

3

THEME 2:

PROJECT PROGRAMMING FOR MAINSTREAMING POVERTY-ENVIRONMENT



MODULE 4:

POLICY MEASURES AND FINANCING AND BUDGETING PROGRAMS, PROJECTS AND ACTIVITIES



120 minutes



MODULE OVERVIEW:

This module provides an overview of the different concepts pertaining to policy, financing and budgeting. It also brings the participants to the process of costing, budgeting or financing poverty-environment measures identified in the previous modules.



LEARNING OBJECTIVES:

By the end of this module, participants will be able to:

- Begin an understanding of the term “policy measure”, its value and how it is costed;
- Develop an understanding of the budget process in local governments, and
- Apply knowledge and skill in budgeting and financing policy and interventions, programs and projects.



MODULE CONTENTS:

1. Policy document, policy measures
 - steps in developing policy measures
2. Steps in the budget process, and
3. Workshop on budgeting and financing
 - programs,
 - policy measures
 - projects and activities from natural wealth



KEY WORDS AND CONCEPTS:

- ❖ **Policy:** A set of interrelated decisions taken by a political actor or group of actors concerning the selection of goals and the means of achieving them within a specified situation where these decisions should, in principle, be within the power of these actors to achieve (Jenkins, 1978)
- ❖ **Policy making:** It is a long-term, interactive and multi-stakeholder process to develop a framework to implement a certain policy, and to evaluate and modify its implementation on a regular basis.
- ❖ **Policy document:** Any document that maybe constructed around goals or pillars (e.g. sustainable growth, good governance, reduced vulnerability) or be based on priority sector programs. The document can also include cross-cutting issues and present implementation strategies or targets.
- ❖ **Policy measures:** These are specific interventions that support implementation of policy or sectoral or public reforms that address development and environment issues.
- ❖ **Policy instrument:** A tool or mechanism used as a means to accomplish a policy goal. Policy instruments can be categorized as economic, regulatory, expenditure and institutional
- ❖ **Policy life cycle:** Typically involves four stages: recognition, formulation, implementation, and control. Each of the stages carries a certain amount of political weight, which varies over time.
- ❖ **Project budget :** The total sum of money allocated for the particular purpose of the project for a specific period of time. The goal of budget management is to control project costs within the approved budget and deliver the expected project goals.

Budgeting serves as a control mechanism where actual costs can be compared with and measured against the budget. The budget is often a fairly set parameter in the execution of the project. When a schedule begins to slip, cost is proportionally affected. When project costs begin to escalate, the project manager should revisit the Project Plan to determine whether scope, budget, or schedule needs adjusting. To develop the budget, the applicable cost factors associated with project tasks are identified. The development of costs for each task

A number of constraints, financial, political, and organizational, may dictate the methods by which resources such as personnel, equipment, services and materials are acquired. The Project Manager needs to be aware of existing resources acquisition policies, guidelines, and procedures. In addition, the preferences of the beneficiaries and/or the donor representatives may influence acquisition decisions. Information from similar past projects can be used to gain an understanding of budgeting strategies; those that were successful and applicable may be considered for implementation on the current project.

❖ **Budget Control:** Monitoring and controlling the project budget ensures that only the appropriate project changes are included in the budget baseline, that information about authorized changes are communicated and corrective actions are taken by those in charge. The action of budget control is also a process of managing the budget.

Usually the budget office's responsibility is to record, track and monitor the budget from a cost accounting perspective and generates reports for the organization management and the donor as part of compliance requirements such as ensuring the correct accounts are properly used and recorded.

Budget management is the process by which costs or expenses incurred on the project are formally identified, approved and paid. Purchase order forms are completed for each set of related project expenses such as consulting services, equipment and material costs. Depending on the authorization level the purchase order forms are approved by the project manager and recorded by the finance unit for tracking, donor reporting and auditing purposes.



SESSION PLANS:

**SESSION 4.1
UNDERSTANDING BASIC CONCEPTS AND PROCESSES
ON POLICY DEVELOPMENT**



30 Minutes

**Activity 4.1.1
Defining some concepts on policy development**

Use this activity to provide participants with an overview of the terms “policy document” and “policy measures” as used in the context of poverty-environment mainstreaming process.

Method	Process	Time	Materials
<p>Presentation</p> <p>Discussion</p>	<p><u>Before the session:</u></p> <p>a) Tell participants that before assigning budgets to the identified programs, projects and activities, etc. (which is the focus of the present module) there could be policy measures needed to make prominent the sectoral priorities in local government budgets. Examples of policy measures are found in the Tools and Approaches and in the Participants’ Handbook for clarity of the concept. Hence, these are also developed and are given cost and therefore require budget allocation too.</p> <p>b) Inform the group that understanding the concepts of policy and policy measures is important</p> <p><u>Session Proper</u></p> <p>a) Use PowerPoint slides to make the presentation on policy measures and related concepts found in the Tools and Approaches at the end of this module. Familiarise yourself with the presentation and notes in advance of the session.</p> <p>Ensure that the following topics are covered in the discussion:</p> <ul style="list-style-type: none"> • Policy • Policy measures • Policy making • Policy life cycle • Policy instruments • Samples of policy measures, policy instruments <ul style="list-style-type: none"> - Steps in developing policy measures - Some case examples 	<p>30 mins</p>	<p>Flipchart marker LCD projector Laptop</p>

	<p>b) Remind the participants that detailed discussion of the concepts are also found in the Participant’s handbook. Tell them to accomplish the exercise in the handbook for the session.</p> <p>c) Ask participants if they have any questions and feedback or reactions to the presentation.</p>		
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Activity 4.1.2

Sharing Experiences in Policy Development by Participants

This activity will highlight the participants the opportunity to reflect on their experiences in policy development in their own local government unit which have direct or indirect impact on mainstreaming poverty-environment linkage. Some proposed changes can be solicited as regards participants’ involvement in policy making in this activity.

Method	Process	Time	Materials
Individual sharing Discussion	<p>a) Ask participants to reflect on the following questions related to their participation in policy making in the local government:</p> <ul style="list-style-type: none"> • <i>How have you been involved in policy development?</i> • <i>How did you proceed in making a policy in your sector/agency? Who are involved in the process?</i> • <i>What factors contributed to the level of participation of stakeholders (if there’s any)</i> • <i>Can anything be done to improve the system and manner of policy development in local governments?</i> <p>b) Ask participant-volunteers to share their experiences to the other participants.</p> <p>c) Solicit comments, reactions and clarifications from the audience and note the important points raised.</p> <p>d) Summarize the sessions by pointing the following. This is available in the Tools and Approaches as slide for this session.</p> <p>“Developing and costing policy measures should be closely coordinated with budget and financial specialists from the offices of budget office and development planning, from sectoral groups and from other bodies to ensure that the measures are aligned and included at various levels of budgeting at a later stage.”</p> <p>“Non-governmental and development actors with experience in economics and costing should be included in the process. For example, working with</p>	30 mins	Flip chart Marker

	<p>economists from schools and universities or research organizations can be advantageous.</p> <p>“The process of developing and costing policy measures clearly benefits from a participatory approach that can help in forging linkages with policy and budgeting processes, partners and target audiences”.</p> <p>“The benefits of strengthening the capacities of local government in developing and costing policy measures are:</p> <ul style="list-style-type: none"> - Increase knowledge on the types of policy measures that are available and how to select the most appropriate ones - Increase knowledge on costing methodologies and tools while ensuring equal attention to quantifying the likely benefits - Promote experience-sharing and learning with development actors, sectors and other stakeholders 		
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Session 4.2

WORKSHOP on BUDGETING and FINANCING MEASURES, PROGRAMS, PROJECTS , ACTIVITIES and INTERVENTIONS



This activity will provide participants the opportunity to allocate budgets for identified measures, interventions, programs/projects/activities towards mainstreaming the poverty-environment linkage in the planning and budgeting process.

Method	Process	Time	Materials
<p>Small group workshop</p>	<p>a) Ask participants to refer to the agreed upon projects and programs identified in Module 3.</p> <p>b) Give instructions that they have to discuss among themselves the budget allocation for the specific project or programs. It will be helpful to refer to the following tips on budgeting:</p> <ul style="list-style-type: none"> • Identify the project requirements such as labor, materials and equipment, etc. Consider also the staff who will perform specific tasks and how long the tasks will be performed. • Determine the costs of each requirement which will result in the creation of the project budget. A cost estimate, which is the process to approximate the costs that the project will spend to get or use the project resources. <p>There are four basic methods to estimate a budget: analogous, top-down, bottom-up and parametric</p>	<p>120 mins</p>	<p>Flip chart Brown Paper Marker</p> <p>Handout Power point presentation slides</p> <p>Laptop</p>

	<p>estimating.</p> <p>Tell participants to refer to the Tools and Approaches for detailed explanation of these methods.</p> <p>c) Ask the group to do the workshop and begin the task being asked. Allow the group to work for at least 90 minutes.</p> <p>d) After the time allotment, ask the group to finalize their output for submission to the facilitator.</p>		
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Summary Points

- ❖ Policy documents include goals, targets and—usually—implementation strategies to achieve these.
- ❖ Measures should be understood both as specific interventions supporting the implementation of policy documents as well as broader sector or public reforms addressing issues such as access to and ownership of land and citizen participation in the decision-making process. A wide array of policy measures is available to governments, from regulations to market-based instruments.
- ❖ Developing and costing policy measures should be closely coordinated with budget and financial specialists from the offices of budget office and development planning, from sectoral groups and from other bodies to ensure that the measures are aligned and included at various levels of budgeting at a later stage.
- ❖ Non-governmental and development actors with experience in economics and costing should be included in the process. For example, working with economists from schools and universities or research organizations can be advantageous.
- ❖ The process of developing and costing policy measures clearly benefits from a participatory approach that can help in forging linkages with policy and budgeting processes, partners and target audiences.
- ❖ The benefits of strengthening the capacities of local government in developing and costing policy measures are:
 - *Increase knowledge on the types of policy measures that are available and how to select the most appropriate ones*
 - *Increase knowledge on costing methodologies and tools while ensuring equal attention to quantifying the likely benefits*
 - *Promote experience-sharing and learning with development actors, sectors and other stakeholders*



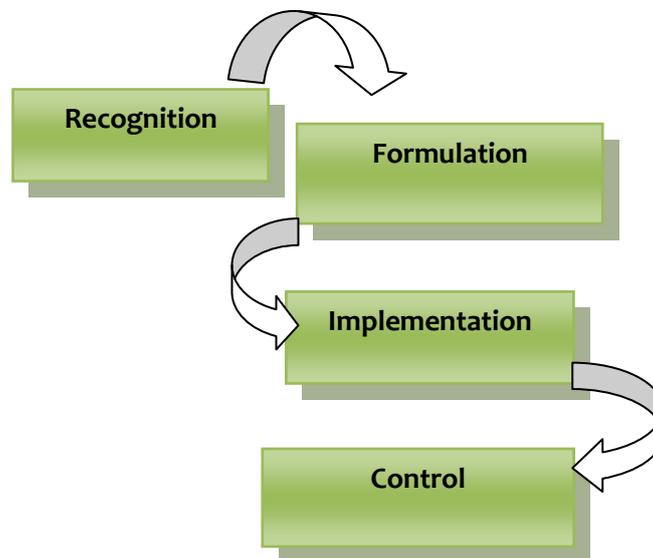
TOOLS and APPROACHES:



Tool 1: Stages in Policy Life Cycle

Policy life cycle

The typical policy life cycle has four stages: recognition, formulation, implementation and control. Each of these stages carries a certain amount of political weight, which varies over time. It should be noted that the following four stage cycle is a simplified view of a highly complex and often contentious political process.



- I. **Recognition:** Early perception of an environmental problem, often coming as a result of scientific research observation, followed by dissemination and popularization of information by the media
- II. **Formulation:** This is a stage of rapidly increasing political weight. The public and the media are now aroused, and debate about different policy options to address the problem occurs in numerous political circles
- III. **Implementation:** At this stage, the policy has been determined, and the focus moves to implementation. Public concern and political weight decline. Over time, greater attention may be given to policy evaluation to assess whether the policy achieves its objectives and solves the environmental problem.
- IV. **Control:** By this stage, years have passed since the early recognition of the problem, the problem has been partially solved and it is under control. Public awareness and support have improved, and the public often forgets that there ever was a problem as new problems are recognized and new cycle begun.



Tool 2: Main Steps in Developing Policy Measures

1. Identify measures (during preparation of the policy document)

- Propose measures based on the goals, targets and implementation strategies identified in the policy document
- Include generic policy measures in the policy document

2. Develop measures (following preparation of the policy document)

- Define more specific attributes of the policy measures
- Identify the objectives of the measures
- Define the scope, time frame and geographical coverage

3. Cost measures

- Cost each measure based on the attributes defined in the previous step; for example, the time frame of the measure enables accounting for factors such as the effects of inflation or possible currency devaluation
- Establish how much is being spent on similar measures to validate the cost estimate
- Set a variance of the estimated cost
- Assess the absorptive capacity of the implementing agency

4. Prioritize measures

- Take into consideration pro-poor implications, benefit-cost ratios and cost-effectiveness
- Consider existing and planned measures or activities of the government and development actors to identify opportunities for collaboration and avoid overlap; make use of donor coordination meetings to facilitate this step

5. Select measures

- Select the interventions that are most appropriate (e.g. policy or public reform or infrastructures) and most likely to succeed
- Bear in mind cost-effectiveness, benefit-cost ratios and pro-poor implications
- Mention these interventions in annexes of the PRSP, MDG strategy or similar policy document
- Describe the specifics of the intervention, as far as they are developed, in sector strategies or plans and other materials such as program documents
- Develop a follow-up plan for the budgeting and implementation process



Tool 3: Policy Instruments Samples

Policy instrument

While a policy can be described as an *interrelated set of decisions and goals*, a policy instrument is a tool or a mechanism used as a means to accomplish a policy goal(s). There are myriad ways to categorize policy instruments. Table 8 presents one such categorization according to economic, regulatory, expenditure and institutional policy instruments.

Policy analysis is meant to help understand why ineffective policy happens. Ineffective policy can be a result of many things, such as relevant actors being ignored, a misunderstanding of the policy context, policy goals not being supported, and/or a misreading of the politics of the issue.

An example categorization of policy instruments (from IISD and TERI 2003)

Instrument Category	Instrument	Description
Economic	Economic instruments – also referred to as market-based instruments or financial incentives – are measures that directly influence the price that a producer or consumer pays for a product, behavior or activity.	
	Tradable Permits	Market Creation Instruments: A system of direct regulations can be used to create a tradable good or service and a market in which it can be traded. Previous to the establishment of the market, the use of this good may have been implicitly appropriated by polluters. Examples include emission permits (i.e., CO ₂); development quotas; (i.e., for tourism construction); water shares (where the resource is indivisible in space, but divisible in use
	Deposit Refund	Revenue Generating Instruments: Examples such as taxes, charges, user fees and deposit-refund schemes require that money be paid to government in return for engaging in some behavior. These economic instruments discourage undesired behaviors by raising their prices. To induce a significant degree of behavioral change, a tax or fee may have to be imposed at a level that raises the price of an undesired behavior above that of an alternative behavior, in order to achieve the correct relative pricing between the two options. The general principle to follow in applying revenue generating instruments is to tax activities or behaviors that are to be discouraged or reduced.
	Performance Bonds	
	Taxes	
	Earmark Taxes and Funds	
	User Fees	
Subsidies	Subsidies: Instruments such as cash subsidies, tax breaks and grants induce behavioral change by making the more desired behavioral option cheaper, thereby increasing its attractiveness to the producer or consumer.	
Tax - breaks		
	Administered Prices	Price control by governments via a regulated market.
Direct Expenditure:	Governments influence producer and consumer behavior by channeling expenditures directly at the behavior they want to encourage. Direct expenditures differ from subsidies in that they are typically broad programs of expenditures targeted at a macro level to foster activities like technological innovation, whereas subsidies reward incremental changes in individuals' behavior.	
	Program/Project Operation	Governments may direct their budget toward programs that work directly on the environment to carry out ecosystem protection and/or restoration.
	Green Procurement	Governments can opt to spend its routine procurement budget on goods and services that support environmental improvement goals.
	Research and Development	Governments can allocate budget expenditures to R&D directed at specific economic, social and environmental

Instrument Category	Instrument	Description
	Moral Suasion	goals. Governments can encourage behavioral changes consistent with ecological goals by funding programs designed to provide information and education to raise awareness. These moral suasion and education programs are based on the premise that people behave in environmentally harmful ways because they lack information and knowledge, and that if they have good information they will do the “right” thing.
Regulatory:	Creating change via legal avenues	
	Legislative Instruments	Acts and regulations passed to carry out legal mandate for change
	Enforcement Activity	The enforcement of legislative instruments.
	Liability	Aims to induce socially responsible behavior by establishing legal liability for certain activities, such as natural resource damage, environmental damage, property damage, and damage to human health, non-compliance with environmental laws and regulations, and non-payment of taxes, fees or charges.
	Competition and Deregulation Policy	Government policy initiatives directed at orienting markets such that “prices are established and investments are made in competitive and freely functioning competitive markets” (NRCAN).
Institutional:	Affect the workings of the government itself in an effort to promote change.	
	Internal Education	Internal efforts to educate technical officers and policy-makers on sustainable development topics (i.e., a national round table on the environment and economy).
	Internal Policies and Procedures	Governmental institutional changes (i.e., Canada’s Commissioner of the Environment and Sustainable Development) or procedural changes (requiring drafting of a sectoral sustainable development strategy).



Tool 4: Policy Measures Samples

Policy Measures

- **Sustainable land and natural resource management:** nationwide land reform; revision of access rights, control and benefit-sharing of water, forests or natural resources; establishment of a governance and legal system for forest management; community-based management; reforestation
- **Sustainable agriculture:** terracing; intercropping; more efficient use of fertilizer; more efficient irrigation and rainwater harvesting; improved storage and transportation

- **Disaster management:** early warning systems; risk management programs; participatory preparedness programs;
- **Climate change adaptation:** strengthening capacities in climate projections; alternative grazing systems; forestation using adequate species; integrated coastal zone management
- **Sustainable energy:** renewable energy generation; energy efficiency measures; sustainable transport alternatives

Environmental policy measures by category:

- **Command and-control regulations** (standards, bans, permits and quotas, zoning, liability, legal redress, flexible regulation)
- **Direct provision by governments** (environmental infrastructure; eco-industrial zones or parks; national parks, protected areas and recreation facilities; ecosystem rehabilitation)
- **Engaging the public and private sectors** (public participation; decentralization; information disclosure; eco-labeling; voluntary agreements; public-private partnerships)
- **Using markets** (removing perverse subsidies; Environmental taxes and charges; User charges; Deposit-refund systems; targeted subsidies; Self-monitoring (such as ISO))
- **Creating markets** (Property rights; Tradable permits and rights; Offset programs; Green procurement; Environmental investment funds; Seed funds and incentives; Payment for ecosystem)



Tool 5: Estimating Budget: Methods

- **Analogous**, this estimate technique uses the actual costs of a previous, similar project as the basis for estimating the costs of the current project. This method is generally less costly than others, takes less time but is less accurate. Analogous estimates are most reliable when a previous project is similar in the objectives and activities to the current one. Additionally the people preparing the estimates must have the required expertise to determine if certain activities will be more or less expensive on the new project.
- **Top-down estimate**, it is a budget estimate used when the total project budget is known and the project needs to know the costs of each individual activity. In this scenario the project determines the number of activities or outputs the project can produce with a given budget. A fixed budget is broken down using the WBS (work breakdown structure) to determine the number or quantity of activities that can be achieved with the budget. The project may decide to reduce or increase certain activities or reduce the number of WBS levels to fit the budget limitations. Top down uses actual budgets from activities in similar past projects.
- **Bottom Up** estimate requires estimating the individual activities and the cost of each input and adding them up to get the project total. A detailed WBS is needed to determine all the activities in the project and determine all required resources such as personnel, equipment

and materials. Staff responsible for an activity or with expertise in a specific area develop the estimates of the lowest level of the WBS and all estimates are added to create estimates for each higher level of the WBS and finally for the entire project. In this technique the estimate starts with a fixed number of activities and the estimate calculates the total budget.

- **Parametric estimates** use standardized parameters that define the costs of an activity or task for a specific rate or output. For example the costs of training one person are a rate that can include people, material and equipment costs that once it is multiplied for the required number of people that need to be trained, gives the total budget for the activity.

For this example the parameter may include the type of location, length of the training. Parametric model is quite popular in construction projects, costs can be estimated based on square meters of construction to arrive at the total cost for a building. The accuracy of this method depends on the data available and whether or not the model can be scalable to different conditions.



PROGRAM OR PROJECT BUDGET REQUIREMENT

NAME OF PROGRAM/PROJECT/ACTIVITY

Fiscal Year: _____

PROGRAM/PROJECT EXPENSES

Item	Amount
Salaries and wages (break down by individual position and indicate full- or part-time.)	
SUBTOTAL.....	PhP
Insurance, benefits and other related taxes	
Consultants and professional fees	
Travel	
Equipment	
Supplies	
Printing and copying	
Telephone and fax	
Postage and delivery	
Rent and utilities	
In-kind expenses	
Depreciation	
Total Expenses.....	PhP