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STRENGTHENING THE ACCOUNTABILITY AND TRANSPARENCY OF THE LEGISLATIVE PROCESS IN THE WEST BANK AND GAZA PROJECT (*BAYAN*)

**THE ROLES OF PALESTINIAN CIVIL SOCIETY ORGANIZATIONS IN THE
LEGISLATIVE PROCESS**

BUDGET ANALYSIS TRAINING REPORT

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Table of Content

Executive Summary.....	2
Introduction.....	4
Training Workshop Description.....	5
Observations and Reflections from Participants	6
Conclusions and Recommendations	8
Recommendations to USAID:	8
Recommendations to BAYAN Project:	9
Recommendations to CSOs:	9
Annex 1 – Training Agenda	10
Annex 2 – List of Participants	11

Executive Summary

BAYAN conducted a training program to build the capacity and skill of partner Palestinian Civil Society Organizations (CSOs) in the West Bank assess the governmental performance and service delivery under its different functions and sectors by reviewing and analyzing public budgets (including actual PA budgets from consecutive governments) . The training program was conducted from January 6-9 2008 targeting 15 CSO and Government staff members. The workshop was led by a local consultant, Mr. Firas Zaghal, with direct support from *BAYAN*'s technical team.

The training program was built around actual financial information of the Palestinian consecutive governments, approved budgets, case studies of budgets in regional countries, a budget analysis tool (based on excel), and user's manual prepared specifically for this course, as outlined in the Terms of Reference provided by *BAYAN* project.

Some of the topics covered during the training course included:

- Public Sector International Accounting Standards.
- Financial Information and Financial Statements.
- Relationships between Government Budgets, Transparency, and Integrity.
- Budgeting Cycle.
- Budgets Variances and Analyzing Budgets.
- The Role of the Civil Society Organizations in the Budgeting Cycle.

Based on the training program participants succeeded in:

- Assessing the:
 - transparency and identifying areas of improvement with regard to the current PA financial management system; and
 - The quality of financial information generated from this system.
- Reading and analyzing the actual financial results and projected financial information from consecutive Palestinian Governments.
- Assessing the performance of the consecutive Palestinian governments over time on the basis of the available historical financial information.
- Understanding the different components of the government's budgeting cycle and comparing with best international practices.
- Linking the government's published plans including statements and speeches by government officials with the budgeted financial information.

- Assessing the sufficiency of financial resources designed to achieve the objectives of key ministries responsible for providing specific social services and economic development services.
- Reading and analyzing variances by comparing actual with projected budget amounts and identifying corrective actions required by government to eliminate unfavorable variances.
- Identifying the advocacy and policy work required by CSOs at the different stages of the budgeting cycle in order to improve the transparency and accountability of the Palestinian legislative system as well as the Palestinian governments.

Introduction

The *BAYAN* project is designed to strengthen the accountability and transparency of the legislative process in the West Bank and Gaza. The project is a three year, approximately six million dollars project, which began October 1, 2005. The specific goals of this project are to: strengthen the accountability and transparency in the legislative process; strengthen the broader legislative community, and; implement a small grants program to support civil society in supporting the above activities.

The project strives to strengthen the capacity of concerned civil society organizations (CSOs) to conduct and engage in advocacy related activities to influence policy-makers and ensure that legislative and policy making process are transparent, accountable, and reflect the interest and concerns of civil society.

The objective of this assignment was to build on the results achieved under previous efforts of *BAYAN* team where partner CSOs specifically requested assistance in developing their capabilities in reading and analyzing historical financial information as well as budgeted financial information of the Palestinian Governments, and to use this knowledge as part of their advocacy and oversight activities. As a result, *BAYAN* recruited a local budget analysis expert who worked closely with its staff to deliver the training. The main objective of the assignment was to provide practical training to partner CSOs in the West Bank in the following areas (see Annex 1):

- Understanding the international accounting standards governing the process of collecting, summarizing, and communicating financial information of governments.
- Identifying sources of historical and budgeted financial information of the Palestinian National Authority (PNA) and areas to improve its financial reporting system.
- Understanding the law governing the process of compiling and approving the budget, and needed areas of improvement in this law.
- Identifying the steps of compiling and approving budgets according to best international practices.
- Using a budget analysis tool and the related user's manual to enter the historical financial information and budgets.
- Using the budget analysis tool in assessing consecutive Palestinian governments' performance over the last 5 years and PA future plans and linking it with governments' published policies.
- Assessing and analyzing the differences between government plans and actual performance.
- Identifying the role of CSOs in the different phases of compiling and approving budgets.

Training Workshop Description

The training workshop included different components, these included:

- Training materials (power point presentation) covering the whole training period.
- Budget analysis tool (based on excel) that was designed to help participants enter the actual financial information and budgets and get different results to analyze and assess.
- A manual on how to use the budget analysis tool efficiently and effectively.
- Actual financial information (Ministry of Finance reports) for the last 5 years.
- Copies of previous budgets.
- Budgeting law.
- Case studies and examples of budgets in other countries in the region.

The workshop was initially designed and prepared for five days however because of President Bush's visit to Ramallah on January 10th and the resulting movement restrictions, the fifth day's training activities were folded into days 3 and 4. Given the many components and tools used in this training program, the daily training activities were as follows:

Day 1:

Day 1 started by explaining the best international practices in compiling and reporting financial information represented by the Public Sector International Accounting Standards (PSIAS).

The second part of Day 1 focused on the 5 key categories of financial information in Governments, definition of each category, and examples from each category. These 5 categories are income, expenses, assets, liabilities and net assets.

Day 1 finished by introducing the standard structure of financial statements used by governments to summarize the 5 categories of financial information. There was special emphasis on Statement of Activities, Statement of Financial Position, Cash Flow Statement, and Notes to the Financial Statements.

Day 2:

Day 2 started by introducing the budget analysis tool, its objective, and how it is used. Participants were asked to identify from the official sources the financial information related to the consecutive Palestinian governments (2003 through 2006) and enter on the data in the tool.

Participants worked on this task in groups (2 participants in each group), and the task were divided among team members, entering data, checking entered data, and reconciling data with the summary reports published by the Palestinian Ministry of Finance.

Day 2 finished by assessing the performance of consecutive Palestinian governments annually on the basis of entered data. This required the participants to spend some time reading the data and related ratios and comparing it over time and between functions/sectors.

Day 3:

The focus on day 3 was budgeting as a process, starting with the relationship between budget from one side and integrity and transparency from the other side, and then the budget cycle was explained thoroughly.

Key concepts discussed during the day included the relationship between government's responsibilities and budgets, benefits of public participation in budget preparation and monitoring, and obstacles facing budget analysis in some developing countries.

The concepts discussed during the day used case studies to emphasize budget studies in some regional countries, and through these case studies best international practices in preparing, executing, and monitoring public budgets.

Day 4:

During day 4 participants read and analyzed public budgets. They started by defining and explaining favorable and unfavorable variances and identifying the components necessary to successfully analyze budgets.

Participants used the Palestinian government's 2004 budget to enter data into the budget analysis tool, and then participants identified the key features of government's plan for 2004 on the basis of budgeted numbers, and finally and through variance analysis participants were able to identify Palestinian government's deficiencies in achieving its objectives in the different functions / sectors.

Also, and during Day 4 participants discussed and identified the role of the CSOs in preparing, approving, and executing the budget.

Objectives of the Palestinian Ministry of Education versus budgets assigned for this ministry was assigned as a case study to explain the advocacy work to be performed by CSOs to improve performance and achieve transparency and accountability.

Observations and Reflections from Participants

Throughout the workshop, there were a number of observations about participant learning that may be helpful for future *BAYAN* programs in groups and with individual organizations. These were gleaned from the trainer's perspective and the evaluation forms after each day.

The evaluation forms were done at the close of each training day. These evaluations were extremely useful for providing the consultant and *BAYAN* management with timely

feedback to make necessary timely adjustments. In addition, these evaluations informed the BAYAN team which training methods were preferred by participants.

Below is summary of the participants' feedback:

- Hanadi Barahmeh – Ministry of Social Affairs; “although budgeting and collecting actual information is part of my daily work in the ministry, the course opened my eyes on new approaches and concepts that can be applied by PNA governments to improve accountability, transparency, and performance”.
- Kholoud Abdel Khaleq – Ministry of Social Affairs; “this is truly a unique course that provides an essential knowledge in the area of assessing government’s performance, this workshop must be attended by members of the Legislative Council and by official responsible for setting and executing budgets”.
- Kahled Shana’a – Al Hares Center; “very useful training materials, this is the first time ever we have attended such a useful course in the field of governmental budgets”.
- Omar Abdel Aziz – Al Hares Center; “the training approach was good and the trainer’s performance was great, the timing of the training course was also good, and I suggest more specialized training courses in preparing and compiling government’s budgets”.
- Sahar Haddad – Filastiniyat; “the benefit from this training course was really big, this is the first time we look at PNA Governments’ budgets at this level of detail, we in Filastiniyat, and as part of our mandate as a CSO, will be using the skills gained and the provided tool in overseeing the resources assigned by the PNA governments for women related programs and activities”.
- Alaa’ Ghanayem – Civic Forum Institute; “all that I can say is that the benefits of the course exceeded all expectations”.
- Shadi Zein Edeen – Ta’awon; “this is an excellent training course, it explains a lot of information that we didn’t know before and at the same time this information is very important to what we do as a CSO, this course will help us in having a bigger influence on future budgets approved and announced by the PNA governments, and it will also help us in assessing the governments’ performance and compliance with the approved budget”.

- Tahseen Alian – Civic Forum Institute; “although my knowledge in numbers and figures is very limited, I didn’t feel this deficiency during the course and I was able to benefit from most of the topics, I wish if there is a complete written materials about the subject in addition to the provided slides and tools”.
- Iyad Assi – Ministry of Economy; “ the benefit is high in terms of understanding financial numbers as reflections for performance and plans, this is the first time I attend a training course conducted by a local trainer with this level of knowledge, confidence, and relevant experience”.
- Hani Khalil – Ta’awon; “the benefit was very direct and to the point, this is the most developed training course I have attended involving participants from different non-governmental and governmental institutions”.
- Firas Sudqi – Ministry of Economy; “the real benefit is coming from the real case studies and examples used by the trainer, I think this made the course unique and useful”.

Conclusions and Recommendations

The financial reporting system used by the consecutive Palestinian governments needs a lot of attention and improvement, the budgeting is only one component of this system. It is almost impossible to talk about accountability and transparency without considering financial management and financial information. Although it is very challenging since participants education and experience is different, there is no doubt regarding the benefit obtained and the fact that such training courses are very limited. With these thoughts in mind the following recommendations are provided for consideration:

Recommendations to USAID:

- Assisting the Palestinian government in building a reliable financial management system.
- Motivating researchers to provide continuous reading and analysis for Palestinian government financial information.
- Supporting *BAYAN* team in repeating this course to other staff from other CSOs in the different areas of West Bank and Gaza and from more appropriate staff from the PA.

Recommendations to BAYAN Project:

- Repeating the training programs for other groups to increase the advocacy efforts in this regard.
- Following up with participants to assure continuous use of the tool and the update of numbers on the basis of published information by the Palestinian Ministry of Finance.
- Helping CSOs in implementing the training concepts and the analysis tool as part of their advocacy work.
- Providing follow-up training in preparing and compiling budgets.
- Providing written materials and references on the training subject.

Recommendations to CSOs:

- Implementing the training concepts – as appropriate – in advocacy and oversight activities.
- Using the provided budget analysis tool to enter historical data and budgets periodically.
- Assessing the Palestinian government's performance and plans periodically.
- Practicing advocacy activities in the areas of improving the financial reporting system, improving the budgeting cycle, and improving the Palestinian budget law.
- Increasing CSOs' role and participation in the different budgeting phases including preparation, execution, monitoring, and implementation.

Annex 1 – Training Agenda

	First session	Coffee Break	Second session	Lunch Break	Third session	Coffee Break	Fourth session	Conclusion
First Day	-Participants resignation -Introduction - Public sector international accounting standards		- Financial information		- exercise/ Financial information items		- Financial statements	-Conclusion/ evaluation
Second Day	-Exercise/ PA performance during 2003 with actual numbers		-Exercise/ PA performance during 2004 with actual numbers		-Exercise/ PA performance during 2005 with actual numbers		-Exercise/ PA performance during 2006 with actual numbers	-Conclusion/ evaluation
Third Day	-Exercise/ PA performance during 2003-2006		-Government Budgets, Transparency, and Integrity. - Exercise/Draft budget for 2005		- Budgeting cycle		-Israeli's budget for 2004-case study	-Conclusion/ evaluation
Fourth Day	-Budget deviations -Budget analysis		- case study- PA budget for 2004 - case study- Comparing 2004 budget against the government speech		- case study- Comparing actual numbers with projected budget for 2004		- case study- PA policies- Palestinian Ministry of Education' expenditures in 2004 -The role of CSOs in preparing, approving, and implementing the budget.	-Conclusion/ evaluation

Annex 2 – List of Participants

S/R	Organization	Name of trainee	Titles
1	Ta'awon for Conflict Resolution	Shadi Zein Eldeen.	Director
		Hani Khalil	Program Coordinator
2	Filastiniyat	Sahar Haddad	Project coordinator
3	Civic Forum Institute	Bashar Al-Jaloudi	Coordinator
		Alaa Ghanayem	Coordinator
		Tahseen 'Alian	Coordinator
4	Al-Hares center for Studies and Media	Khaled hasan Abdel Rahim Shana'a	Trainer
		Wajiha Issa	Admin Assistant
		Omar Abdel Aziz	Accountant
5	Ministry of Social Affairs	Khuloud Abdel Khaleq	Head of legal unit
		Hanadi Barahmeh	Financial officer
6	Ministry of Economy	Firas Sudqi	Financial officer
		Iyad Asi	lawyer