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<tr>
<td>ADC</td>
<td>Area Development Committee</td>
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<tr>
<td>AIP</td>
<td>Annual Investment Plan</td>
</tr>
<tr>
<td>CBOs</td>
<td>Community Based Organizations</td>
</tr>
<tr>
<td>CDF</td>
<td>Constituency Development Fund</td>
</tr>
<tr>
<td>CSOs</td>
<td>Civil Society Organization</td>
</tr>
<tr>
<td>DC</td>
<td>District Commissioner</td>
</tr>
<tr>
<td>DDP</td>
<td>District Development Plan</td>
</tr>
<tr>
<td>DESP</td>
<td>District Education Sector Plan.</td>
</tr>
<tr>
<td>DHO</td>
<td>District Health Office</td>
</tr>
<tr>
<td>DOF</td>
<td>Director of Finance and Administration</td>
</tr>
<tr>
<td>DPD</td>
<td>Director of Planning and Development</td>
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<tr>
<td>DDP</td>
<td>District Development Plan</td>
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<td>DIP</td>
<td>District Investment Plan</td>
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<td>FBOs</td>
<td>Faith-Based Organizations</td>
</tr>
<tr>
<td>GRF</td>
<td>General Resource Fund:</td>
</tr>
<tr>
<td>GoM</td>
<td>Government of Malawi</td>
</tr>
<tr>
<td>IDF</td>
<td>Infrastructure Development Fund</td>
</tr>
<tr>
<td>LDF</td>
<td>Local Development Fund</td>
</tr>
<tr>
<td>LDP</td>
<td>Local Development Plans</td>
</tr>
<tr>
<td>MDAs</td>
<td>Ministries, Departments Agencies</td>
</tr>
<tr>
<td>MGDS II</td>
<td>Malawi Growth and Development Strategy II</td>
</tr>
<tr>
<td>MP</td>
<td>Member of Parliament</td>
</tr>
<tr>
<td>NDI</td>
<td>National Democratic Institute for International Affairs</td>
</tr>
<tr>
<td>NGO</td>
<td>Non-Governmental Organization</td>
</tr>
<tr>
<td>NLGFC</td>
<td>National Local Government Finance Committee</td>
</tr>
<tr>
<td>ORT</td>
<td>Other Recurrent Transactions</td>
</tr>
<tr>
<td>PET</td>
<td>Public Expenditure Tracking</td>
</tr>
<tr>
<td>PETS</td>
<td>Public Expenditure Tracking Surveys</td>
</tr>
<tr>
<td>VAP</td>
<td>Village Action Plans</td>
</tr>
<tr>
<td>VDC</td>
<td>Village Development Committee</td>
</tr>
</tbody>
</table>
Foreword

This public expenditure tracking guide aims to assist councilors and other Council officials to effectively monitor local government budgets and expenditures. The guide is complementary to the Public Sector Reforms Programme in the areas of decentralization and public finance management. Through the information provided in this guide councilors and other Council officials will be able to determine whether public money in local government is being spent according to defined local priorities.

The guide contains step-by-step recommendations local governments can follow to monitor their budgets. Public expenditure tracking is a mechanism designed to minimize abuse of resources, increase efficiency and has the potential of improving the quality of life in the communities that local governments serve by reinforcing transparency and accountability. This guide also highlights the oversight mandates councilors have in local governments. This continuous process aims not only to bring government closer to people but also empower citizens by facilitating avenues for them to be a part of decision making in matters that affect them.

For expenditure tracking to be effective it requires cooperation of all concerned stakeholders ranging from councilors, district executive committees, secretariats, Members of Parliament, CSOs, Area Development Committees, Village Development Committees, communities, media to service providers to have a shared understanding and commitment to this process.

The Ministry of Local Government and Rural Development in conjunction with National Local Government Finance Committee appreciates the support from the United Kingdom Department for International Development (DFID) and United States Agency for International Development (USAID) through the National Democratic Institute (NDI) in the development of the PET Guide.
1.1 Background

The Government of Malawi (GoM) is implementing the Malawi Growth and Development Strategy (MGDS II) as the operational medium term strategy to create wealth through sustainable economic growth and infrastructure development as a means of achieving poverty reduction.

The main tool for implementing the MGDS is the national budget. The allocation of public resources in the budget is based on national priorities as outlined in the MGDS. It is therefore important to ensure that the budgetary resources that are transferred to institutions are utilized in line with the priorities of the national strategy.

Public Expenditure Tracking (PET) is essential in assessing the flow and use of public funds from the source to the intended beneficiaries. It is a way of supporting institutions to be accountable on the use of the resources and also checking if allocated funds reach the right beneficiaries in a timely manner and for the intended purposes.

Several methods are used to track public expenditure. Some of the common methods include: public expenditure reviews, budget implementation monitoring by the supervisory institutions and community-based monitoring among others. In 2008, Central Government also introduced Public Expenditure Tracking Surveys (PETS). The surveys involve administering questionnaires to the primary beneficiaries of the budgeted interventions and are important because they provide information on the impact of the funds on the efficiency and quality of service delivery. However, the surveys are time consuming and require significant amount of resources to be implemented.

1.2 Public Expenditure Tracking in local governments

At the local government level, the overall function of financial oversight rests with the Council. As voting members, Ward Councilors are important actors in this process. Public expenditure tracking is a method of gathering information that helps Ward Councilors, citizens, and other stakeholders to track down, understand, and discuss the flow of public money from the original source to the beneficiaries, including how the money is spent, and whether the money is being spent according to defined local priorities. Tracking the use of local government funds by citizens and local leaders is an integral part of Malawi Government’s policy of decentralization known as Mphamvu ku Anthu. Mphamvu ku Anthu gives power to citizens of a local area to express their service delivery and developmental needs to their elected representatives and council officers. In this manner the opportunity for citizen voice in public expenditure and services is enhanced. It is also about citizens, Ward Councilors, various community-based organizations (CBOs), faith-based organizations (FBOs), Area Development Committee (ADC) and Village Development Committee (VDC) members, and other community leaders taking up their responsibility to follow up on how public funds received and generated by the council are being used.

Government enforces public accountability through existing mechanisms, legal framework and guidelines. However, there are many challenges in practice that weaken accountability mechanisms but expenditure tracking is designed to monitor public resource allocations, spending and publicly funded projects. The expenditure tracking process should be explained to other actors as a tool of assistance rather than as an auditing mechanism (NDI, 2010). It is also important to assure local government officers and other representatives that the process is meant to promote positive change in local governments and enhance the relationship between citizens and their Council. By monitoring how money is spent, Councilors and other Council members, CSOs and citizens can support local government efforts to ensure that public funds...
are spent efficiently and effectively. When actors come together and work toward common goals, the result can be a more effective system of local governance, better service delivery and development outcomes and improved citizen perception of government (NDI, 2010). The idea is that as identified problems or weaknesses are reported, the local government has an opportunity to respond to those weaknesses.

2.0. Who is this manual for?

This manual has been designed to provide simple guidance to local governments in Malawi on how they can effectively track local government budgets at the full council level and on council service committees. The Handbook for Councillors and other Council Members in Malawi (2014) stipulates that: “The Council has an important role in ensuring effective financial management in the councils”. Some of the important activities councilors and other Council members have to undertake in the exercise of this role include:

- Approving Council budgets;
- Ensuring that Councils are able to produce the required financial reports on time;
- Examining relevant Council financial reports and guiding the Council secretariat on resource management;
- Alerting the National Local Government Finance Committee on any suspicions of fraud so that the committee can investigate;
- Ensuring that relevant Acts such as the: Public Financial Management Act (2003); Procurement Act (2003), Auditing Act (2003) and Corrupt Practices Act (1998) and the by-laws of the Local Authority, are being adhered to at all times;
- Ensuring that transfers to the Councils are publicised by the Council through community radio stations and notice boards amongst others; and
- Lobby with central government, cooperating partners and other key development agencies transferring funds to local authorities to publish the figures in the print media and broadcast the same on electronic media.

Tracking local government budgets and expenditures at the secretariat is an important element of the Ward Councilors oversight function in the management of Council finances. This can be undertaken by the Finance Committee of Council, individuals or groups of Councillors serving on different service committees. Ward Councillors will find this tool helpful and easy to use in the performance of their oversight functions.

**Key Point:**

Tracking local government budgets and expenditures at both the secretariat and sector level is an important element of the Ward Councillors oversight function in the management of Council finances.
3.0 The functions and working of a local governments in Malawi

To implement public expenditure tracking effectively it is important for Ward Councilors to know the key functions and services for which Councils have a mandate, how the Council works, and the nature of the accountability system. Local governments in Malawi are key institutions for promoting local development and service delivery for functions that have been decentralized to Councils. The National Decentralization Policy and the Local Government Act (CAP 22:01) provide a full list of functions and services that Councils are mandated to provide. The table below provides an example of these functions and services in three sectors and of the Council Committees that have responsibility over such functions.

Table 1: Examples of decentralized council functions and services from three sectors

<table>
<thead>
<tr>
<th>Sector</th>
<th>Functions and Services</th>
<th>Responsible Service Committee</th>
</tr>
</thead>
<tbody>
<tr>
<td>Education</td>
<td>Primary education</td>
<td>Education Committee</td>
</tr>
<tr>
<td>Health and Medical Services</td>
<td>Health centers, dispensaries, maternity clinics and health posts, control of communicable diseases, health education, environmental sanitation.</td>
<td>Health and Environment</td>
</tr>
<tr>
<td>Agriculture and Irrigation</td>
<td>Crop and Livestock extension services, control of livestock diseases, land husbandry, crop husbandry, food and nutrition, construction and rehabilitation of small dams.</td>
<td>Agriculture and Natural Resources</td>
</tr>
</tbody>
</table>


Please refer to the decentralisation policy for as to how Council’s business is conducted, the Malawi local government system is composed of two sections: a political section known as the Council and an administrative section called the Secretariat. The political is made up of Councilors and other members of the Council such as Members of Parliament, Chief, and five representatives of other interests. The Council has powers and functions delegated to it by the Constitution of the Republic of Malawi to make local policy decisions on local governance and development on behalf of the citizens of the Local Government Area; to consolidate and promote local democratic institutions and participation; to promote infrastructure and economic development to the voters; to mobilize local resources; play oversight roles, and to make by-laws.

The Council operates through service committees. This means that Council business is first considered in a Service Committee and recommendations are provided to the full Council for discussion and approval. Council service committees are very important avenues through which Ward Councilors exercise their duties and influence decisions in particular sectors or areas.

**KEY POINT:**

*Important for councilors to become familiar with the key functions and services of the Council. Remember that Council officers are important actors in public expenditure tracking because they are the custodians of key information such as Council budgets, District Development Plans, District Implementation Plans, and other reports.*
The Council Secretariat is made up of appointed officials and other employees of the Council. It is headed by a District Commissioner (DC) in District Councils or Chief Executive Officer in urban Councils and is responsible for implementation of decisions taken by the Council. The District Commissioners/Chief Executive Officers are supported by senior managers called Directors who lead the individual departments of the Council. The Directors are responsible for advising the Council and respective Service committees on matters of procedure, legislation, policy and for implementing the Councils’ decisions. Council officers are important actors in public expenditure tracking because they are the custodians of key information such as council budgets, funding instructions and reports (including financial reports). Council budgets and other reports are initially drafted by these officers before being submitted to Service Committees and the full Council.

### 3.1 Democratic principles in Malawi’s local government system

The Malawi Constitution (1994) and the Local Government Act (CAP 22:01) require that the exercise of Local Government mandates should be done in a participatory, transparent, and accountable manner. Section 3 of the Local Government Act (CAP 22:01) states that the objectives of Local Government in Malawi shall be to further the constitutional order based on democratic principles, accountability, transparency, and participation of the people in decision-making and development processes. Councilors and other Council members need to understand these three constitutional principles and ensure that they are being adhered to and continually enforced.

**a) Participation** implies the involvement of different social categories of citizens during the process of decision making at different steps of planning, execution and monitoring of Council programs, resources and projects. What is paramount in participation is the issue of inclusion where by women, the youth, people with disabilities and other disadvantaged and vulnerable groups are fully engaged in local governance and development.

**b) Transparency** requires that decisions and actions are taken openly and that sufficient information is available so that other agencies and the general public can assess whether the relevant procedures are followed, in agreement with the given mandate of the Council.

**c) Accountability** simply means the duty to be answerable for actions taken in the exercise of delegated functions, powers, and resources. Narayan (2002) defines accountability as “the ability to call public officials, private employers, or service providers to account, requiring that they be answerable for their policies, actions, and use of funds.”

There are two forms of accountability in any local government system. The first one is horizontal accountability. This type of accountability is the capacity of public officials and authorities to oversee and hold accountable other public entities. In this case, horizontal accountability is the ability of the council’s individual officials to check abuses of power by other officials. In this case the Council Secretariat i.e. The District Commissioner (DC) and all other Council officers are responsible and accountable to the Council for ensuring that the work of the different directorates is co-ordinated, making sure the Local Government Council runs efficiently and that funds are put to proper use. In many circumstances, horizontal accountability hinges on the appointed officials reporting and providing the relevant information to the elected officials. By
tracking budgets throughout their implementation, Councilors and other civil society groups can hold district officials accountable by assessing whether public resources are being spent as they should be. Within the system the Council is also responds to the Central Government, cooperating partners in other governmental agencies through financial and program reports, external audits and performance management systems.

The second type is called vertical accountability. This refers to the accountability of government to the citizens, civil society organizations, media, etc. In this case elected representatives such as Ward Councilors and Members of Parliament are accountable to the citizens who elected them for ensuring that local government delivers services effectively and that public funds received and generated in the Council are put to intended use. In this sense elected officials are expected to provide information on the projects and programs implemented at the district and community level and corresponding budgets to facilitate community monitoring, budget tracking and performance evaluation of service delivery. Regular meetings and mechanisms of communication between elected officials and citizens are fundamental.

There are several ways local government accountability can be promoted:

a) It is essential for the Council to access information, receive and scrutinize budgets and regular expenditure reports and ensure that both issues are undertaken in the best interest of the citizens.

b) Councils can have their accounts audited, obtain qualified opinion and the results are disseminated to the general public.

c) Local governments can facilitate stakeholders like civil society to obtain budget and expenditure information without any hindrance.

d) Councils can make budgetary information accessible and content readable for interested citizens.

e) Councils in partnership with civil society can monitor follow through on the implementation of policy decisions and promote reforms or take actions in cases where abuse is detected.

f) Local government can facilitate information to the public and provide mechanisms for input on services provided. Examples include committee public hearings, forums with citizens to discuss the district budget, participatory budgeting mechanisms, etc.

**Key Point:**

*Public expenditure tracking is one of the approaches of strengthening the capacity of Councilors to facilitate improved horizontal and vertical accountability as well as transparency and value for money in Local Governments.*
4.0 The Value of public expenditure tracking in local governments

Effective horizontal and vertical local government accountability requires that there is need to have a strong group of elected representatives that is well equipped with technical, interpersonal and communication skills. Public expenditure tracking is one of the approaches of strengthening the capacity of Councilors to facilitate improved horizontal and vertical accountability as well as transparency in local government. Public expenditure tracking has the following advantages:

a) It enables Councilors to receive and scrutinize budgets and regular expenditure reports, and ensures that both issues are undertaken in the best interest of the citizens.

b) It can serve as a tool for gathering and providing information to citizens and stakeholders about how public funds are used.

c) It allows different stakeholders in a local government to discuss where money is coming from and where it is being spent.

d) This process provides for more consultation to incorporate different points of view and generate greater dialogue on policies and quality of services provided by local governments.

e) It enables elected representatives and citizens to work together to ensure Council funds are being used for the intended purposes and whether there is value for money.

f) It is a useful tool for detecting abuse of public funds by checking whether the money gets to where it is allocated, and whether it is used for the intended purposes.

g) It promotes trust between the citizens and local government.

h) Catalyzes increased transfers to local governments and equitable distribution of resources.

5.0 Sources of public funds in local government

Local governments depend on locally generated revenues and Central Government grants as the main sources of financing their annual budgets. In selected cases, some donors also provide direct budgetary support to Local Governments. Usually, donor funds are provided outside the budget for implementation of specified projects. Other sources of revenue for financing local government programmes are Local Development Fund and Non-Governmental Organizations. These provide the support outside the budget.

The following is a brief description of the sources of revenues that should be considered when tracking public expenditure for Local Governments:

5.1 Central Government Grants

These comprise of conditional and unconditional grants that the Ministry of Finance through the Accountant General’s Department transfers directly to bank accounts of councils. Funding is done monthly based on an approved budget and cash flows.
The conditional grants are resources that are provided to devolved sectors for implementation of stipulated functions. Currently, there are a total of 15 devolved sectors as follows:

- Agriculture
- Health
- Education
- Environment
- Water
- Forestry
- Fisheries
- Labour
- Trade
- National Registration Bureau
- Youth and Sports
- Gender
- Immigration
- Irrigation
- Housing

In addition to sector grants, other conditional grants that Local Governments receive include the Infrastructure Development Fund, Funds for Rehabilitation of City Roads and the Constituency Development Fund.

Unconditional grants are transferred in form of the General Resource Fund (GRF). This is mainly used as a recurrent expenditure for general administrative needs of Local Governments and other identified priorities.

In addition to these, councils also receive funds for implementation of development projects.
5.2 Locally Generated Revenues

These are revenues that are collected and used by the Local Governments from the following sources: property rates, income from market establishments, fees and service charges, licenses and permits; and commercial undertakings. This is the revenue source that gives Local Governments the independence to discuss and agree on how they will use the resources for the benefit of the Council. It is important for Council member to pay attention to how they can boost local revenue collection in order to effectively finance development initiatives.

5.3 Local Development Fund

Financing that is provided to Local Governments for developmental activities based on stipulated functions. The fund is managed by the Local Development Fund Technical Support Team under the Ministry of Finance.

5.4 Donors and Non-Governmental Organizations

These provide councils with external financial support for implementation of agreed programs and projects.

6.0 Key steps in public expenditure tracking

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**STEP 1:**

Getting familiar with sources of information for public expenditure tracking

Public expenditure tracking is a continuous process that requires access to and knowledge of latest Council budgets, District Development Plan (DDP), Village Action Plans (VAP), monthly or periodic funding instructions, Monthly and quarterly management reports. It is important for the chairperson of the Council to ensure that Councilors have access to these important documents. Council Officers should also ensure that Councilors are provided with these documents and ensure that the information contained is clearly explained.

Section 42 of the Local Government Act provides for the public’s right to Local Governments’ information including financial information. Access to information is one of the key challenges facing many local governments today. The offices of the District Commissioner and responsible Sector Heads are the primary entry points for accessing information. In local governments where this is a big challenge, it is important for Councilors to be proactive in demanding the necessary information through their Council Chairperson or even work in collaboration with other actors such as other government institutions and civil society organizations to access the relevant information. The table below summarizes key documents that are important in budget and public expenditure tracking with which all Councilors should be familiar.
### Table 2: Sources of Information for public expenditure tracking

<table>
<thead>
<tr>
<th>Key Document</th>
<th>Information it contains</th>
<th>Where the document can be sourced</th>
</tr>
</thead>
<tbody>
<tr>
<td>Council Budgets</td>
<td>Estimates of revenues and what the Council and the Sectors spending allocation for the financial year.</td>
<td>DC, Director of Finance (DOF)</td>
</tr>
<tr>
<td>District Development Plan</td>
<td>Key development priorities of the Council and planned programs and projects for a five year period</td>
<td>DC, District Planning Director (DPD)</td>
</tr>
<tr>
<td>Annual Investment Plans</td>
<td>Prioritized projects in the Council to be implemented in a particular financial year</td>
<td>DC/DPD</td>
</tr>
<tr>
<td>District Sector &amp; Village Action Plan</td>
<td>Contains information on sector and key development priorities of an area within a given period</td>
<td>DPD, Heads of Sectors</td>
</tr>
<tr>
<td>Monthly, quarterly and annual financial reports</td>
<td>Detailed financial report produced on a monthly basis by the Council management showing the trends in revenue and expenditures in comparison with the budget</td>
<td>DC, DOF and Finance Committee</td>
</tr>
<tr>
<td>Postings of receipt of funds/funding instructions</td>
<td>Posts of all information on funds received</td>
<td>DC, DOF</td>
</tr>
<tr>
<td>Council Resolutions</td>
<td>Contains information on all key agreements made during Council meetings</td>
<td>DC, DPD</td>
</tr>
</tbody>
</table>

**Key Point:**

If there are difficulties in accessing information, it is important for Councilors to be proactive and even work in collaboration with other actors such as Members of Parliament, other government institutions and Civil Society Organizations to access the relevant information.
**STEP 2:**
*Stakeholder Mapping and Engagement*

Public expenditure tracking is designed to help Ward Councilors, Council staff, other Council members, CSOs and citizens to have a shared understanding of the services for which public money is providing for and to appreciate problems in budget implementation and to ensure policies are responsive. As such, stakeholder engagement should be given priority throughout the process since it represents an element of advocacy and allows for greater understanding of how public funds are used and incorporated in the decision making process. It is recommended to speak with key representatives and interested groups about public expenditure tracking and its advantages. Identify key stakeholders, and hold discussions with other Council members, Council officers, Civil Society Organizations and other citizen groups that are active in the local government area to gain their buy in and support for active participation in the process. Think in terms of three groups of actors in the relevant sectors and how you can promote cooperative working relationships with them:

- **Stakeholders:** All relevant groups or individuals who do have an interest in public expenditure tracking such as ADCs, business leaders, CSO activists, community leaders, Councilors, cultural groups, media, MPs, labor groups, etc.

- **Information holders:** Individuals who hold key information that is important for conducting the PET effectively.

- **Influencers:** Groups/individuals, institutional representatives who can influence decision makers or those who may work against the initiative.

---

**Exercise 1**

In your Council or Sector Service Committee you are serving, identify and list down key individuals among the three groups of actors:

- **Stakeholders,**
- **Information Holders,**
- **Influencers for or against.**

Develop a work plan of how you are going to engage or collaborate with each of the actors in order to create a positive climate for Public Expenditure Tracking in your Council.
STEP 3: Understand the Local Development Priorities of your Council, Sector, and Ward

In Malawi each Local Government Council produces a District Development Plan (DDP) every five years as mandated by the Local Government Act and in the Development Planning System Handbook (2011). The District Development Plan is produced through a Village Action Planning process and it contains a list of key developmental priorities (ranked in order of priority) to be addressed during the period. Each priority area is further developed to include programs and projects that need to be implemented to address the identified issues and an annual investment plan of the projects. Communities, local leaders, NGOs and other development agencies are supposed to use these documents for project identification and implementation.

Box 1: Example of some of the information contained in the District Development Plan

**Key Priority issues:** The District Development Plan for Ntcheu for 2010-2013 shows that after a consultative process the first five prioritized issues that needed attention in the district were as follows: 1) Food insecurity at household level, 2) Limited access to portable water, 3) Inadequate health services, 4) High prevalence rate of HIV/AIDS, 5) High Illiteracy level

**Programs and projects per prioritized issue:** Each issue is then expanded as illustrated with an example of Development Issue 3: Inadequate Health Services. Development Objective: To improve Health Services

<table>
<thead>
<tr>
<th>Project Name</th>
<th>Description</th>
<th>Beneficiaries</th>
<th>Location</th>
<th>Implementation period</th>
<th>Funding</th>
<th>Lead</th>
</tr>
</thead>
<tbody>
<tr>
<td>Construction of health facilities &amp; maternity wings</td>
<td>Health centers and maternity wings in dispensaries</td>
<td>Community</td>
<td>ADCs</td>
<td>2010-2013</td>
<td>33,000,00</td>
<td>DHO</td>
</tr>
<tr>
<td>Equipment &amp; drug supply</td>
<td>Procurement of drugs</td>
<td>Same as above</td>
<td>ADCs</td>
<td>2010-2013</td>
<td></td>
<td>DHO</td>
</tr>
<tr>
<td>Pilferage control project</td>
<td>Reducing Drug Pilferage</td>
<td>Same as above</td>
<td>ADCs</td>
<td>2010-2013</td>
<td></td>
<td>DHO</td>
</tr>
<tr>
<td>Maternal Child Health Programme</td>
<td>Reducing Maternal and Infant mortality rate</td>
<td>Same as above</td>
<td>ADCs</td>
<td>2010-2013</td>
<td></td>
<td>DHO</td>
</tr>
</tbody>
</table>

Source: extracted from Ntcheu District Development Plan (2010-2013).

Alongside the District Development Plan (DDP), there are also Village Action Plans (VAP) and sector specific plans such as the District Education Sector Plan (DESP). Village Action Plans show the key priorities of the local community and they inform the DDP. Sector Plans show the priorities of the sector in relation to the District Development Plan and the project activities that will be undertaken to achieve those priorities. Sector Plans are an elaboration of the DDP.

It is useful for Councilors to become familiar with the district development priorities contained in the DDP and the locally identified development priorities of their ward contained in the VAP. In addition to knowledge of the plans themselves, it is useful for councilors to learn about the
A Guide for Public Expenditure Tracking for Local Governments
Power to the People

process by which these plans are developed and the key actors that drive the process as well as the budgetary calendars. Members of Service Committees should also be familiar with their Sector Specific plans and how they are linked to the budget. By reviewing the Council budget allocations against the priorities in the District Development, Village Action, and Sector Plans, Councilors can be better informed on whether key priorities and projects identified in the plans have been budgeted for or not.

**STEP 4:**
**Understanding Local Government Budgets**

Annual budget cycle

<table>
<thead>
<tr>
<th>Period</th>
<th>Activity</th>
</tr>
</thead>
<tbody>
<tr>
<td>July - October</td>
<td>Preparation of final accounts</td>
</tr>
<tr>
<td>November - December</td>
<td>Audit by National Audit Office</td>
</tr>
<tr>
<td>November - December</td>
<td>Consultation with communities on Annual Investment Plan (AIP) and Local Development Plans (LDP)</td>
</tr>
<tr>
<td>December</td>
<td>Release of indicative ceilings, budget guidelines &amp; framework</td>
</tr>
<tr>
<td>January</td>
<td>Consultation with communities on AIP and approval of AIP</td>
</tr>
<tr>
<td></td>
<td>Development of budgets</td>
</tr>
<tr>
<td>February</td>
<td>Budget consultations, finalizing budgets by local governments</td>
</tr>
<tr>
<td>March</td>
<td>Approval of budgets by assembly</td>
</tr>
<tr>
<td>April - May</td>
<td>Assessment and consolidation of local government budgets by National Local Government Finance Committee (NLGFC)</td>
</tr>
<tr>
<td>June</td>
<td>Presentation of budgets to parliament for voting</td>
</tr>
</tbody>
</table>

**a) What is a Local Government Budget?**

A local government budget is an approved plan of revenue and expenditure for a given period usually 12 months. It shows sources of funds and areas for expenditure by department within the local government.

**b) Types of Local Government Expenditures**

There are two major expenditure categories recurrent and development expenditures which are recorded in the recurrent and development budget.

**c) Recurrent Budget:**

The recurrent budget refers to sources of revenues and expenditures that are used for ordinary day to day Council administration activities such as salaries and other operations related expenditures such as electricity, transport, water, servicing of meetings etc.
d) Development Budget:

The development budget contains the sources of development funds and expenditures of a capital nature. Normally this is supposed to be in line with the priorities and projects identified in the District Development and Sector Development Plans. From the 2015/16 budget some development funding has started flowing to Councils through the budget, although the Development Budget has not been fully devolved to Councils. Most of the development activities are still controlled by the Central Government and others are implemented directly by NGOs and donors in the districts. This explains why for years it has been difficult to implement priorities contained in the District Development Plans. However, it is important for Councilors, in collaboration with other actors to advocate for full devolution of the development budget and for by-laws that will ensure that NGOs, donors and other actors support Councils in the implementation of projects already identified in the District Development and Village Action Plans.

Councils in Malawi have three budget documents that summarize the recurrent and development expenditures as follows: i) Detailed Budgets that contain financial information for recurrent expenditures, ii) Output Based Budgets containing outputs to be achieved within the financial year; and Development and Capital Budget which contains information of development projects to be implemented and capital items to be procured within a given period.

Reading and Understanding an Output Based Budget

Public expenditure tracking starts with knowledge of how much resources have actually been provided for a given sector or department. The Output Based Budget is a useful document for outlining key outputs for each sector. It summarizes the mission, objectives and strategies for each council, achievements of the previous year, medium term priorities, and summary of sectoral allocations and planned outputs for the budget year per sector. In an Output Based Budget, Councilors should pay attention to two key areas: Sectoral revenue allocations and annual and quarterly planned outputs and targets.

**Key Point:**

*Public expenditure tracking starts with knowledge of how much resources have actually been provided for a given sector or department in a given budget year*

Table 3 provides a sample of sectoral revenue allocations for a given budget year in selected sectors to illustrate how the information is summarized in the Output Budget. Notice that through this summary, as a Councillor or Service Committee member you can extract information regarding how much resources have actually been provided in the budget for the Council Secretariat and the Service Committee sector where you are serving as a member.
Table 3: Example of revenue allocations for selected sectors (2012/13)

<table>
<thead>
<tr>
<th>Sector</th>
<th>2011/12 approved</th>
<th>2011/12 revised</th>
<th>2012/13 estimate</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture</td>
<td>19,491,404</td>
<td>19,491,404</td>
<td>19,491,404</td>
<td>0</td>
</tr>
<tr>
<td>Education</td>
<td>86,875,132</td>
<td>169,445,132</td>
<td>216,438,235</td>
<td>149</td>
</tr>
<tr>
<td>Health</td>
<td>457,923,008</td>
<td>428,272,925</td>
<td>415,446,363</td>
<td>-9</td>
</tr>
<tr>
<td>Water</td>
<td>962,056</td>
<td>962,056</td>
<td>962,056</td>
<td>0</td>
</tr>
<tr>
<td>Gender</td>
<td>5,036,678</td>
<td>5,036,678</td>
<td>5,036,678</td>
<td>0</td>
</tr>
</tbody>
</table>

However, to link the allocated resources to key expenditures, Councilors need to have information on planned outputs and targets for each sector or department. The Output Based Budget also provides information on each sector’s sub programs, its outputs and targets.

Table 4 shows how the information is displayed using the example of the agriculture sector.

Table 4: Annual and Quarterly Planned Outputs and Targets for the Agriculture sector

<table>
<thead>
<tr>
<th>Sector</th>
<th>Sub Program</th>
<th>Planned Output</th>
<th>Annual Target</th>
<th>Q1 Target</th>
<th>Q2 Target</th>
<th>Q3 Target</th>
<th>Q4 Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture</td>
<td>Crop Production and Management</td>
<td>Hectares under modern farming practices and inputs</td>
<td>75834</td>
<td>0</td>
<td>17278</td>
<td>47282</td>
<td>11274</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Small scale silos in use</td>
<td>10</td>
<td>0</td>
<td>5</td>
<td>0</td>
<td>5</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Fruit trees planted</td>
<td>260</td>
<td>0</td>
<td>160</td>
<td>100</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Land resource management</td>
<td>Hectares under soil and water conservation measures</td>
<td>13600</td>
<td>5533</td>
<td>3000</td>
<td>0</td>
<td>5067</td>
</tr>
<tr>
<td></td>
<td>Extension services</td>
<td>Farmers reached with extension services</td>
<td>189588</td>
<td>0</td>
<td>43196</td>
<td>118206</td>
<td>28186</td>
</tr>
<tr>
<td></td>
<td>Agribusiness development</td>
<td>Agro based groups linked to formal markets</td>
<td>5</td>
<td>2</td>
<td>1</td>
<td>0</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Farmers trained in agro processing skills</td>
<td>1000</td>
<td>300</td>
<td>300</td>
<td>0</td>
<td>400</td>
</tr>
</tbody>
</table>
Reading and Understanding the Consolidated Detailed Budget Estimates

The Consolidated Detailed Budget Estimates is an important document for expenditure tracking as it is used by accountants for preparing cash flows for disbursing resources. It is also used for expenditure control by comparing what is spent against what was budgeted. This document provides Councilors with detailed revenue and expenditure figures for each of the sector’s sub programmes.

Table 5 illustrates the detailed recurrent revenue amounts allocated for each sub program using the same example of the agriculture sector.

Table 5: Budget allocations to sector sub programs for the Agriculture sector

<table>
<thead>
<tr>
<th>Sub program</th>
<th>ORT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Crop Production and Management</td>
<td>5,763,500</td>
</tr>
<tr>
<td>Land Resources Management</td>
<td>3,600,223</td>
</tr>
<tr>
<td>Extension services</td>
<td>10,500,256</td>
</tr>
<tr>
<td>Agribusiness development</td>
<td>6,756,400</td>
</tr>
</tbody>
</table>

This information is available for all the sectors in the Detailed Consolidated estimates document. Just like exercise 2, Service Committee members can use sample table 5 to extract allocated revenue amounts for each sector sub-program.

Reading and Understanding Consolidated Capital and Development Budget Estimates

This contains information on capital expenditure for procurement of capital items and development projects that will be implemented in a particular financial year.
**Table 6: An extract from the Capital and Development Budget**

<table>
<thead>
<tr>
<th>No</th>
<th>Project title</th>
<th>Location</th>
<th>Sector</th>
<th>Start Date</th>
<th>End Date</th>
<th>Output</th>
<th>Output Monitoring Indicator</th>
<th>Output Target</th>
<th>Approved Budget</th>
<th>Source of Funds</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>CDF-Micro projects</td>
<td>All Constituencies</td>
<td>Various</td>
<td>Jul-15</td>
<td>Jun-16</td>
<td>CDF projects implemented</td>
<td>Number of projects implemented</td>
<td>To be identified</td>
<td>60,000,000.00</td>
<td>CDF</td>
</tr>
<tr>
<td>2</td>
<td>Rehabilitation of sanitary facilities in markets</td>
<td>Boma Offices &amp; Market, Nthalire Market</td>
<td>Headquarters</td>
<td>Jul-15</td>
<td>May-16</td>
<td>Sanitary facilities rehabilitated</td>
<td>Number of sanitary facilities maintained and rehabilitated</td>
<td>Various</td>
<td>7,738,380.00</td>
<td>Locally Generated Revenue</td>
</tr>
<tr>
<td>3</td>
<td>Procurement of Computers</td>
<td>DEMs Office</td>
<td>Education</td>
<td>Sept-15</td>
<td>Oct-16</td>
<td>Computers procured</td>
<td>Number of computers procured</td>
<td>2</td>
<td>1,149,250.00</td>
<td>ORT</td>
</tr>
<tr>
<td>4</td>
<td>Construction of a Guardian Shelter at Makhwira Health Centre</td>
<td>DHOs Office</td>
<td>Health</td>
<td>Aug-15</td>
<td>April-16</td>
<td>Guardian Shelter Constructed</td>
<td>Number of Guardian Shelters Constructed</td>
<td>1</td>
<td>Development Budget</td>
<td></td>
</tr>
</tbody>
</table>
STEP 5:  
Public expenditure tracking methodology

Once information from the Output and Detailed Consolidated and development budget is collected, it is now possible to begin collecting data on actual expenditures against the budgeted amounts on a monthly basis. It is advisable, when starting, to focus on particular departments or specific sectors such as health, education, agriculture and water. Councilors and other stakeholders can agree on which sectors to start with.

Stage 1:

The first stage is to compile data on amounts allocated in the Council budget per department or sector against the actual amounts the Council received from various sources, and the actual amount that was spent by the sector/department per month. Data must be collected at various levels and from various sources to ensure accuracy and reliability (e.g. Community level frontline service delivery facilities and projects), local government level, central government level (NLGFC & LDF) and donors who fund Local Governments directly. This will help Councilors and other Service Committee members to know how much of the budgeted revenues are actually received and actual amounts being spent per sector. Achievement of planned service delivery outputs depends very much on the availability of budgeted resources and application of the available resources to planned activities. Use table 7 to summarize the information collected.

Table 7: Expenditure tracking I  
Comparing budgeted amounts with amounts received and used per sector

<table>
<thead>
<tr>
<th>Sector/Department</th>
<th>Budgeted annual amount</th>
<th>Amount received per month</th>
<th>Amount spent per month</th>
<th>Balances</th>
</tr>
</thead>
<tbody>
<tr>
<td>Health</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Education</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Agriculture</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Water</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*If there are any balances, investigate the reasons for the balances and how the balances are used.*

Stage 2:

The second stage is to examine the purposes for which the funds were spent in line with the planned outputs and targets. Several tables can be constructed for each of the sectors and its sub programs. At this stage it is important to document your key observations of how the money is being used --whether for planned sub programs and outputs or for other activities. A key question to ask here is: if resources are not being used for planned outputs, what are they being used for?
### Table 7a: Expenditure Tracking 2: Comparing amount spent by sector per month with allocations to sub programs- Agriculture Sector

<table>
<thead>
<tr>
<th>Sub Program</th>
<th>Amounts spent per sub-program per month</th>
<th>Activities on which the money was spent</th>
<th>Key observations on use of funds</th>
</tr>
</thead>
<tbody>
<tr>
<td>Crop Production and Management</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Land resource management</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Extension services</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Agribusiness development</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Table 7b: Expenditure Tracking 2: Comparing amount spent by sector per month with allocations to sub programs- Education Sector

<table>
<thead>
<tr>
<th>Sub Program</th>
<th>Amounts spent per sub-program per month</th>
<th>Activities on which the money was spent</th>
<th>Key observations on use of funds</th>
</tr>
</thead>
<tbody>
<tr>
<td>Preprimary education</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Primary Education</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Adult Literacy</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Table 7c: Expenditure Tracking 2: Comparing amount spent by sector per month with allocations to sub programs- Health Sector

<table>
<thead>
<tr>
<th>Sub Program</th>
<th>Amounts spent per sub-program per month</th>
<th>Activities on which the money was used</th>
<th>Key observations on use of funds</th>
</tr>
</thead>
<tbody>
<tr>
<td>HIV and AIDS</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Nutrition services</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Medical Infrastructure, Equipment, Facilities</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Preventive Health Services</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Curative Health Services</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Environmental Health Services</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Stage 3:
The third stage is to track the achievement of planned targets per quarter. As highlighted in table 4, the Output Based Budget will provide information on each sector sub program, planned outputs and targets. After checking spending patterns, it is also important to track achievement or non-achievement of planned targets per quarter. Table 8 below is a sample of how information on tracking targets can be completed.

Table 8: Tracking output targets per sector using the agriculture example

<table>
<thead>
<tr>
<th>Sector</th>
<th>Sub Program</th>
<th>Planned Output</th>
<th>Target for the quarter</th>
<th>Actual achievement for the quarter</th>
<th>Major reasons for achievement or under/over achievement</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture</td>
<td>Crop Production and Management</td>
<td>Hectares under modern farming practices and inputs</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Small scale silos in use</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Fruit trees planted</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Land resource management</td>
<td></td>
<td>Hectares under soil and water conservation measures</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Extension services</td>
<td></td>
<td>Farmers reached with extension services</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Agribusiness development</td>
<td></td>
<td>Agro based groups linked to formal markets</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Farmers trained in agro processing skills</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
STEP 6:
Data Analysis

The data that is collected monthly should be analyzed so that quarterly reports can be generated for sharing with stakeholders. Analysis will help identify strengths, weaknesses or problems in the flow and use of funds in each sector. It will also help to identify correction actions that the Council should take in order to improve service delivery. The analysis should pay attention to the following:

i) The relationship between planned outputs and District or sector Plans

ii) Major source of funds for each sector

iii) Differences between budgeted amounts and actual funds received by the sector on a monthly basis

iv) How well is the money received being spent?
   a. Are there any monthly balances? How are the balances used?
   b. What are the spending patterns per sector? Are the funds being spent on intended/ planned outputs as indicated in the budget
   c. If the funds are not being used for planned outputs, what are they being used for? What are the major factors contributing to the observed spending patterns

v) Are the planned targets being achieved? Why or why not?

vi) What corrective action should be put in place to deal with the observed problems?

STEP 7:
Information Dissemination

The report produced from a public expenditure tracking exercise is an important tool for transparency and accountability. The success of this step depends in part on the councilors’ ability to explain and communicate this information in simple, easy to understand language. It can also be used as a tool for lobbying and advocacy with the central government. It is important for the report to be presented to the key actors identified in activity 1. It should also be discussed in Council quarterly meetings to seek commitments on how the concerned officials will respond to the issues raised in the report. Where possible, action plans should be formulated to address identified problems. The implementation of the commitments and action plans should also be monitored. The report should be used as an important tool to engage citizens in the local government area who have primary interest in the projects and services provided by the local government. The district-wide reports can also be shared with national level actors such as the National Local Government Finance Committee and other agencies with supervisory roles over the Councils.
7.0 Key features of successful PETs

Collaboration

Promoting relationships and working together as a team is essential. As the saying goes, ‘Mutu Umodzi susenza denga’, ‘Kukhala awiri simantha’, it is important for Councilors to know and acknowledge the comparative strengths of other actors so that they can develop collaborative and working relationships with them that will help achieve effective Public Expenditure Tracking. In addition, it is important to foster a good working relationship with appropriate Government Ministries, Departments and Agencies (MDAs) because the outcome of PET trigger some administrative reforms in order to translate the policy recommendations from PET into a reality thereby making PET relevant to the citizens.

Continuous monitoring

Public Expenditure tracking should not be viewed as a “one off” activity. In order to institutionalize positive change in local governments, tracking of expenditures should be a continuous and integral activity of Council Service Committee members.

Resources for further reading

- International Budget Partnership: www.internationalbudget.org: The International Budget Partnership collaborates with civil society around the world to use budget analysis and advocacy as a tool to improve effective governance and reduce poverty.
- National Democratic Institute (NDI) political process monitoring guide: https://www.ndi.org/political-process_monitoring_guide: This guide was developed to primarily explore the work that the Institute and its partner groups have conducted across five types of political-process monitoring, legislative monitoring; budget monitoring, budget advocacy and expenditure tracking; shadow reporting; monitoring government follow-through; and election campaign-related monitoring.
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Power to the People

The National Democratic Institute is a nonprofit, nonpartisan organization working to support and strengthen democratic institutions worldwide through citizen participation, openness and accountability in government.

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