources used for each 'level' of equity.

<sup>22</sup> Adapted from Taylor, B. (2008) *Water: More for some... or some for more? Tanzania Water and Sanitation Network (TAWASANET)*, - [http://www.wateraid.org/documents/plugin\\_documents/water\\_\\_more\\_for\\_some.pdf](http://www.wateraid.org/documents/plugin_documents/water__more_for_some.pdf)

**Table 5:** Levels of equity monitoring by TAWASANET in the Tanzanian water and sanitation sector

Equity 'level'	Type of equity monitored	Data source
<b>Inputs:</b> resources allocated to different priorities in the sector	Spatial equity, eg how are allocations distributed between districts?	Budget allocations (ministry and local government), between urban-rural areas, towns, districts and in comparison with coverage
<b>Processes:</b> systems of management of resources to deliver sector priorities	Social equity, eg who is represented in decisions?	Qualitative surveys on involvement of women in key decision making bodies.
<b>Outputs:</b> physical infrastructure produced by the sector	Spatial equity, eg how equitably are water points distributed? Spatial and social equity, eg how	Household connections/ public kiosks in each urban settlement; functioning waterpoints at district and ward level
<b>Outcomes:</b> direct effects on households	does access vary between male and female-headed households, in different areas?	Coverage data (census/ urban utilities) for urban/ rural areas, between towns, between districts, and between social groups (cross referenced with census data for household characteristics, eg wealth quintile, sick members)

In looking at outcomes for different social groups, the study went beyond just investigating how allocations translate into physical outputs. Although it primarily used national-level data from census and health surveys, a more localised and accurate picture could be obtained in the field as part of budget-tracking, by visiting local communities and using participatory techniques to establish which groups are being excluded from water and sanitation investments.

Overall, the study produced numerous important findings, which form the platform for a proposed annual equity monitoring report for the sector. These include the following:

- Small towns are clearly being neglected by budget allocations, relative to their low coverage.

- Social equity of outcomes continues to be a problem, and service providers should be supported to improve the targeting of their water supply investments to vulnerable households within communities.
- The formula-based allocation system for rural water supply investments needs to be used more widely to ensure equity of inputs between districts.

Furthermore, the study highlighted a common need for budget research: better data, including wider use of waterpoint mapping and further qualitative field-studies to better understand barriers to access and participation. However, by making practical recommendations on how to improve the availability and quality of data, TAWASANET's investigation has attempted to address this challenge also.

## 4.4. Engagement

The engagement phase of budget advocacy is where the actual *advocacy* happens, and arguments and solutions are presented. But it needs to be reiterated that while the tools for budget advocacy are divided into separate sections, any successful programme of budget advocacy needs to consider advocacy targets and how to communicate messages from the earliest

planning stages. This section considers two strategies (approaches more than tools) for engaging with decision makers. The first centres around media engagement. The second provides some advice on how to address arguments directly to decision makers, with briefings. Both strategies depend, above all, on relationships. Such relationships don't appear instantaneously, so like the preparation and analysis phases, engagement is a continuous process.

Figure 10: Key steps for effective media engagement



### Technique 1: Media engagement

The media are a key channel for advocacy messages, and because of their role in opinion forming, they are also a target in their own right. The role of media in campaigning and advocacy is changing rapidly. New formats, particularly around social networking and digital communication, offer exciting new opportunities for rapidly and easily bringing large numbers on board. However, for many in Nepal access to the internet, and even TV, is some way off. For them, radio and print media may be more appropriate. Moreover, the fundamentals for media engagement, from preparing a traditional press release to using Wiki platforms and Facebook, remain the same. Relating your message in the way that your audience prefers to receive their information is absolutely key. This section presents a few simple

steps to establishing effective media engagement (Figure 10).

### Technique 2: policy briefings

Briefings are short documents that distil research and advocacy into a few, easily digestible messages. While detailed, well-researched reports help establish credibility (as well as get your message straight in the first place), they may not be

the best vehicle for communicating key findings. Even dedicated specialists have so many reports to read that they can often just get filed away for another day. Many of the steps applying to media engagement apply here too, except this time you are trying to reach decision-

### Other resources

WaterAid's Advocacy Sourcebook contains useful guidance on engaging the media and preparing press releases. WaterAid (2007) *The Advocacy Sourcebook*. Available at: [www.wateraid.org/advocacysourcebook](http://www.wateraid.org/advocacysourcebook)  
 betteraid.org, a campaigning platform, produced a media engagement guide for CSOs working on aid effectiveness issues in the run-up to the Accra high-level forum on Aid Effectiveness in 2008. Although the specific messages vary from a budget advocacy context, much of the advice about targeting different media is applicable. Civil Society Voices for Better Aid (2008) *National Advocacy and Media toolkit for CSOs*. Available at [www.betteraid.org/downloads/Betteraid\\_Media\\_Toolkit\\_Final-1.doc](http://www.betteraid.org/downloads/Betteraid_Media_Toolkit_Final-1.doc)

makers directly. This section sets out a few key principles for effective briefings:

- **Find the change-makers.** Select your audience as early as possible, because it may inform the whole direction of your strategy and analysis. The influence mapping outlined above (section 4.2) is a good way to start.
- **Match the length to the interest.** Think about how many other briefings, meetings, emails and phone-calls your target will receive in a day. It takes most people a minute to read 200-250 words, and more to digest and understand complex arguments. Two pages of well-spaced text can easily reach 1000 words - 5 minutes will seem a lot to very busy people. Use good design (such as bullet points, charts, pictures and boxes) to draw your audience in, and communicate your message more economically.
- **Use your audience to your advantage.** Politicians have different priorities to executive officials. Both may be at least as interested in the benefits they can get from helping you, as the cause you're advocating for. For politicians, focus on political benefits - water and sanitation are both vote-winners, particularly among the poor. For bureaucrats, it might be better to focus on rigorous economic and policy arguments.
- **Get on the inside.** It may not be possible to know all your target audiences directly. But a few well placed contacts can help push your

message up the agenda, often just by talking about it. Equally, focussing constantly on too few individuals may be risky, especially if they belong to a particular political group. You don't need to be party-political, just politically aware!

- **Use your expertise effectively.** Credibility, derived from objective evidence and sound argumentation, and often popular support, is the root of effective influencing. You may know a lot more than your audience about your issue, so don't blind them. As well as communicating your 'ask', briefings may need to introduce the subject in simple terms for the reader. But be imaginative too - there's never enough money to go around, so be creative when making the trade-offs in the budget clear or how investments in WSS can benefit other social development projects.

#### Other resources

The International Budget Partnership has a useful webpage on general communication for advocacy, 'Advocacy Concepts and Techniques'. Available at [www.internationalbudget.org/cdrom/sessions/advocacy/advocacy&communication.htm](http://www.internationalbudget.org/cdrom/sessions/advocacy/advocacy&communication.htm)

They have also produced a two-page template briefing for the global study 'The Open Budget Survey 2008'. Although again, the template is specific to this study, it offers some ideas of how content and layout can be combined to good effect. Available at [www.openbudgetindex.org/index.cfm?fa=about](http://www.openbudgetindex.org/index.cfm?fa=about)

## Case study 7: **Amplifying voices for water and sanitation through the media**

WaterAid in Nepal has been developing its contacts with media stakeholders for some time now, and the Nepalese media has played a crucial role in bringing about positive change in budgetary issues for water, sanitation and hygiene. Engaging across print, audio, visual and online media, a major strategy has been to increase awareness and popular pressure by publicising budgetary constraints, ineffective utilisation and unequal distribution of the budget.

This tactic has contributed to successes for the sector, including securing a separate budget head for sanitation. This year, the media campaign intensified with the release of the 2009/10 budget. A debate was arranged with key sector players including the Department of Water Supply and Sewerage, which was broadcast to the Kathmandu

valley on Radio Sagarmatha FM. Supported with evidence from rapid analysis of the new budget, as well as previous analyses, the policy messages (including 'One House, One Toilet') were welcomed, while the implementation of the policy was challenged. In particular, WaterAid was able to ask evidence-based questions about whether the allocations for sanitation would be enough to achieve the goal of universal access for 2017.

The media has also been used more generally to help public and politicians to appreciate the importance of water, sanitation and hygiene to the education, health and economic development of all. When it comes to the budget, this provides a strong foundation to demand sustained, equitable and efficient expenditure for the sector.





# Annex: Glossary of Budget Terms

# 5

Items in **bold** have their own glossary entry

- **Appropriation:** The legal authority to spend public funds, granted to the **executive** by the **legislature**.
- **Balance:** The amount by which **expenditure** exceeds **revenue** (deficit) or revenue exceeds expenditure (surplus)
- **Baseline:** The starting point from which changes to the budget are made or measured. Budget formulation is often heavily dependent on the previous year's budget as a baseline, which can lead to **incrementalism**.
- **Capital expenditure:** Describes all the inputs into a project which are not significantly consumed (used up) in the production process, though their value may depreciate. Usually it relates to physical assets which remain for a number of years and stay in the ownership of government. In the Government of Nepal's budget, it also includes associated up-front costs such as consultancy and research required to prepare a project. **Capital expenditure** can be contrasted with **recurrent expenditure**.
- **Earmarking:** The restriction of funds to be used for a particular purpose. Much of the **expenditure** allocated in the budget is earmarked, and sometimes **revenue** is earmarked for particular expenditure.
- **Executive:** In a parliamentary republic, this is the part of government which carries out the day to day administration of the state. The executive extends from ministers (drawn from the

**legislature**, and in theory accountable to them), through their ministries, departments, agencies, down to local officials. In terms of the budget in Nepal, the executive is responsible for the formulation and execution stages (see section 2.3).

- **Expenditure:** The amount spent by the government, but this can mean different things at different times. Expenditure is calculated throughout the budget cycle (called, variously, ‘estimated’, ‘revised’, ‘actual’, and ‘real’ - see section 3.4), using different mixtures of forecasts and historical data. Consequently the originally allocated expenditure (‘estimated expenditure’) can be very different from what is finally found to have been spent (‘actual expenditure’). A further important distinction is between **capital** expenditure and **recurrent** expenditure.
- **Fiscal year:** The 12 month accounting period through which the expenditure of a budget takes place (the preparation and follow-up fall outside the fiscal year). In Nepal, the Fiscal Year usually runs from July of one year to July of the next, and is denoted by both relevant calendar years (eg 2008/09)
- **Grants:** Denotes any funds transferred from one level of government to another (or to agencies, NGOs, businesses and individuals) according to the programmes and priorities set out in the budget (although grants do not have to be **earmarked** to a particular purpose).
- **Gross Domestic Product (GDP):** A commonly-used measurement of national economic performance. Essentially, the total annual market value of all goods and services that are produced within a country. To make comparisons of GDP more effective between countries where goods and services may cost more or less in real terms, GDP may be adjusted by purchasing power parity (PPP), a ratio based on how much it costs in standard terms (usually in relation to another, single currency such as US\$) to buy a given basket of goods.
- **Intergovernmental transfers:** Typically include transfers from national government to local government, generally decided under a fiscal decentralization framework. Inter-governmental transfers include both un-tied funds or block grants as well as earmarked funds or conditional grants.
- **Incrementalism:** A method of budgeting which uses the previous year’s budget as the main **baseline** - often criticised as preventing real changes.
- **Legislature:** In Nepal, this is the parliament, made up of elected MPs. Their role in the budget is principally to enact the budget - ie give it the **executive** the legal authority of **appropriation**.

- **Medium-Term Expenditure Framework (MTEF):** The ‘MTEF’ as it is often called is a larger financial and policy planning system extending over several years. In Nepal, the use of an MTEF is intended to improve budgeting so that it is based more around performance of different government actors, the wider macro-economic climate, and the poverty alleviation goals set out in the Three Year Interim Plan.
- **Performance budgeting:** The concept of using information about the actual outcomes of government spending to determine how budgets should be designed. Often this is accompanied by greater freedom for government officials in how they implement the budget, so long as they achieve the pre-determined policy goals.
- **Principle repayment:** In the budget, this term describes costs associated with repaying the main amount of loans, usually from donors such as the World Bank. It can be contrasted with repayment of the interest on loans, which falls under **recurrent expenditure**.
- **Procurement:** The purchase of goods or services by the **executive** of government, from contractors and suppliers.
- **Red Book:** In Nepal this is the name for one of the most detailed documents associated with the budget. It breaks down expenditure for specific programmes, departments and projects, and is available from the Ministry of Finance website <http://www.mof.gov.np/publication/>.
- **Recurrent expenditure:** While **capital expenditure** is associated with upfront costs of a project, recurrent expenditure describes funds used to meet costs that occur regularly, for inputs which are consumed during the production process. In the case of projects and programmes under Nepal’s budget, this includes interest payment on loans as well as things like salaries, administration and transport costs.
- **Revenue:** The funds which government uses for expenditure. They can be obtained from taxes (income, goods and services), fines, foreign aid, and even the sale of goods and services by government.



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# **Budget advocacy for the water and sanitation sector in Nepal: A primer for civil society organisations**

This primer provides information on documents and processes which make up the government's budget in Nepal, and the opportunities for civil society organisations to influence them through advocacy. It focuses on the water and sanitation sector but much of the material may be relevant to other social sectors. The primer is organised into four main sections: introduction; budgeting in Nepal; timing; tools and techniques of budget advocacy.



WaterAid transforms lives by improving access to safe water, hygiene and sanitation in the world's poorest communities. We work with partners and influence decision-makers to maximise our impact.

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