

The budget cycle and the security sector



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Tool

4

Tool 4

The budget cycle and the security sector

Domenico Polloni



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The Geneva Centre for the Democratic Control of Armed Forces (DCAF) promotes good governance and reform of the security sector. The Centre conducts research on good practices, encourages the development of appropriate norms at the national and international levels, makes policy recommendations and provides in-country advice and assistance programmes. DCAF's partners include governments, parliaments, civil society, international organisations and the core security and justice providers such as police, judiciary, intelligence agencies, border security services and the military.

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- Central Military Financial Administration
- Palestinian National Security Forces
- Palestinian Anti-Corruption Commission

Introduction

Why is financial oversight in the security sector important?

Financial oversight in the security sector is a key instrument for ensuring that public funds allocated by the state for the security of the people are spent in a transparent and accountable manner.

However, the financial management of security sector institutions is often characterised by opacity rather than transparency. Even in established democracies, the budgets and financial operations of law-enforcement, military and intelligence organisations are often concealed from public scrutiny and sometimes even from formal external oversight by parliament or audit institutions. Furthermore, in many developing countries, disproportionate security expenditures prevent the use of public funds for socio-economic development.

Why this Toolkit?

Building the conceptual and technical capacities of specialized practitioners is a crucial step towards strengthening financial oversight in the security sector. This Toolkit is designed for financial oversight practitioners who wish to:

- Gain access to best international practice in financial oversight of the security sector
- Improve their professional ability to financially oversee security sector institutions
- Acquire a more proactive attitude toward conducting thorough financial oversight activities of security sector institutions
- Assert their authority in scrutinizing budgets and financial operations conducted by security sector institutions.

How was this Toolkit developed?

The exercises and training material included in this Toolkit were developed based on four needs assessment meetings with financial oversight employees and two trainings of financial oversight practitioners in the Palestinian territories in 2013-2014. The Geneva Centre for the Democratic Control of Armed Forces (DCAF) conducted the trainings in cooperation with DCAF international experts and with the financial support of the European Union.

The tools that are part of this training manual contain a generic component that can be used in virtually any country where financial oversight practitioners in the security sector require capacity building. The tools also contain a locally adapted component, which offers examples from the Palestinian training course and suggestions for how to adapt activities and materials to suit the trainer's own context.

Other DCAF publications on financial oversight in the security sector

In addition to this Toolkit, DCAF has published other reference material on financial oversight in the security sector. These publications include:

1. Guidebook: Strengthening Financial Oversight in the Security Sector, 2012.
2. A Palestinian Legal Collection: Financial and Administrative Oversight in the Security Sector, 2013 [English edition forthcoming]
3. Financial Oversight in the Security Sector: A Compilation of International Standards, 2015.

To download these or other publications please visit: www.dcaf.ch/publications

Using the Training Toolkit

Overview

The training toolkit has been designed to be used as a whole training course, which covers six different topics relevant to financial oversight and security sector governance. The six topics may also be used individually as 'stand-alone' training sessions.

What does the Toolkit include?

The training Toolkit includes one introductory tool (Tool 1) and six training tools. Each tool has a three-hour generic component. The generic material is applicable internationally and can be used without adaptation in any training context. In addition, there are suggestions and example activities for adapting material to a particular context. They are designed to be amended by the trainer to engage with local issues specific to the trainer's own context. It is envisaged that the localised session would take two hours, but it can be as long as the trainer deems necessary.

The Toolkit contains the following seven tools (including this one):

Tool 1. Using the Toolkit and Acquiring Trainings Skills

Tool 2. Concepts and Main Actors of Financial Oversight in the Security Sector

Tool 3. Medium-term Strategic Financial Planning for Security Sector Institutions: Tools and Techniques

Tool 4. The Budget Cycle and the Security Sector

Tool 5. Auditing and Integrity in the Security Sector

Tool 6. Handling Legal Gaps while Practicing Financial Oversight in the Security Sector

Tool 7. Financial Oversight of Intelligence Agencies

These tools may be used for individual training workshops on each topic or as a comprehensive training course.

The toolkit user

The training sessions in the Toolkit are intended to be read and used by trainers with expertise in financial oversight and security sector governance and reform.

The target audience

The target audience for the training course outlined in the Toolkit is mainly practitioners involved in financial oversight of public institutions, including security sector organisations. These practitioners include specifically, but not exclusively:

- Parliamentarians and their staffers who are involved in financial oversight and budget control activities
- Members of Supreme Audit Institutions (SAIs) who provide expertise and support in financial oversight activities
- Strategic-level members of security and defence institutions in charge of preparing and executing budgets
- Representatives of executive authorities, including ministries who oversee the preparation and execution of security and defence budgets
- Officers and auditors working in core security and justice institutions whose role is to perform internal controls and audits.

The ideal number of participants for the course is around 15 people. However, the course may be used with more participants.

Using the toolkit in the trainer's own context

As mentioned above, the tools in this Toolkit consist of generic training sessions and locally adapted training sessions. The generic training sessions included in the toolkit have been developed to be used in any context. However, if possible, the trainer should conduct some form of needs assessment in his/her own context. Based on the results of the analysis, the trainer can understand which training sessions to use, which to prioritise, and which to adapt. The localised training sessions give examples and offer suggested objectives for use in the trainer's own context.

When choosing which of the sessions in the toolkit to use, the trainer can choose to use only part of a session or to rearrange the order of the activities if desired. However, the trainer should be aware that some of the activities in a session follow each other, and one activity may often build on a previous activity.

The structure of a generic training session

A generic training session consists of the following six elements:

1. **The introduction** lists the learning objectives and focus questions for the session. It also gives an overview that lists the handouts and trainer resources that are used in the session.
2. **The session plan** gives a full overview of the training session. It is a guide for the trainer to get a quick understanding of the session. It is also used as a quick reference to help the trainer keep track of activities and timing during the training.
3. **The description of activities** explains in more detail how to carry out the activities listed in the session plan.
4. **The handouts** are given to the participants during the activities in the sessions. They are easily photocopied and can include:
 - Worksheets with tasks for the participants to complete

- Hardcopies of PowerPoint presentations
- Summaries of key information
- Extracts of, or references to, publications

5. **The trainer resources** provide supporting information for the trainer. They can include:

- Summaries of international best practices
- Answer sheets

6. **The suggested resources** contain references relevant to the activities

Types of activities

The types of activities in the sessions are designed to involve and engage the participants. They are expected to build their own understanding of the concepts and issues presented. Often this means encouraging participants to work and provide feedback in groups rather than 'teaching' them topics in a non-participative way.

Trainers might nevertheless be advised to make PowerPoint presentations. The training tools do include handouts with PowerPoint presentations, which may be adapted by the trainer as required. However, the trainers are encouraged to use a minimum number of slides. It is also recommended that they use images or other types of documents that are likely to trigger participants' attention and active participation. The trainer may provide the participants with a hardcopy of the presentation before or after it is shown. The trainer may also ask the participants to discuss a question in pairs before asking for feedback.

The structure of a local training session

A local training session contains example materials and objectives for the local sessions to cover. It is given as an example for the trainer to draw on in his or her own context when devising his or her own localised sessions and materials.

The structure of a local training session is similar to that of the generic training session (see above). Suggested example activities are given instead of a full session plan.

A local training session consists of the following five elements:

1. **Session objectives:** These are objectives that can be addressed by the trainer in his or her own context.
2. **Suggested content to be covered:** This content addresses the objectives and can be adapted by the trainer to fit his or her own context.
3. **Example activity(ies):** The example activity(ies) include time, materials and a description of the activity.
4. **Suggested sources:** The suggested sources are references for the trainer to use when adapting these example activities.

The budget cycle and the security sector: The training session

Introduction

Learning objectives

This session aims to give participants a working knowledge of the budget cycle in relation to the security sector and an understanding of who the main actors in the budget cycle in the security sector are. The session allows participants to understand their role in the security sector budget cycle. The specific learning objectives include:

- Understanding the importance of the budgetary process
- Recognizing the roles of the main actors in and overseeing the budget cycle
- Measuring the effectiveness of budgeting
- Becoming aware of modern definitions of the budget cycle and budgeting practices
- Applying modern budgeting concepts to defence and security

- Sharing experiences of field practices and developing solutions to be applied in the participants' work practices.

Focus questions

The following questions are addressed through the activities in this session:

- How important is the budgetary process?
- What are the roles of the main actors in overseeing the budget cycle?
- How can the effectiveness of budgeting be measured?
- What are modern definitions of budgeting and the budget cycle and how can they be applied to defence and security?
- How can budgeting knowledge be applied in the participants' work context?

Overview

Session Plan *The budget cycle and the security sector*

Description of Activities

Handout 4.1 *Pre-session test: The budget cycle and the security sector*

Handout 4.2 *PowerPoint presentation hardcopy: The budget cycle and the security sector*

Handout 4.3 *Extract of European Commission document on Mobility, Transport and Road Safety: Performance, Outcome and Output Measures*

Handout 4.4 *Worksheet on European Commission document on Performance, Outcome and Output Measures*

Handout 4.5 *Extract of US Government document containing Examples of Performance Measures in the Departments of the Interior and Justice*

Handout 4.6 *Worksheet on US Government document containing Examples of Performance Measures in the Departments of the Interior and Justice*

Handout 4.7 *Open Budget Report 2012: Key Documents for Open Budget Index and Country Rankings*

Handout 4.8 *Worksheet on the Open Budget Report 2012*

Trainer Resources 4.1 *Answers to the pre-test*

Session plan

The budget cycle and the security sector					
Learning objectives		Participants will be able to: <div><div>1.</div><div>Recognize the importance of the budgetary process/cycle</div></div> <div><div>2.</div><div>Recognize the roles of the main actors overseeing the budget cycle</div></div> <div><div>3.</div><div>Learn how to measure the effectiveness of budgeting</div></div> <div><div>4.</div><div>Become aware of modern definition and practice of the budget cycle</div></div> <div><div>5.</div><div>Apply modern budgeting concepts to defence and security</div></div> <div><div>6.</div><div>Share experiences of field practices and developing solutions to apply in the participants' work practices</div></div>			
Content to be covered		<div><div>•</div><div>Budget: a modern definition</div></div> <div><div>•</div><div>Results-oriented budgeting: inputs, outputs and outcomes</div></div> <div><div>•</div><div>From programming to budgeting: the actors of the budget cycle</div></div> <div><div>•</div><div>The budget cycle and its effectiveness</div></div> <div><div>•</div><div>Strengthening oversight in the budget cycle process</div></div>			
Time		180 minutes			
Activity	Time	Description of activity	Grouping and materials	Session objectives	Comments
1.	15 min	Introduction and pre-test	Trainer to whole group Handout 4.1 Pre-test on the budget cycle and the security sector	Obj. 1	The trainer overviews the session (relevance, focus questions addressed, activities and timing). The trainer distributes the pre-test (Handout 4.1). The participants answer the pre-test.
2.	15 min	PowerPoint of Introduction to the budget cycle and the security sector (slides 1 to 10)	Trainer to whole group Handout 4.2 PowerPoint presentation hardcopy: Introduction to the budget cycle and the security sector (slides 1-10)	Objs. 1, 2	The trainer presents slides 1 to 10 of the PowerPoint presentation (Handout 4.2). These slides introduce the concepts and components of programming (performance agreement, performance indicators and delegation of powers from the political and management levels) and budgeting (implementation of the programmes) in the budget cycle. The trainer presents the definition of a public sector budget and of a results-oriented budgeting approach. The trainer also explains the role of budget cycle actors in public organisations (e.g. security sector institutions).

Activity	Time	Description of activity	Grouping and materials	Session objectives	Comments
3.	45 min	<i>Discussion: Analysis of a document related to results-oriented budgeting in the security sector</i>	Trainer to whole group then work in breakout groups (small groups) Handout 4.3 Extract of European Commission document on Mobility, Transport and Road Safety: Performance, Outcome and Output Measures Handout 4.4 Worksheet Handout 4.5 Extract of US Government document containing Examples of Performance Measures Handout 4.6 Worksheet	Objs. 2, 3, 4, 5	The participants work in small groups. Half of the groups receive Handouts 4.3 and 4.4 . The other half of the groups receive Handouts 4.5 and 4.6 . The trainer briefly introduces the two documents (Handout 4.3 , and Handout 4.5) and points to the questions on the worksheets. The participants work in their groups to analyse and elaborate inputs, outputs, outcomes and impacts, as well as adapting these indicators to their context.
4.	15 min	<i>Feedback and brief discussion</i>	Whole group discussion	Objs. 2, 3, 4, 5	One or two group volunteers present the results of the previous activity (Activity 3) and take any questions or remarks coming from other groups.
5.	30 min	<i>PowerPoint of Introduction to the budget cycle and the security sector (slides 11-16)</i>	Trainer to whole group Handout 4.2 PowerPoint presentation hardcopy: Introduction to the budget cycle and the security sector	Obj. 4	The trainer presents the definition of the budget cycle and its phases in the second part of the power-point presentation (Handout 4.2). The trainer introduces 'good-practice' requirements of a budget cycle and how they can be measured. The trainer also presents an example of a security sector budget cycle and leads the participants through the different phases and their timelines.
6.	50 min	<i>Discussion: Strengthening oversight of the budget cycle process and international budget cycle standards</i>	Trainer to whole group then work in breakout groups (small groups) Handout 4.7 Open Budget Survey 2012 Handout 4.8 Worksheet	Objs. 2, 3, 4	The trainer briefly introduces the excerpts of the document, <i>Open Budget Survey 2012</i> (Handout 4.7). The trainer presents how a government should submit to the public a budget and its supporting documents following international standards on transparency and oversight. The participants use Handout 4.8 to answer the questions and discuss what a performance-based budget policy statement related to their work and context would contain. This is based on the pattern of outcomes, programmes, deliverables and performance indicators of the document (Handout 4.8). Feedback is given by the small groups to the whole group.
7.	10 min	<i>Conclusion</i>	Trainer to whole group Trainer Resources 4.1 Pre-test solutions	Objs. 2,3, 4	The trainer wraps up the session by asking the participants to take Handout 4.1 and to read their pre-test answers. He/she then discusses the most suitable answers with the participants. It's up to the trainer to decide whether he/she wants to distribute the answers sheet to the participants or not (Trainer Resources 4.1).



Description of activities

This section describes in more detail the activities listed above in the Session Plan. It also provides alternatives to several activities.

Activity 1. Introduction

The trainer explains to the whole group why awareness of modern budgeting principles and tools is relevant to the stakeholders in the security sector and as such to the participants themselves. An understanding of the concept of budgeting is important for those security sector actors who conduct financial oversight and are in charge of managerial accountability processes.

Next, the trainer gives an overview of the activities of this session and the timing for the day.

The trainer then gives each participant a copy of the pre-session test (**Handout 4.1**) and asks them to do the test. This short baseline test serves to assess the participants' pre-existing awareness of principles and standards of budgeting and to introduce them to the contents of the session. The trainer will stress that for some of the questions there might not be only one correct answer and that participants have to choose the one they feel is most appropriate.

Once completed, the trainer collects the tests from the participants. The trainer does not discuss the answers to the test at this time. Instead, the trainer explains that the answers will be given at the end of the session, when the participants are able to assess the new information acquired during the training.

Materials:

- **Handout 4.1** Pre-session test: the budget cycle and the security sector

♣ *Alternative:* The trainer can prepare an agenda of the day based on the session plan, give this as a handout and talk it through with the participants.

Activity 2. PowerPoint presentation: Introduction to the budget cycle and the security sector (Slides 1 to 10)

This activity consists of presenting a PowerPoint presentation that introduces the key principles and tools of modern, results-oriented budgeting and their relation to the financial management of security sector institutions. Activity 2 covers Slides 1 to 10 and addresses in particular the following concepts:

- the Planning, Programming and Budgeting System (PPB)
- modern definitions of a budget
- the milestones of performance-based budgeting: inputs, outputs and outcomes
- the linkage between programming and budgeting

The trainer may choose to distribute hardcopies of the presentation (**Handout 4.2**) to the participants at the beginning or at the end of the presentation.

Materials:

- **Handout 4.2** PowerPoint presentation hardcopy: The budget cycle and the security sector (Slides 1-10)
- Computer, projector

Activity 3. Discussion: Analysis of a document relevant to results-oriented and performance-based budgeting in the security sector

This session allows the participants to be exposed to real-life examples of the concepts presented in the previous activity, and to work out what may be most relevant to their context and their own work.

The participants are divided into small groups. Half of the groups receive copies of **Handout 4.3** (European Commission: 'Performance, Outcome and Output Measures') as well as the worksheet in **Handout 4.4**, the other half receive copies of **Handout 4.5** (US Government: 'Examples of Performance Measures') as well as the worksheet in **Handout 4.6**.

The small groups should first familiarise themselves with input, output, outcome and impact indicators, taking those that appear in the document as a starting point to consolidate their understanding. They are then invited to come up with at least three indicators of each type (input, output and outcome) that might be most relevant to the strategic and security environment where they live and work.

♣ *Alternative:* Similar documents from other countries may be proposed, as long as they allow the participants to focus on the key areas of interest for performance-based budgeting and the different types of indicators.

Materials:

- **Handout 4.3** Extract of European Commission document on *Mobility, Transport and Road Safety: Performance, Outcome and Output Measures*
- **Handout 4.4** Worksheet on European Commission document on *Performance, Output and Outcome Measures*
- **Handout 4.5** Extract of US Government Document containing *Examples of Performance Measures*

- **Handout 4.6** Worksheet on US Government document containing *Examples of Performance Measures*
- Flip-chart sheets

Activity 4. Feedback and short discussion

This activity allows participants to exchange views on what performance measures from among those introduced are most suitable for their work context, and to ask the trainer, if they so wish, for more information or resources to deepen their knowledge.

One or two of the breakout groups formed during Activity 3 volunteer(s) to present their answers to the whole group. The answers are taken from the worksheet, which they also noted on flip chart sheets.

Materials:

- Flip chart sheets with answers to questions from **Handout 4.4** and **Handout 4.6** already used in Activity 3.
- The trainer will be projecting again, when required, the relevant slides of the PowerPoint presentation (**Handout 4.2**).

♣ *Alternative:* If more time is available, the trainer can ask all the groups formed during Activity 3 to present their answers.

All the groups can then be asked to pin the flip charts onto a wall, or a board, so they can be seen by the other groups.

Activity 5. PowerPoint presentation: Introduction to the budget cycle and the security sector (Slides 11 to 16)

This activity continues Activity 2, by completing the PowerPoint presentation. It introduces key principles and tools of modern, results-oriented and performance-based budgeting and their relation to the financial management of security sector institutions. This covers Slides 11 to the end of the presentation and addresses in particular the following concepts:

- definition of the budget cycle
- the budget cycle and its time frame
- how to measure the effectiveness of the budget cycle
- timeline of the budget cycle
- strengthening oversight of the budget cycle

Materials:

- **Handout 4.2** PowerPoint presentation hardcopy: The budget cycle and the security sector
- Computer, projector

Activity 6. Discussion: Strengthening oversight of the budget cycle process and international budget cycle standards

This session allows the participants to be exposed to real-life examples of the concepts presented in the previous activity, and to work out what may be most relevant to their context and their own work.

While performance-based budgeting is not a simple technique to master within the timeframe of one training session, and a real-life budget cycle process is particularly difficult to simulate, it is important that participants gain at least a 'flavour' of what a real performance-based budget looks like. This session aims to make them start thinking of how results-oriented and performance-based budgeting might look like in their specific strategic environments and work contexts.

The participants are divided into small groups. Each participant receives copies of **Handout 4.7 Open Budget Survey 2012: Key Documents for Open Budget Index and Country Rankings** and the corresponding worksheet (**Handout 4.8**). The trainer takes the participants through the document, highlighting the relevant documents listed and reading the questions on the worksheet. In small groups, the participants then discuss their answers and try to come up with ideas on how to strengthen oversight in the

budget cycle process in their own work context.

The participants are also asked to identify a few policy objectives for their own work context and to develop a performance-based budget policy statement for one of these objectives. The policy statement could include the selected policy objective, one or two related performance objectives, one or two indicators for measuring progress for achieving these objectives, and estimated costing.

♣ *Alternative:* The session could also take the form of a brainstorming. A volunteer could note on a flipchart, in succinct form, the ideas brought up by the participants. There is no need to refine ideas, but the trainer may well guide the participants when the need arises.

Materials:

- **Handout 4.7** Open Budget Index 2012: Key Documents for Open Budget Index and Country Rankings
- **Handout 4.8** Worksheet on the Open Budget Report 2012
- Flip-chart sheets

Activity 7. Wrap-up of the session

The participants go back to the pre-test (**Handout 4.1**) filled in at the beginning of the session. The trainer either distributes **Handout 4.9** to the participants or orally reviews the correct, or most appropriate, answers and answers potential questions from the participants.

Material:

- **Trainer Resources 4.1** Answers to the pre-test.



Handout 4.1

Pre-Session Test: The budget cycle and the security sector

The purpose of this pre-test is to assess your existing knowledge and understanding of the budget cycle in relation to the security sector.

We will discuss the answers to the test at the end of this training session. This will help you better assess what you have learned in the course of the training.

1. Suppose a financial officer in a security force says: "Budgeting is only about costing the inputs that are required for my organisation to do its work (salaries, equipment, travel, stocks of ammunitions and components, etc.). The objectives of this work are not relevant to the budget". True or false?
 - a) True
 - b) False
2. You are the chief financial officer of the Police. You find out that fines for traffic violations are not reported to you. What do you think? (*Choose the best option from a financial management point of view*)
 - a) You tell your colleagues that this revenue is to be reported and handed over to you. You cannot write a proper Police budget if you do not take account of this revenue. Of course, this money will still be available for use by the Police, according to the law.
 - b) Why bother, the law does allow revenue from fines to be used by the Police for its operational necessities.
 - c) You tell your colleagues that this revenue is to be reported and handed over to you, although it is not supposed to be part of the Police budget. However, it does have to be accounted for in separate books. Of course, this money will still be available for use by the Police, according to the law.
3. You assist the Chief of Police in the elaboration of a performance monitoring system for road safety, which will help the Police review next year's budget proposal. Tick as appropriate.

Performance indicator	Input	Output	Outcome	Impact
Average number of hours of speed limit enforcement ensured by the Police in a month				
Average number of staff required to enforce speed limit in a month				
Average number of casualties in a month as a result of road accidents				
Percentage of vehicles exceeding the speed limit in a month on the total estimated number of vehicles circulating				

4. Again on the example above. Which indicator would be directly used to evaluate the funding required by the Road Traffic Department in the Police?
 - a) The number of hours
 - b) The number of staff
 - c) The number of casualties
 - d) The number of vehicles
5. You are the adviser to the Permanent Secretary on budget and finance of a Ministry. (S)he asks you what is the deadline to submit the budget proposal of your Ministry to the Ministry of Finance. The fiscal year is January to December. What is the best answer?
 - a) February
 - b) March
 - c) May
 - d) October



Handout 4.2

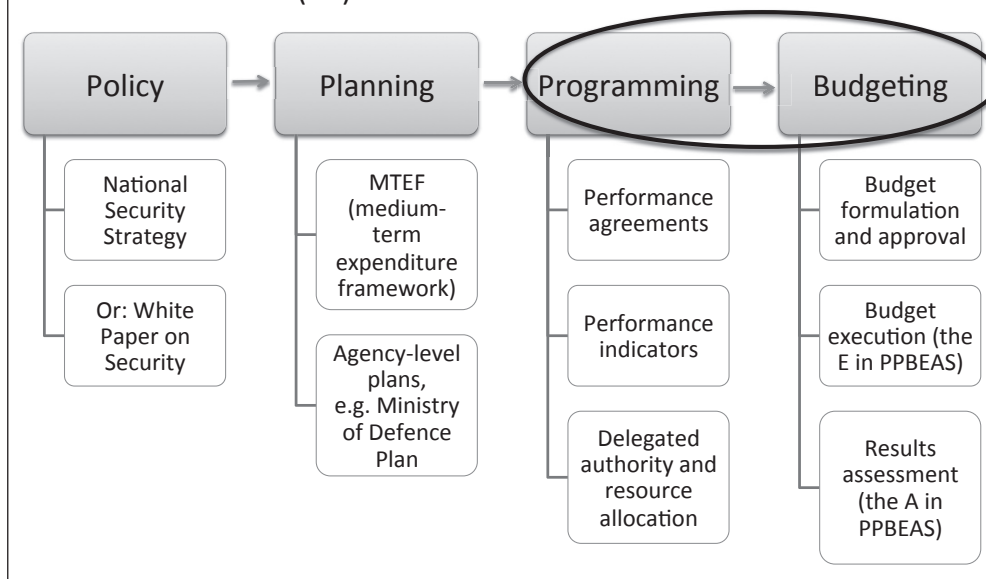
PowerPoint Presentation Hardcopy: The Budget Cycle and the Security Sector

The Budget Cycle and the Security Sector

Tool 4

The PPB(EA)S Flow

PPB = Planning, Programming & Budgeting
(EA) = Execution & Assessment



Definitions

- **Programming** = Translation of plans into actual multi-year programmes.
In a results-oriented and performance-based budget, a programme has 3 key components:
 - 1) A performance agreement between the political authority and the top management;
 - 2) A set of performance indicators that help keep track of how the goals of public expenditure are being achieved;
 - 3) A delegation of powers from the political level to the management, together with an appropriate resource allocation.
- **Budgeting** = Implementation of the programmes on an annual basis. This contains the actual budget cycle, consisting of preparation and approval, execution and assessment of the budget.

What is a Public Sector Budget?

The Government's key **policy document**

(not only a *line-item costing document*), it outlines what funds are spent

Annual

(unlike plans or programmes that can be multi-annual)

Based on macroeconomic assumptions (fiscal risk)

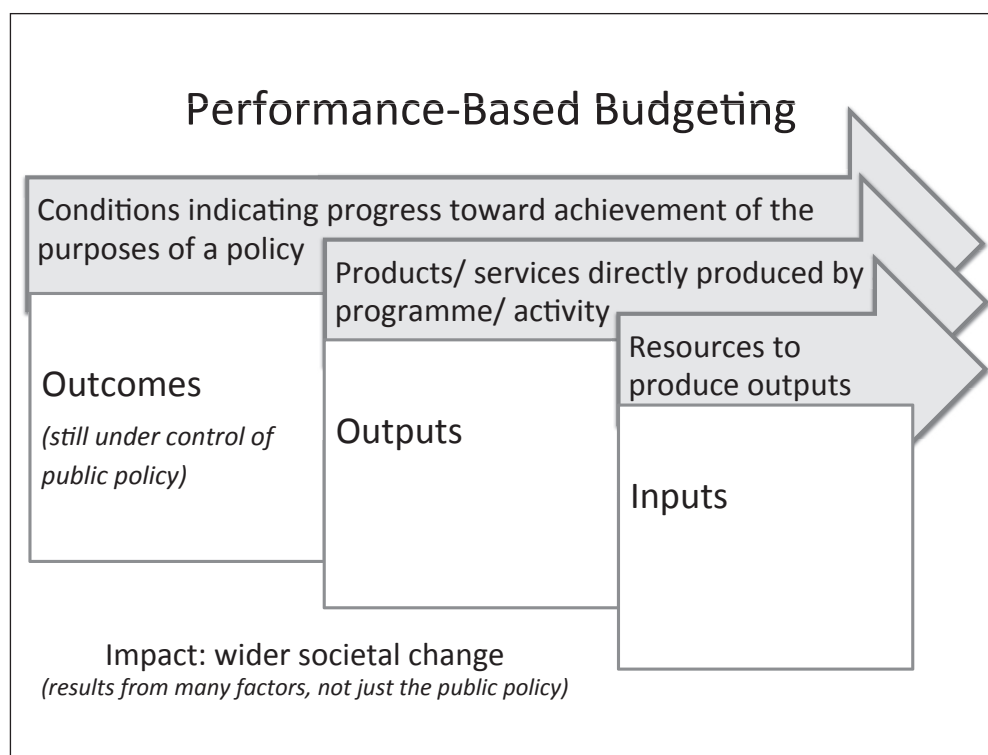
(How much tax and non-tax income will be available to the public sector?)

Encompassing all government revenue and expenditure

(no item, not even confidential items, should appear in a separate document)

Classified by agreed criteria

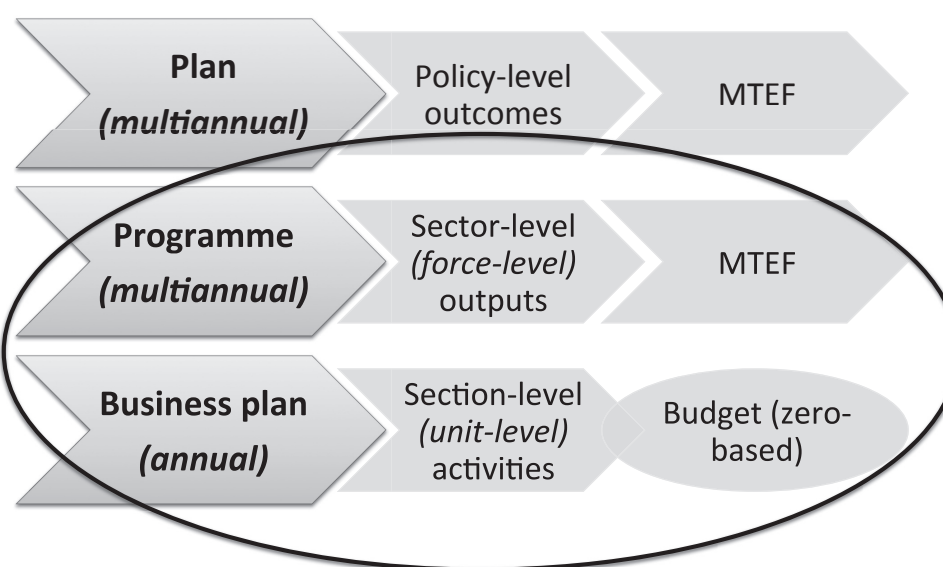
Each government programme is accounted for on the basis of
non-financial performance elements, i.e. achievement of policy goals
(as opposed to financial compliance)



Differences and Complementarity of Programming and Budgeting

- 1) First, there must be a **plan over a few years**, stating the desired outcomes of a public policy. Generally, this is a whole-of-Government plan, for instance *at the Cabinet level*.
- 2) Second, there must be **programmes over a few years**, often *at the sector level* (e.g. air force, infantry, navy, customs etc.), that state how each sector is going to achieve the policy goals.
- 3) Third, a **programme must be costed every year**, ideally starting again from zero (i.e. not merely repeating past expenditures), in terms of which inputs are needed at the unit level to achieve the programme. This costing of inputs is actually the budget.

From Programming to Budgeting



Budget Cycle Actors in Public Sector Organisations

- The next slide is devoted to the budget cycle actors in large organisations of the public sector, as security sector agencies typically are:
 - Policy is set by Government and Parliament, depending on the prevailing Constitutional arrangements;
 - Plans are set by the chief executive officer under the responsibility of the top political officer;
 - Programmes are identified by programme managers under the authority of the chief executive officer,
 - Budgets (business plans) are written by the programme manager.

Budget Cycle Actors in Public Sector Organisations *(continued)*

-> means **ACCOUNTABLE TO**

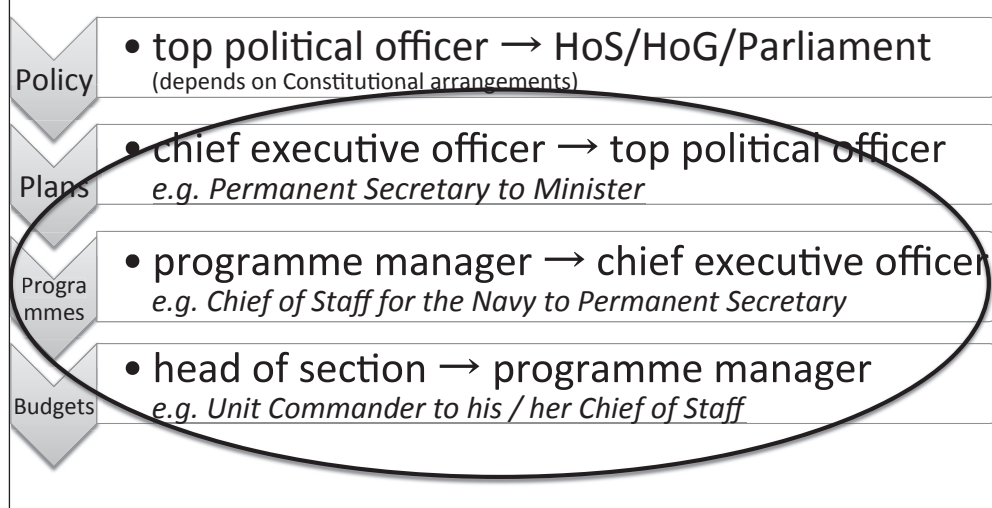
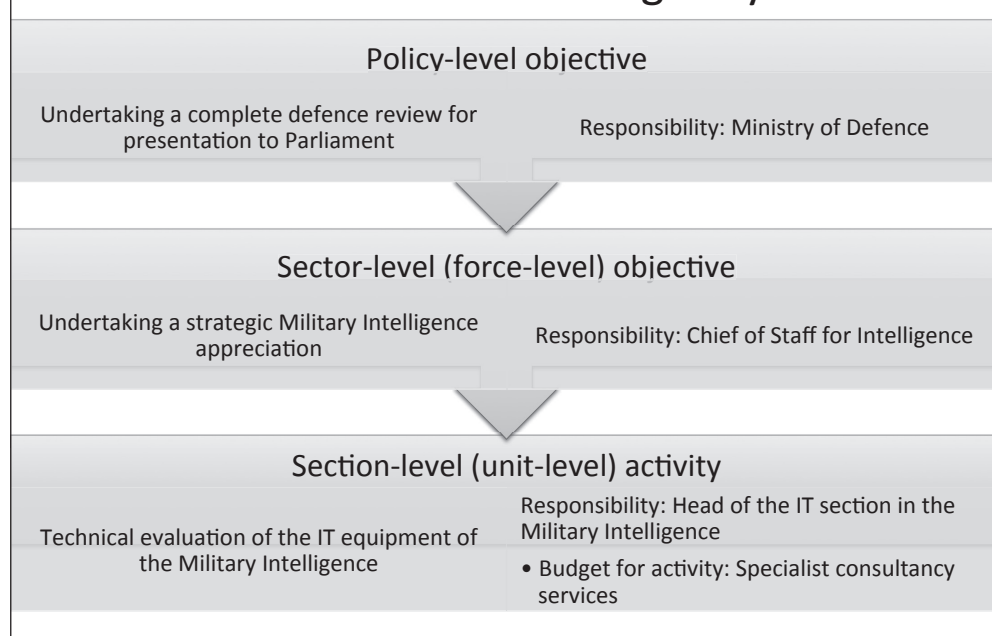


Illustration of the Role of Budget Cycle Actors



Definition of the Budget Cycle

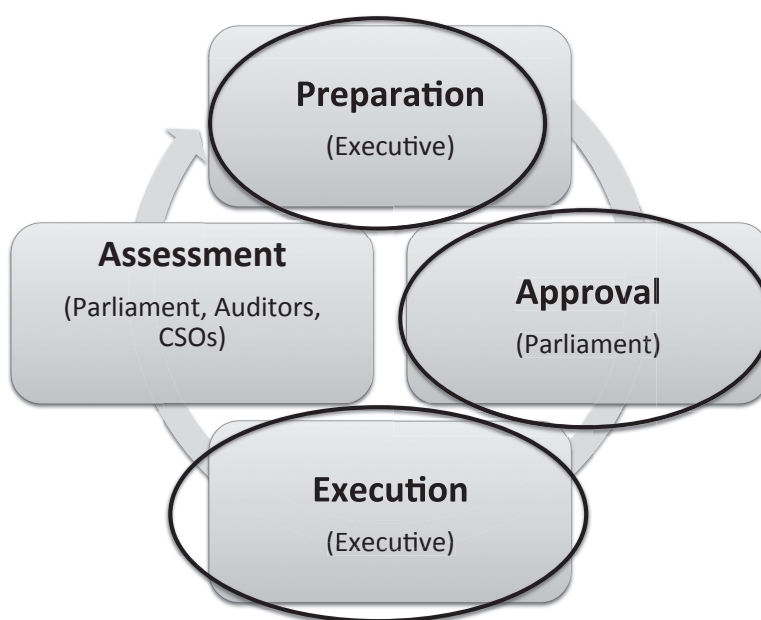
The Budget Cycle

- Process by which private sector enterprises, but most typically governments, allocate their resources over a specified period, typically one year.

4 Primary Phases

- 1. Preparation and requests
- 2. legislative approval
- 3. Implementation and execution
- 4. Audit and review

Budget Cycle – Division of Responsibilities



Good Practices in the Budget Cycle

- Good practices allow measuring effectiveness (*next slide*).
- Good practice requirements include:
 - regular review of Government priorities,
 - clarity in the budgetary ceilings,
 - bottom-up budgeting process within each department,
 - transparent trade-offs between Government departments under the political orientation of the Head of Government,
 - adequate information of Parliament,
 - delegation of authority and resources to the top management during budget execution.

Measuring Budget Cycle Effectiveness

1. Does the budget cycle allow time for a review and adjustment of the Government's strategies or policies?
2. Does the budget cycle allow time for a review and adjustment of the agency-level plans?
3. Does the Ministry of Finance set annual budget ceilings and does the Ministry communicate them to the departments?
4. Does the budget cycle within a department allow time to consolidate unit-level costing of inputs into a number of programme budgets with their own performance indicators?
5. Is the review of departmental budgets done in a transparent way, based on the overall Government priorities and steered by the Cabinet?
6. Does the Executive submit its Budget Proposal sufficiently early to Parliament and with enough information to allow for an in-depth discussion of the proposal?
7. Is the budget execution based on performance agreements between the political level and the top management in each public sector department?

Example of a Security Sector Budget Cycle

(Y=beginning of the fiscal year) – Slide 1 of 2

Time frame	Action	Responsibility
Ongoing	Review of national security strategy	Government / Parliament
Y-11	Review of Defence Plan / Policing Plan / Intelligence Plan, etc.	Chief executive officer
Y-11 to Y-10	Drafting of top-level performance agreements	Chief executive officer
Y-9	Communication of annual budget ceilings to the Ministry	Minister of Finance
Y-9 to Y-8	Preparation of lower-level business plans	Programme manager
Y-8	Full costing of the business plans	Heads of unit
Y-8 to Y-7	Submission of unit-level business plans to Programme Managers for consolidation into one single budget per programme	Heads of unit / Programme manager
Y-7 to Y-6	Consolidation of budgets per programme into one budget for the Ministry	Chief executive officer / Programme managers / Budget board

Example of a Security Sector Budget Cycle

(Y=beginning of the fiscal year) – Slide 2 of 2

Time frame	Action	Responsibility
Y-6	Submission of the Ministry budget to the Finance Ministry	Minister
Y-6 to Y-3	Evaluation of the Ministry's budget against Government guidelines, priorities and available funds, and identification of required amendments	Ministry of Finance staff
Y-3	Submission to Parliament of the final budget proposal (appropriations bill)	Prime Minister / Finance Minister
Y-3 to Y	Budget proposal examination, amendments and approval of the appropriations law (budget law)	Parliament's specialised Committees / Parliament's House
Y	Finalisation of the performance agreements	Programme Managers
Y to Y+11	Budget execution	All concerned Ministries



Handout 4.3

Extract of European Commission document on *Mobility, Transport and Road Safety: Performance, Outcome and Output Measures*¹

Performance, outcome and output measures

Police organizations have their own administrative recording system for policing activities. These days, increasing pressure is put upon police managers to justify the use of policing resources. Ideally, the monitoring system of policing activities provides data and arguments for this. For traffic enforcement and speed enforcement, a monitoring system should be aimed at showing relationships between policing resources (performance), effects on traffic behaviour, speed, (outcome) and, ultimately, effects on road safety (outcome).

We can distinguish between performance measures and outcome measures.² Performance measures define what the police actually do on the streets, i.e.: how often, for how long and on which locations do they check speeding behaviour? Outcome measures should reflect the effects of enforcement on behaviour and on the consequences of behaviour, in the case of traffic enforcement, such as traffic crashes.

A further distinction can be made between outcome and output measures (Footnote; Swadley & McInerney do not make this distinction and list a number of infringements as an outcome measure).

- Outcome measures refer to intended outcomes, i.e. safer behaviour.
- 'Output' measures refer to administrative outcomes generated by policing activities such as for instance the number of tickets or the number of court cases that are a result of policing activities, but are not the main aim of these activities.

Goldenbeld³ argues that output measures such as the number of speed fines cannot be seen as a good indicator of the effectiveness or quality of police enforcement. Although there may be good administrative reasons to keep track of these data, the data is not very informative as to the quality of speed enforcement. Tables 2 and 3 provide the performance measures for speed cameras and non-camera operations as proposed by Swadley and McInerney.⁴

¹ Source: http://ec.europa.eu/transport/road_safety/specialist/knowledge/speed_enforcement/organization_of_speed_enforcement/performance_outcome_and_output_measures_en.htm (accessed on 8 November 2013)

² Swadling, D. & McInerney, R. (1999) *Consistent performance and outcome measures for speed enforcement: The road to reduced road trauma*. In: Proceedings of the 1999 Insurance Commission of Western Australia Conference on Road Safety, 26 November 1999, Perth, Australia. Perth: Insurance Commission of Western Australia, 1, 46-64.

³ Goldenbeld, Ch. (1997) *Politietoezicht in verkeer: garantie voor meer veiligheid?* Report D-97-5. Institute for Road Safety Research SWOV, Leidschendam.

⁴ Swadling, D. & McInerney, R. (1999) *Consistent performance and outcome measures for speed enforcement: The road to reduced road trauma*. In: Proceedings of the 1999 Insurance Commission of Western Australia Conference on Road Safety, 26 November 1999, Perth, Australia. Perth: Insurance Commission of Western Australia, 1, 46-64.

Table Speed camera performance measures

(Source: Swadley & McInerney, 1999)

Speed camera activity	Exposure measure
Number of vehicles checked	<ul style="list-style-type: none"> - Per 10.000 registered vehicles - Per 100.000 population in the area - Per 100 million vehicle kilometres travelled - Per traffic count data at location
Total hours of enforcement	<ul style="list-style-type: none"> - Per 10.000 registered vehicles - Per 100.000 population in the area - Per 100 million vehicle kilometres travelled
Percentage of vehicles exceeding the speed limit or the enforcement limit	<ul style="list-style-type: none"> - Against traffic count data at location - Against speed monitor data for location
The number of separate speed checks (note: a speed check refers to camera operation for a certain time on a certain location; during one speed check several vehicles are checked)	<ul style="list-style-type: none"> - Per 10.000 registered vehicles - Per 100.000 population in the area - Per 100 million vehicle kilometres travelled
The number of locations for speed checks	<ul style="list-style-type: none"> - Per 10.000 registered vehicles - Per 100.000 population in the area - Per 100 million vehicle kilometres travelled
Hours per camera and total hours all cameras	160

Table Non-speed camera performance measures

(Source: Swadley & McInerney, 1999)

Non-camera activity	Exposure measure
The number of personnel and hours of general traffic duty (including speed enforcement)	<ul style="list-style-type: none"> - Per 10.000 registered vehicles - Per 100.000 population in the area - Per 100 million vehicle kilometres travelled - Per traffic count data at location
Kilometres travelled by marked police vehicles	<ul style="list-style-type: none"> - Per 10.000 registered vehicles - Per 100.000 population in the area - Per 100 million vehicle kilometres travelled
Kilometres travelled by unmarked police vehicles engaged in speeding enforcement activity	<ul style="list-style-type: none"> - Per 10.000 registered vehicles - Per 100.000 population in the area - Per 100 million vehicle kilometres travelled

The most direct form of outcome measurement is speed itself. Data from speed cameras is of limited use to evaluate effects on speed behaviour since it can be assumed that drivers will become familiar with camera sites and will alter their normal speed behaviour. Covert speed monitoring which is not connected with enforcement activities is necessary to obtain true and valid data on speed behaviour when enforcement activities are not present.

The SafetyNet report Safety Performance Indicators Theory provides further detail on the method to set up reliable speed measurement: *Rule 8: Speed enforcement operations gain in effectiveness if they have specified objectives and success criteria, and are monitored in terms of both process and product.*



Handout 4.4

Worksheet on European Commission document on *Performance, Output and Outcome Measures*

Worksheet: Analyse the document in **Handout 4.3** *Extract of European Commission Document on Mobility, Transport and Road Safety: Performance, Outcome and Output Measures* in your group and write down your group's answers to the questions listed below.

The answers to questions 2, 3 and 4 should be noted on one or more flip chart sheets, in order to be pinned onto the wall and be available to the other participants at the end of this session.

1. As a first step, let us identify, and duly distinguish, the input, output, outcome and impact indicators that appear in the document. We have already filled in the following table to help you focus on the contents of each indicator, but you are welcome to refer back to the document for more in-depth understanding:

Input indicators	Output indicators	Outcome indicators	Impact indicators
<ul style="list-style-type: none">• number of police officers on traffic duty• kilometres travelled by marked traffic police vehicles• kilometres travelled by unmarked traffic police vehicles	<ul style="list-style-type: none">• total hours of speed enforcement by the traffic police• hours of speed check camera activity• number of separate camera speed checks• number of locations of camera speed checks• number of vehicles checked by the traffic police• number of speed fines (tickets) given by traffic police officers• number of court cases resulting from road policing activities	<ul style="list-style-type: none">• percentage of vehicles exceeding the speed limit	<ul style="list-style-type: none">• number of traffic crashes

2. In the real-life context of your own work, what are the easiest indicators to measure? Are they input, output or outcome indicators?

3. What would be the ideal outcome indicators for your area of work in this country and what might be needed to measure them that is currently not available?

4. To achieve the outcomes proposed under point 3, which inputs should be needed to be made available and how would they be costed?



Handout 4.5

Extract of US Government document: *Examples of Performance Measures in the Departments of the Interior and Justice*⁵

Examples of Performance Measures of the Departments of the Interior and Justice

Table 1: Department of the Interior

Program	Performance measure	Explanation
National Park Service (NPS): Facility Management	OUTCOME Facilities Condition: Condition of priority NPS buildings as measured by the Facilities Condition Index (FCI)	<p>The purpose of the program is to maintain facilities, roads and trails so that Americans now and into the future can enjoy the National Park System. This measure is based on an existing industry standard for tracking facility conditions.</p> <p>FCI is the ratio of the cost of deferred maintenance over the current replacement value for an asset. The lower the ratio, the better the condition of the asset. Each category of assets (e.g., buildings, roads, trails) will have different benchmarks for what FCI level represents good, fair, or poor condition.</p> <p>The measure is exemplary because it is easy to understand, reproducible, and can be applied to many types of assets at many levels of aggregation. It focuses on an important issue – the maintenance of park assets – and can be used over time to track changes in condition. For buildings and certain other asset types, results can be compared to existing benchmarks in the private sector.</p>

⁵ Source: US Government: *Expect More Programme: Examples of Performance Measures: Department of the Interior and Department of Justice*, pp. 18-19.

Table 2: Department of Justice (DOJ)

Program	Performance measure	Explanation
State Marshals Service – Fugitive Apprehension Program	<p>OUTCOME</p> <p>Percent of total Federal fugitives apprehended or cleared</p>	<p>The primary mission of the United States Marshals Service is to protect the Federal courts and ensure the effective operation of the judicial system.</p> <p>The fugitive apprehension program works to locate and apprehend fugitives as quickly and safely as possible in order to maintain the integrity of the judicial system and enhance public safety by ensuring that the public is not exposed to further risk of crime from these individuals.</p> <p>This measure includes: physical arrest, directed arrest, surrender, dismissal, arrest by other agency, or when a detainment order is lodged and the fugitive is taken into custody.</p> <p>Data from this measure is obtained from Warrant Information Network (WIN) and verified through the National Crime Information Center (NCIC). Information is accessible by all 94 districts and continuously updated.</p>
Bureau of Alcohol, Tobacco, Firearms and Explosives (ATF): Firearms Programs – Integrated Violence Reduction Strategy	<p>OUTCOME</p> <p>Percent of high-crime cities nationwide with a reduction in violent firearms crime</p>	<p>The purpose of the program is to address violent firearms crime by using ATF's statutory jurisdiction and expertise to remove violent offenders from communities around the country and prevent prohibited persons from possessing firearms.</p> <p>The key indicator of program effectiveness is whether or not violent firearms crimes are reduced in the cities with the highest crime levels per capita in which ATF has a presence.</p> <p>Further analysis is used to understand the link between changes in the incidence of violent crime and ATF measures taken utilizing their Integrated Violence Reduction Strategy Program.</p> <p>Data for this measure is obtained from the FBI's Uniform Crime Reports database, and is collected annually, with a 2-year delay.</p>



Handout 4.6

Worksheet on US Government Document Containing Examples of Performance Measures in the Departments of the Interior and Justice

Worksheet: Analyse the document in **Handout 4.5** *Extract of US Government document Containing Examples of Performance Measures in the Departments of the Interior and Justice* in your group and write down your group's answers to the questions below.

The answers to questions 2, 3 and 4 should be noted on one or more flip chart sheets, in order to be pinned onto the wall and be available to the other participants at the end of the session.

1. As a first step, let us identify the outcome indicators that appear in the document and the source of each indicator, which allows it to be continuously tracked. We have already filled in the following table to help you focus on the contents of each indicator, but you are welcome to refer back to the document for more in-depth understanding.

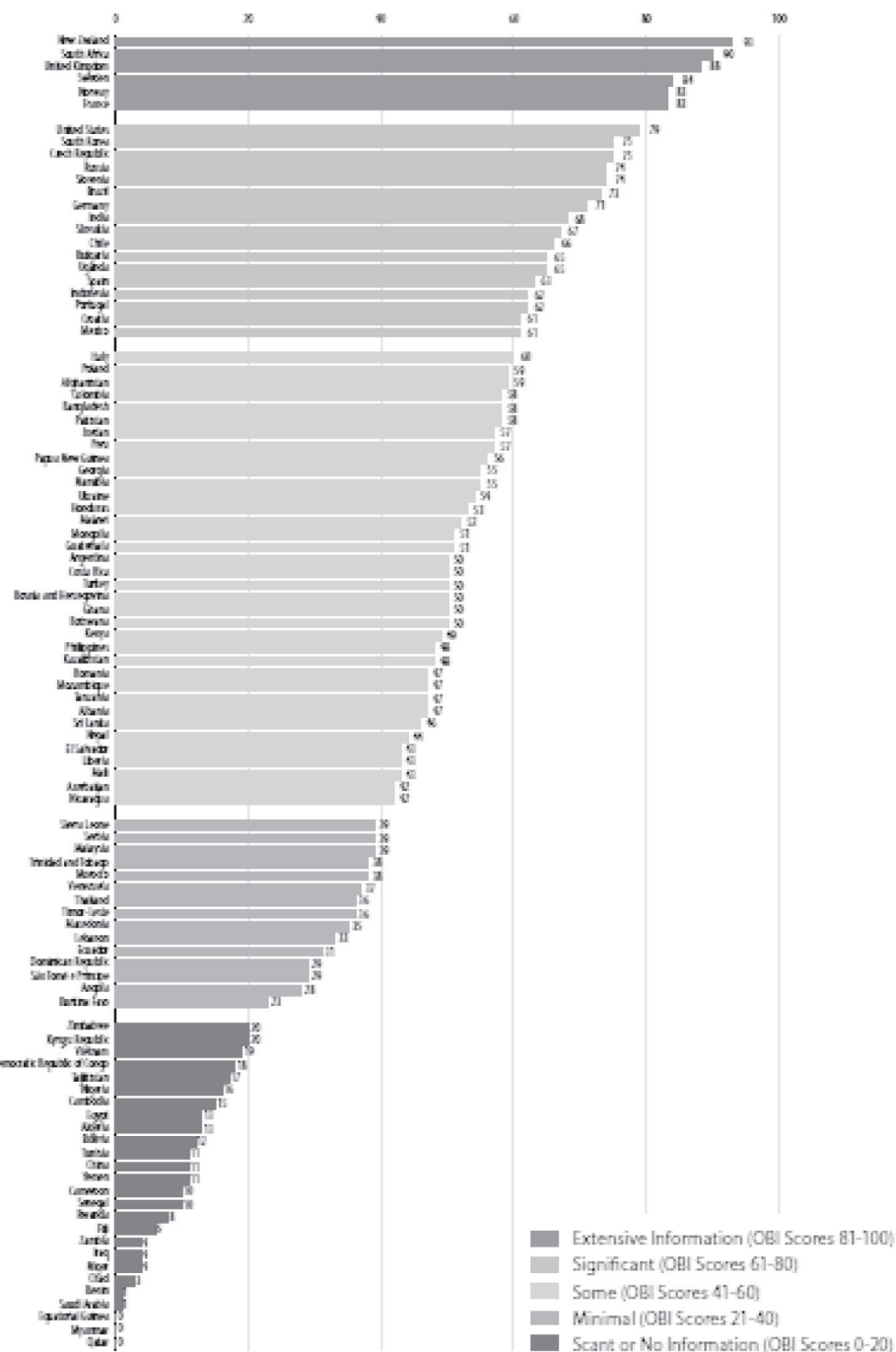
Name of the programme	Outcome indicators	Source of the indicators
National Park Service Facility Management	Condition of priority National Park Service facilities (lodges, roads and trails in the American national parks), as measured by the Facilities Condition Index (FCI)	FCI is the ratio of the cost of deferred maintenance over the current replacement value for an asset. The lower the ratio, the better the condition of the asset. It is an American industry standard.
Fugitive Apprehension Program	Percentage of total Federal fugitives, i.e. offenders under the US federal law who escaped from prison or court	Warrant Information Network (WIN) and verified through the National Crime Information Center (NCIC)
Firearms Programs - Integrated Violence Reduction Strategy	Percentage of high-crime cities nationwide with a reduction in violent firearms crime	FBI's Uniform Crime Report database

2. In the real-life context of your own work, what are the programmes where outcome indicators are the easiest indicators to identify?
3. What would be the source to track and document the outcome indicators you have found in the previous question? What other information system or database might be needed to measure them if none is currently available?
4. To achieve the outcomes proposed under point 3, which inputs should be needed to be made available and how would they be costed?

Handout 4.7

Open Budget Survey 2012: Key Documents for the Open Budget Index and Country Rankings⁶

Open Budget Index 2012



THE OPEN BUDGET INDEX 2012

⁶ International Budget Partnership. *Open Budget Survey 2012*. Washington: International Budget Partnership, 2012, pp.7, 14-15 and 48: <http://internationalbudget.org/wp-content/uploads/OBI2012-Report-English.pdf> (accessed on 13 February 2015).

“Many Key Documents Are Not Released At All”

International standards and practices identify eight key documents that all governments should publish at different moments of the budget cycle. The OBI measures whether governments make these documents available to the public in a timely way and assesses the level of detail in the information in each document.

During the *budget formulation* stage, governments should publish:

- a **Pre-Budget Statement**, which includes the assumptions used to develop the budget, such as total expected revenue, expenditure, and debt levels, and broad sector allocations; and
- the **Executive’s Budget Proposal**, which presents the government’s detailed plans, in terms of policy priorities and budgets for each ministry and agency, for the coming budget year.

During the *budget approval* stage, the government should publish:

- the **Enacted Budget**, which is the legal document that authorizes the executive to implement the policy measures the budget contains. The Enacted Budget is issued by the legislature after it approves (sometimes with amendments) the budget proposal presented to it by the executive.

During the *budget execution* stage, the government should publish:

- **In-Year Reports**, which include information on revenues collected, actual expenditures made, and debt incurred at a given point in time, generally through monthly or quarterly publications;
- a **Mid-Year Review**, which summarizes the actual budget data for the first six months of the year (revenues, expenditures, and debt), reassesses the economic assumptions upon which the budget was initially drafted, and adjusts the budget figures for the remaining six months accordingly; and
- an **End-Year Report**, which shows the situation of the government’s accounts at the end of the fiscal year and ideally includes an evaluation of the progress made toward achieving the policy goals spelled out in the Enacted Budget.

During the *audit* stage, governments should publish:

- an **Audit Report**, in which the supreme audit institution evaluates the financial performance of the government in the previous budget year; audits can also cover specific agencies and nonfinancial aspects of the executive’s performance.

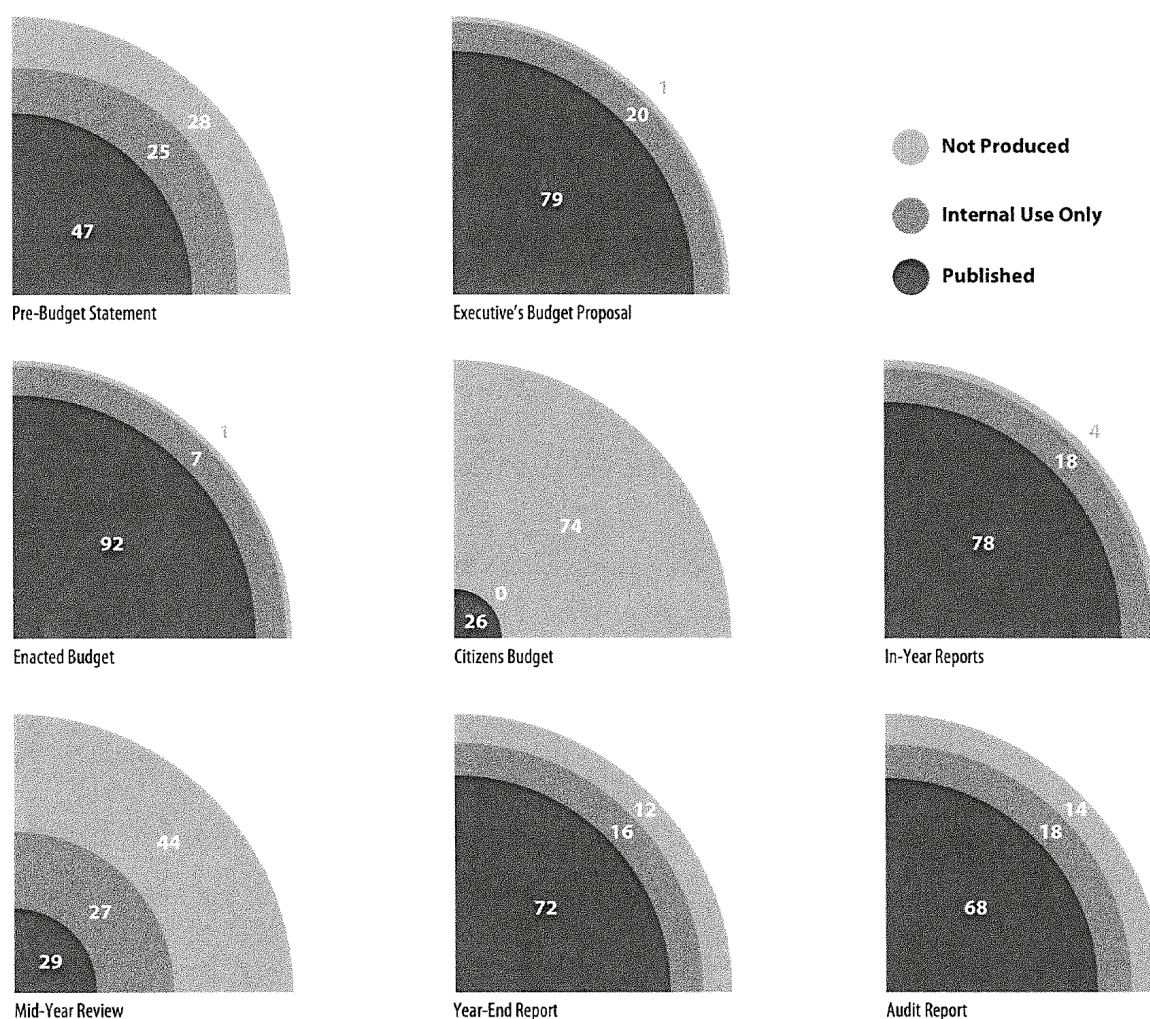
In addition to these documents, governments should publish a **Citizens Budget**, a simplified version of a budget document that uses nontechnical language and accessible formats in order to facilitate citizens’ understanding of, and engagement with, the government’s plans and actions during the budget year. While this document has been produced mostly in relation to the Executive’s Budget Proposal or the Enacted Budget, accessible nontechnical versions should be produced for any or all of the above-mentioned documents.

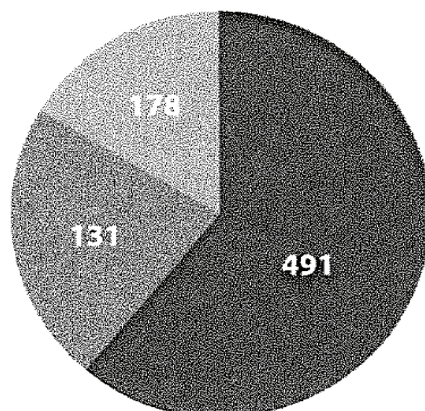
The good news emerging from the Open Budget Survey 2012 is that more than two-thirds of governments publish five of the eight key budget documents. These include the most essential document, the Executive’s Budget Proposal, which was published in 79 of the 100 countries examined. They also include the Enacted Budget (92 countries), In-Year Reports (78 countries), a Year-End Report (72 countries), and the Audit Report (68 countries). Although most countries release

these documents, it is essential to remember that all countries should. This is particularly true for the Executive's Budget Proposal, which 21 countries still fail to publish.

Less than half of the countries surveyed publish the other three key documents – the Pre-Budget Statement (47 countries), Mid-Year Review (29 countries), and Citizens Budget (26 countries). The most critical impact of this is that citizens in most countries are blocked from understanding certain of their government's budget policy intentions and actions, such as those related to mid-year corrections.

Table 2. Many budget documents are not published by countries even though a significant number of these documents are produced for internal use





All Eight Budget Documents in the 100 Countries Surveyed

Table: The Open Budget Index Measures the Timely Release of Information throughout the Budget Process

Budget Document	Release Deadlines for "Publicly Available" Documents
Pre-Budget Statement (PBS)	Must be released at least one month before the Executive's Budget Proposal is submitted to the legislature for consideration.
Executive's Budget Proposal (EBP)	Ideally should be released at the same time as it is presented to the legislature. At a minimum, it must be released while the legislature is still considering it and before it is approved. In no case would a proposal released after the legislature has approved it be considered "publicly available."
Supporting document for the EBP	Must be released at or about the same time as the Executive's Budget Proposal (see above).
Enacted Budget (EB)	Must be released no later than three months after the budget is approved by the legislature.
Citizens Budget (CB)	If it is a simplified version of the Executive's Budget Proposal, it must be released at the same time as a "publicly available" Executive's Budget Proposal. If it is a simplified version of the Enacted Budget, it must be released at the same time as a "publicly available" Enacted Budget.
In-Year Reports (IYRs)	Must be released no later than three months after the reporting period ends.
Mid-Year Review (MYR)	Must be released no later than three months after the reporting period ends.
Year-End Report (YER)	Must be released no later than two years after the end of the fiscal year (the reporting period).
Audit Report (AR)	Must be released no later than two years after the end of the fiscal year (the reporting period).



Handout 4.8

Worksheet on the Open Budget Survey 2012

Look at the Open Budget Index table in **Handout 4.7** *Open Budget Survey 2012: Key Documents for Open Budget Index and Country Rankings* contained at the end of the handout. This table contains the documents that the government **should make public**, according to international standards on budget transparency and oversight.

Consider each of the documents listed in the table, if necessary referring back to the first two pages of the handout for a definition of the documents. Discuss with the other members of your group whether these documents are prepared and released in your current work context:

- Who is responsible for preparing and releasing them?
- Are the deadlines proposed in the document met in your context?
- If these documents do not exist, what would be required to prepare them?
- And in their absence, what can be done in the meantime to increase public oversight of the budget cycle?
- How well would your country score in the Open Budget initiative?

Publicly available budget document	Recommended release deadline	Does the document exist in your current context?	If it does exist, what is the deadline for its release? If it does not exist, what could be done alternatively to increase public oversight on the budget cycle?
Pre-budget statement	One month before submission of the executive's budget proposal to the legislature		
Executive's budget proposal	Released to the public at the same time as it is submitted to Parliament		
Supporting documents for the executive's budget proposal	At or about the same time as the Executive's budget proposal		
Enacted budget	At the latest, three months after legislative approval		

Tool 4. The budget cycle and the security sector

Citizens' budget	The citizens' budget is a simplified version of the Executive's budget proposal or the Enacted budget, for ease of consultation by the population. Released at the same time as the main document it is supposed to summarize.		
In-year reports	At the latest three months after the end of the reporting period.		
Mid-year review	At the latest three months after the end of the reporting period.		
Year-end report	At the latest, two years after the end of the fiscal year.		
Audit report	At the latest, two years after the end of the fiscal year.		



Trainer Resource 4.1

Answers to the test: The budget cycle and the security sector

1. *"Budgeting is only about costing the inputs that are required for my organisation to do its work (salaries, equipment, travel, stocks of ammunitions and components, etc.). The objectives of this work are not relevant to the budget". True or false?*

- a. True
- b. False

The correct answer is 'b'. False indeed. A budget is a key policy document, which expresses trade-offs between competing political priorities in a context of (usually) scarce resources. It is not only an accounting device. As a result, the objectives of public sector action are substantial foundations of the process of drawing up a Government budget.

2. *You are the chief financial officer of the Police. You find out that fines for traffic violations are not reported to you. What do you think? (Choose the best option from a financial management point of view)*

- a) *You tell your colleagues that this revenue is to be reported and handed over to you. You cannot write a proper Police budget if you do not take account of this revenue. Of course, this money will still be available for use by the Police, according to the law.*
- b) *Why bother, the law does allow revenue from fines to be used by the Police for its operational necessities.*
- c) *You tell your colleagues that this revenue is to be reported and handed over to you, although it is not supposed to be part of the Police budget. However, it does have to be accounted for in separate books. Of course, this money will still be available for use by the Police, according to the law.*

The correct answer is 'a'. A budget is a comprehensive document, which encompasses all revenue and all expenditure, including the revenue that is raised by a department and then used by the same department. Failure to mention this revenue in a budget would be an accountability failure: approval and oversight authorities, like Parliament or a Court of Auditors, would be led to believe, wrongly, that a department could perform its work with less funding than it actually had. Some countries do have budget annexes or special accounts separate from the budget, but which are accounted for together with the main budget. It is better to avoid this practice as it is either a relic of history or likely to be conducive to abuse. We will see in a future session how to deal with issues for which secrecy matters, but even in such cases the use of separate budgets or off-budget accounts is not recommended.

3. *You assist the Chief of Police in the elaboration of a performance monitoring system for road safety, which will help the Police review next year's budget proposal. Tick as appropriate.*

Performance indicator	Input	Output	Outcome	Impact
Average number of hours of speed limit enforcement ensured by the Police in a month		√		
Average number of staff required to enforce speed limit in a month	√			

Average number of casualties in a month as a result of road accidents				√
Percentage of vehicles exceeding the speed limit in a month on the total estimated number of vehicles circulating			√	

4. Again on the example above. Which indicator would be directly used to evaluate the funding required by the Road Traffic Department in the Police?

- a) The number of hours
- b) The number of staff
- c) The number of casualties
- d) The number of vehicles

The correct answer is 'b', i.e. the number of staff (input). The envisioned outcome, in terms of reducing infringements on the speed limit by a given percentage, would be part of a policy document, such as a road safety strategy. The output required to achieve that rate of reduction, for instance in terms of hours of police presence on the roads, would be in a multi-annual road-policing plan. Every year, the number of police staff required to ensure the desired number of hours is determined, and its costing is made, for instance in terms of salaries, means of transport, speed cameras and other equipment, stationery to write the fines, etc.

5. You are the adviser to the Permanent Secretary on budget and finance in a Ministry. (S)he asks you what is the deadline to submit the budget proposal of your Ministry to the Ministry of Finance. The fiscal year is January to December. What is the best answer?

- a) February
- b) March
- c) May
- d) October

The best choice is 'd' October, as this would be the deadline for the Government to table the appropriations bill in Parliament. February and March are early months in the current year's budget execution, and the new budget proposal presented to Parliament must contain at least a tentative evaluation of how the current year's budget is being executed.



Additional resources

- Andersson, Lena, Nicolas Masson and Mohammad Salah Aldin, *Guidebook: Strengthening Financial Oversight in the Security Sector*. Geneva: DCAF, 2011, Section 2.
- Ball, Nicole, and Dylan Hendrickson. *Off-Budget Military Expenditure and Revenue*, London: King's College, January 2002
- Le Roux (Gen), Len. "The Military Budgeting Process. An Overview." Paper presented at the SIPRI/ADSR Workshop on the Military Expenditure Budgeting Process, Accra, Ghana, 25-26 February 2002
- NATO PA-DCAF. *Building Integrity and Reducing Corruption in Defence. A Compendium of Best Practices*. Brussels & Geneva: NATO PA-DCAF, 2010, Part II, Chapter 6 and Part III, Chapter 17.
- OECD. *Best Practices for Budget Transparency*. OECD Publishing, Paris, 2002.
- Rose, Aidan. *Results-Orientated Budget Practice in OECD Countries, Working Paper 209*. London: Overseas Development Institute, 2003.
- UNDP. *Public Oversight of the Security Sector*. 2008, Part II, chapter 8
- The World Bank. *Public Expenditure Management Handbook*. June 1998, Chapters 1-3

Annex A. Tool 4.

The budget cycle and the security sector: The local training session

Introduction

The following objectives, suggested content, example activities and suggested sources are designed to give suggestions and examples of how materials can be developed by the trainer to suit their own particular local context.

Learning objectives

Participants will be able to:

- Analyze the budget cycle steps in the local context
- Learn how the budget of the security sector is implemented in the local context

Suggested content to be covered

- Budget in the security sector in the local context
- Application of the general budget in the local context

- Basics of the general budget
- Budget and the local context's financial system
- Control of the budget in the local context
- Spending in the security sector in the local context

Focus questions

- What is the security sector budget in the local context?
- What are the basic steps of the budget cycle and how is it applied in the local context?
- How does the budget relate to the local context's financial system?
- Who has control of the budget in the local context and how is spending allocated in the security sector?

Overview

Handout L.4.1 Set of statements to guide the discussion

Trainer Resource L.4.1 PowerPoint: The budget cycle in the Palestinian Security Sector



Description of example activities

The following example activities are taken from the localised content that was created for use in trainings conducted in the occupied Palestinian territories. They are given here as a model or example for the trainer to adapt if desired.

Activity 1. Discussion: Examining the cost analysis and revenue analysis of the local budget

Time 50 min

The trainer divides the participants into two working group(s). Both groups look at different aspects of the most recently available budget. The first group examines the cost analysis for the budget. The second group examines the revenue analysis for the budget. Each group selects a spokesperson to give feedback to the whole group. The PowerPoint in **Trainer Resource L.4.1** is an example taken from the Palestinian training and can be used for the trainer's own awareness, as a template for developing a PowerPoint in the trainer's own context.

Materials

- **Handout L.4.1** Set of statements to guide the discussion
- **Trainer Resource L.4.1** PowerPoint: The budget cycle in the Palestinian Security Sector

Activity 2. Case-based open discussion

Time 50 min

Following on from the previous exercise, the two groups bring their findings to the plenary. The trainer guides them through a discussion around the following two questions:

1. To what extent are the four aspects that you discussed in the two groups previously implemented in your context? The four aspects are:
 - a. centralised financial planning for the security sector;
 - b. transparent organisational structure of the Ministry of Defence and/or the Ministry of Interior;
 - c. Existence of a security sector strategy or a policy paper for the sector; and
 - d. Presentation of periodic financial reports to the competent management and oversight bodies.
2. Do you support more transparency and accountability in budgeting for the security sector in your local context? Can you propose two practical measures (each participant in the discussion is asked to make two suggestions in his/her intervention) how this could be achieved?



Handout L.4.1

Set of statements to guide discussion

The following statements are used to guide the two groups to analyse the most recent security sector budget of the local context either from a cost analysis point of view or from a revenue analysis perspective:

The following steps, if undertaken in an inclusive and participatory manner, can help achieve more transparency and accountability in the administrative and financial performance of the security sector:

1. Organising the administrative and financial aspects of the security sector, all its branches and components according to centralised financial planning; and respecting different competences in a comprehensive manner.
2. Interconnecting all district offices, directorates, branches and departments of the Ministry of Defence/ Ministry of Interior in a transparent way that warrants a unified and clear reference for all the agencies of the security sector, both administratively and financially.
3. Developing a policy paper for the security sector and a sectoral strategy that includes all existing and necessary programmes and projects of this sector.
4. Preparing periodical financial reports and making such reports available to internal and external oversight bodies.

As a reference, and in order to avoid conflict between transparency and confidentiality, security costs can be classified into two groups as follows:

- First group to include public costs allocated to the security sector which are submitted to the parliament and other competent bodies in a fully transparent manner.
- Second group to include classified appropriations which can be reviewed by a security-specialized subcommittee.



Trainer resources

Trainer resource L4.1 PowerPoint: The budget cycle in the Palestinian Security Sector

The Budget of the Palestinian Security Sector

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1. Particularities of the Palestinian Case

- ✓ Palestine allocates a large part of its budget to the security sector.
- ✓ Palestine is in a unique situation as it is subject to an ongoing occupation.
- ✓ The Palestinian experience in formal security expenditure is still recent and not yet fully developed.

2. The legal and institutional framework governing the finances of the Palestinian security sector

- Before 2005, there was no legal basis to regulate the powers of the security forces, except for the Civil Defence.
- After 2005, three statutory laws containing provisions on financial matters were promulgated:
 - Law of Service in the Palestinian Security Forces No. 8 of 2005,
 - General Intelligence Law No. 17 of 2005,
 - Decree Law of 2007 Concerning the Preventive Security.
- Since 2005, a number of laws and regulations have been adopted to regulate financial affairs in the Palestinian security sector both directly and indirectly, including:

Relevant legislation adopted since 2005:

- Decision No. 4 of 2007 Concerning the Promulgation of the Regulation on Supplies and Purchase of the General Intelligence.
- Decision No. 5 of 2007 Concerning the Promulgation of the Financial Regulation of the General Intelligence.
- Cabinet Decision No. 11 of 2007 on the separation of the Financial General Directorate of the Ministry of Interior from the Financial Central Directorate of the National Security Forces.
- Decree No. 33 of 2007 on the Reorganization of the Finances and Paychecks of Security Forces Personnel.
- The Palestinian Financial Bylaw of 2005 and its 2010 amendments, which concern also the security sector.

3. Expenditure of the Palestinian Security Sector

- Spending of the Palestinian security sector saw a significant increase in the year 2007 (from 24% of the total budget in 2005 to 39% in 2007). This share remained in the following years equivalent to roughly 1/3 of the budget.
- The Palestinian security sector lacks a detailed, officially announced and approved budget for the security forces.
- As a result of this, the heads of security agencies spend by means of periodical payments. Incidental expenses amount to 50% of all non-labor cost expenses.
 - ❖ Directors of these agencies have the power to spend without any restrictions and in the absence of clearly defined terms of reference that would warrant accountability and oversight.

4. Preparing the Palestinian security sector budget

1. The Ministry of Finance sends the budget notice to the Ministry of Interior which then forwards it to the security agencies.
2. The security sector strategic plan is drafted at the same time as the mid-term financial framework. The Ministry of Interior approves the strategic plan.
3. Each security agency develops a preliminary budget draft and submits it to the General Budget Department of the Central Financial Administration.
4. The General Budget Department in the Central Financial Administration conducts consultations with each budget director of the security agencies.

5. The budget department of Central Financial Administration submits an overall budget of all security agencies to the head of the budget team, for review, audit and consultation.
6. Approval of budget by the Director-General of the Central Financial Administration.
7. Approval of the budget by the Minister of Interior.
8. Submission of completed budget forms to the Ministries of Finance and Planning.
9. Approval of draft current and capital budgets by the Cabinet.
10. Submission of draft budget to Parliament (PLC) and then to the president for approval and promulgation.

5. Implementation of the Security Sector Budget

- ✓ The budget department of the Military Central Financial Administration uses checks as a spending tools => this allows for more accountability than cash spending.
- ✓ Other operational expenses (daily expenses) are spent by the Military Central Financial Administration directly, based on specific payment requests.

6. Financial Oversight in the Palestinian Security Sector

I. Internal Financial Oversight through:

- a. The Ministry of Finance's oversight and audit directorate;
- b. The internal financial audit unit of each agency;
- c. The Directorate-General of Military Financial Oversight was established as the financial oversight and audit body to be responsible for overseeing the accounts of all security agencies.

II. External Oversight

A. The State Audit and Administrative Control Bureau (SAACB) is the supreme external oversight and audit body established under the Law of the Bureau of Financial and Administrative Control No. 15 of 2004.

❖ SAACB seeks to ensure effective and efficient use of public funds. It does so through applying international audit standards, such as the standards of the International Organisation of Supreme Audit Institutions (INTOSAI).

B. Legislative Oversight: There are two types of parliamentary oversight according to the Law of the Organisation of the General Budget and Public Finances No.7 of 1998:

- 1) Oversight exercised by Parliament (the PLC) while implementing the budget through reviewing and analysing quarterly reports which should be produced and disseminated by the Ministry of Finance in accordance with applicable laws.
- 2) Post-implementation oversight: discussion and approval of the final statement of account of the Palestinian National Authority.

Observations:

- ✓ Palestinian parliamentary oversight of the security budget or other budgets is weak.
- ✓ Reasons for that include:
 - ✓ Insufficient information available to the finance and budget committee on security expenditure;
 - ✓ A lack of sufficient specialised expertise of the members of this or other committees to review the available financial information even if scarce.



Suggested resources

1. Lienert, Ian. "Role of the Legislature in Budget Processes". *International Monetary Fund Technical Notes and Manuals* 10/04 (April 2010), p.5. <http://www.imf.org/external/pubs/ft/tnm/2010/tnm1004.pdf> (accessed 13 February 2015).
2. Nasser Abdel Karim, and Sanaa Alfuqha. *Financial Management in the Security Sector in Palestine*. Ramallah: University of Birzeit's Institute of Law, 2010
3. Palestinian Ministry of Local Government & UNDP Programme of Assistance to the Palestinian People (PAPP). *The Unified Budgeting and Accounting System for Local Governments*, Ramallah: Ministry of Local Government & UNDP-PAPP, 2005.