



Entry Points for Civil Society to Influence Budget Processes

International Experiences



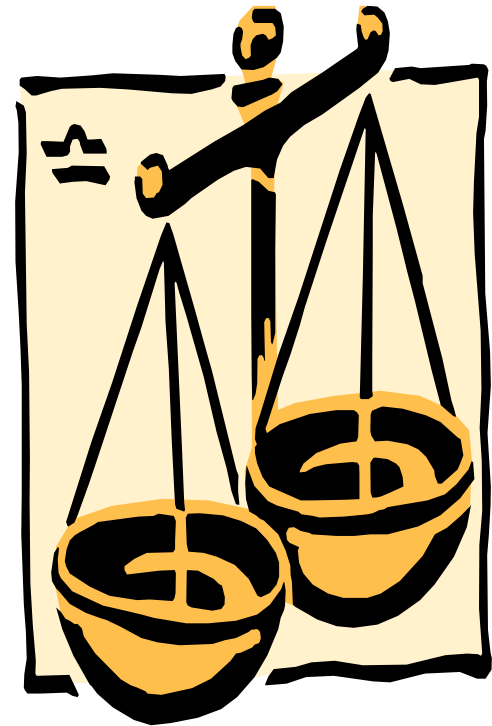
Jeff Thindwa

Participation and Civic Engagement Group,
Social Development Department, The World Bank

What is the Public Budget?

The Budget is the expression, in financial terms, of what Government tries to carry out in a determined period, as a rule, a year.

- Through the budget process, a society decides who to tax and how much, and how to spend these revenues.
- The budget reflects key *policy decisions*, and presents the trade-offs involved in these decisions.
- It provides a key system of accountability and control over the actions of the government in a democracy



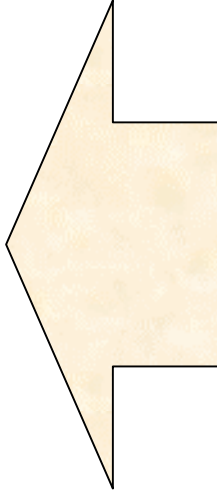
Why is it important for Civil Society to enter the Budget Process?

- To *enhance good government practices* – increase responsiveness, reduce discretion and corruption,
- To *improve effectiveness of service delivery* and making public decision-making on resource allocation more transparent, participatory and pro-poor,
- To *empower civil society -especially poor people-* by demystifying the budget system, and giving them a collective ‘voice’ to influence decisions

Entry Points for Civil Society in the Budget Process

Budget Cycle can be divided into 4 stages:

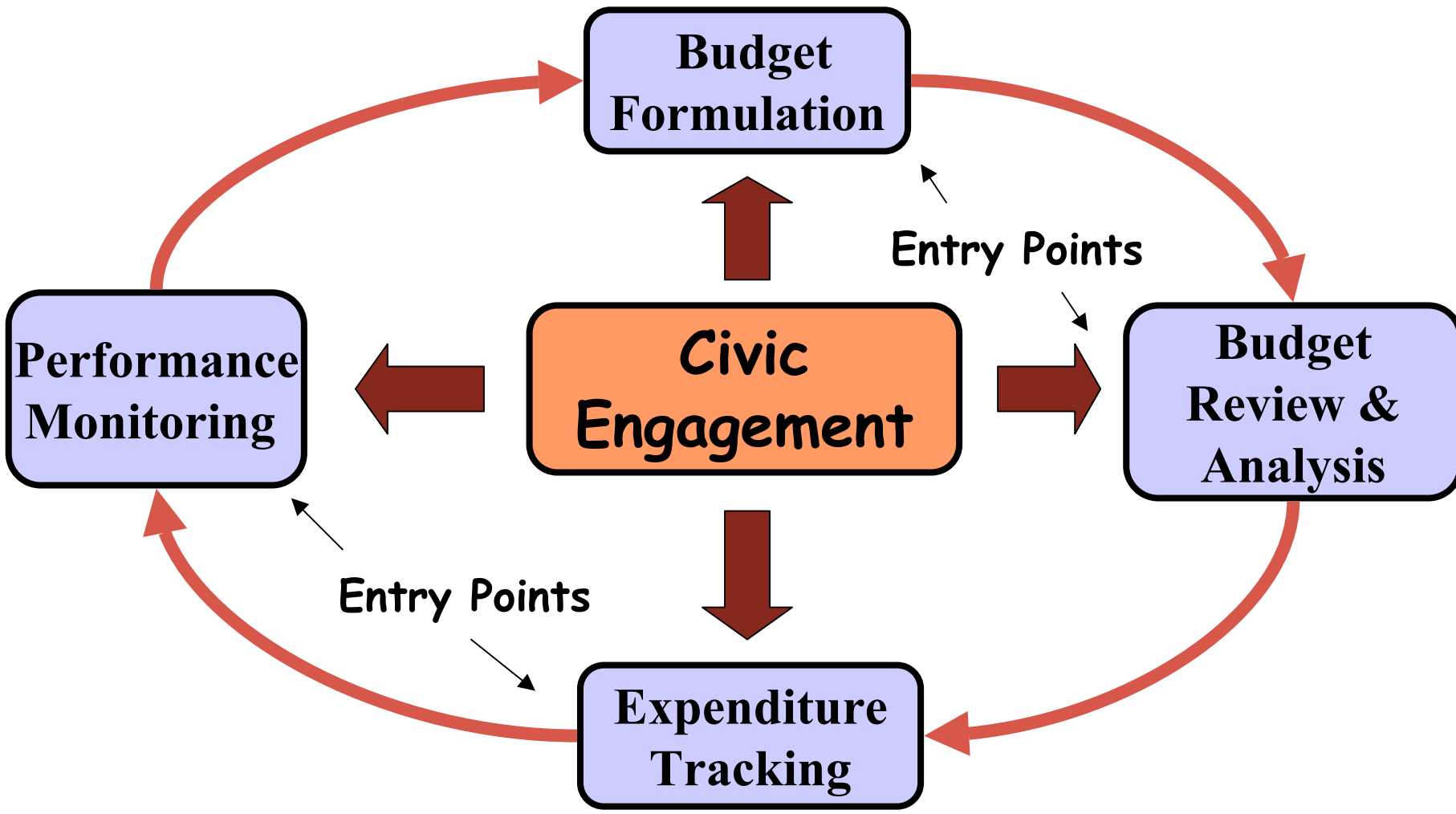
- Budget Formulation
- Budget Review
- Expenditure Tracking
- Performance Monitoring



Each stage usually carried out in a non-participatory manner, thus creating an entry point for civil society involvement

From PEM...

...To 'P'PEM



So What are Participatory Approaches to Public Expenditure Management...

...the range of methods, tools and choices that introduce/involve ordinary citizens and civil society in general into the process of allocation, tracking disbursement, and monitoring use of public resources...

...these mechanisms help ensure greater accountability to citizens for public actions and outcomes...

...and they constitute **demand side** approaches to public public policy reform

Participatory Approaches to Public Expenditure Management Include...

- Participatory budgeting -Stage 1
- Independent Budget Analysis -Stage 2
- Public hearings-(e.g. by parl. committees) -Stage 2
- Public Expenditure Tracking -Stage 3
- Public Audits -Stage 4
- Community/citizen monitoring -Stage 4
- Public disclosure initiatives -All stages
- Right to information movements -All stages
- Referenda -Any stage

Linking to the official stages of the budget...

**Participatory budgeting,
advocacy**

**Budget
formulation**

**Budget Review and
Analysis**

**Debate,
Approval,
Enactment**

Contributes to:

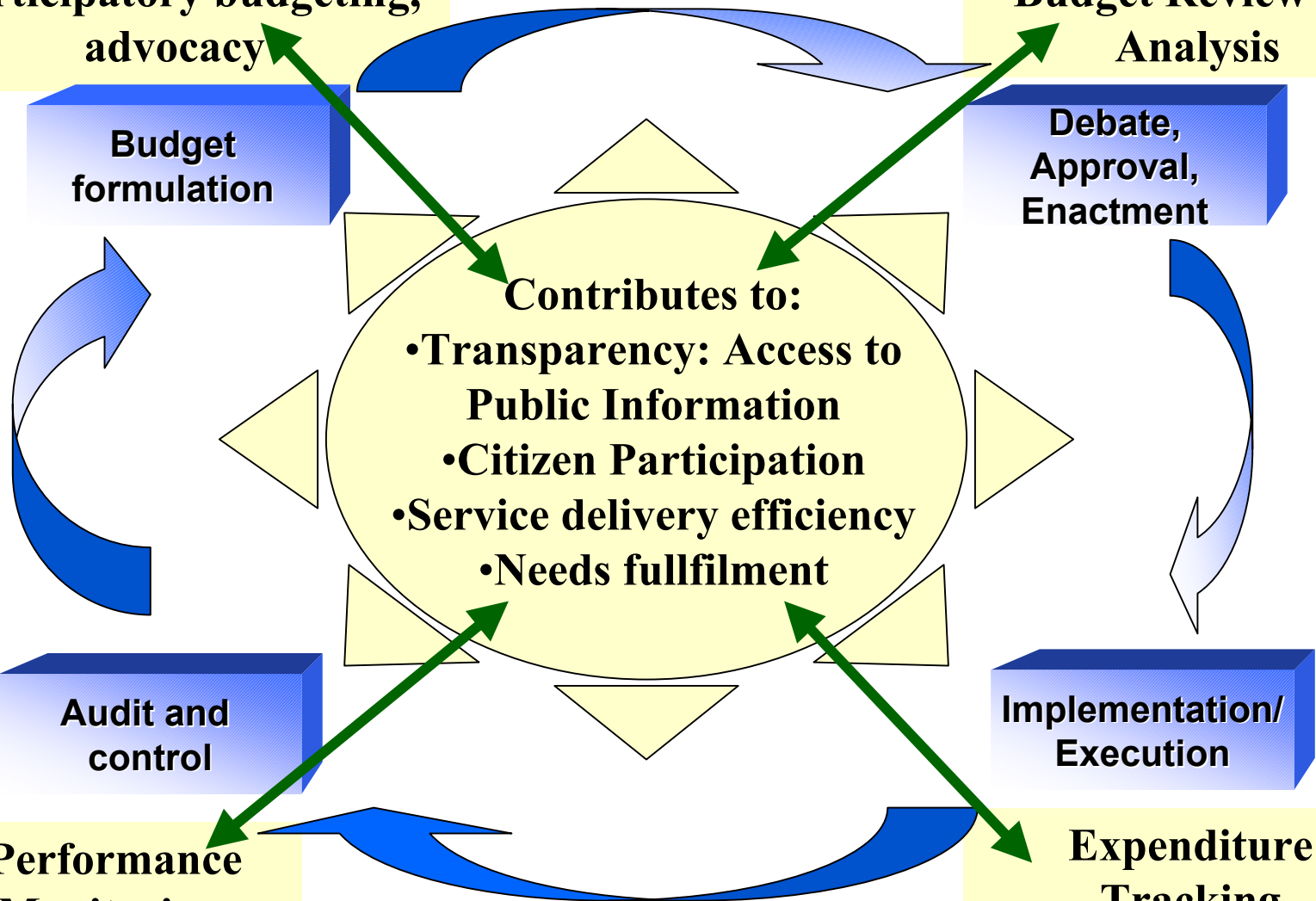
- **Transparency: Access to Public Information**
- **Citizen Participation**
- **Service delivery efficiency**
- **Needs fulfilment**

**Audit and
control**

**Performance
Monitoring**

**Implementation/
Execution**

**Expenditure
Tracking**



Reviewing International Experience...some case examples of PPEM



Some Examples

Participatory Budgeting: *Porto Alegre,*

Brazil *An innovative approach to public budgets where ordinary people are directly involved in prioritizing broad social policies, allocating resources and monitoring public spending*

Porto Alegre:

Process began in Porto Alegre in 1989

1.3 million inhabitants

Largest industrial city in Rio Grande do Sul, 1.3 million inhabitants

Local economy worth over US\$ 7 billion

City with one of the highest living standards and per capita income in Brazil

Genesis:

- Workers Party (PT) agenda of deepening democracy through “popular administration” of government
- Started as creative experiment in 1980s

1. Participatory Budgeting: Porto Alegre (Continued)

Process:

- Mayor's office serves as executive, and Chamber of Deputies as the legislature
- City divided into 16 regions and 5 thematic topics for discussion
- First round of meetings sets community investment priorities and ranks
- Second round elects representatives who finalize Budget

City Wide
Thematic
Priorities

+

**Regional
Priorities**

+

Fixed Expenses
and Costs



Budget
Matrix

1. Participatory Budgeting: Porto Alegre (Continued)

Distribution of Resources to the Regions – "Arithmetic of Equitable Democracy".

❑ **Demands ranked on ascending scale of 1 to 5 by participants**

+

These are aggregated by executive officials, together with points earned through two criteria:

- ❑ **Need: measured by access a region has had to a particular service**
- ❑ **Population size**

=

Maximum points than can be attained = 15 points

- ❑ **5 points: region with less than 20% access to services**
- ❑ **5 points: region with more than 120,000 inhabitants**
- ❑ **5 points: if people rank it "top" on their list of demands**

1. Participatory Budgeting: Porto Alegre Results Accredited

- 1989-1996: number of households with access to water services rose from 80% to 98%
- Number of children enrolled in public schools doubled.
- In poorer neighborhoods, 30 kilometers of roads were paved annually since 1989
- Increased transparency and reduced corruption.
- Tax revenue increased nearly by 50% due to transparency affecting motivation to pay taxes
- Participatory budgeting has helped to balance earnings and expenditure.

Over 80 Brazilian cities are now following the Port Alegre model of participatory budgeting.

1. Participatory Budgeting

(continued)

Critical Success Factors

- Government Support - Knowledge and Skills (Capacity)
- Decentralized Authority and Financial Devolution
- Information on Budgets
- Mutual Trust between government, CS and media

Limitations and Risks

- Government dependent
- Danger of Political Manipulation
- Increased participation = higher costs

Participatory Budgeting- Porto Alegre: End Notes

Objectives:

- To promote public learning and active citizenship
- To achieve social justice through improved policies and resource allocation; and
- To reform the administrative apparatus

Note:

- There is no single model of participatory budgeting
- Models are influenced by political, economic and social context
- NGO roles have been to provide info to citizens
- Other experiments in Buenos Aires and Cape Town

Some Case Examples...

2. Budget Review/Analysis: Gujarat, India

Background:

- State of Gujarat hosts almost a tenth of India's 80 million tribal people.
- Large investment in tribal development projects, but results on the ground questionable.

Tribal Budgets by DISHA:

- Run by *Development Initiatives for Social and Human Action (DISHA)*, local NGO
- Started in 1992 to analyze what was happening to funds allocated to the tribal population of Gujarat
- Attempt to “*democratize the budget*”- demystify technical content

2. Budget Review/Analysis: Gujarat, India (continued)

Process:

- Obtain copy of the budget
- DISHA followed the Auditor General's standard guidelines on budget coding to understand accounting system
- Review and disaggregate departmental allocations for different beneficiaries (tribal population, but could be women)
- Three questions are looked
 - i) does the budget mention specific pro-poor policies,
 - ii) are these matched by adequate funding commitments, and
 - iii) do they relate to the socio-economic reality of poor
- Prepare budget analysis and publish
- Prepare 4-5 page budget briefs and strategy to distribute information for budget discussions in legislature
- Follow-up on reactions to findings

2. Budget Review/Analysis: Gujarat, India (continued)

Results of Process:

- Increased quality of debate on the budget
- Resulted in better allocation and release of funds to priority sectors
- Provided a channel for feedback to the govt.
- Media has publicized results
- Numeric discrepancies and other errors (around 600 in the first year) picked up by MLAs in legislature
- Better flow of information among ministries
- Successful experiment in Gujarat has been replicated in 12 other states of India,
- National Budget now analyzed by People's BIAS (Budget Information and Analysis Service)

2. Budget Review/Analysis: Gujarat, India (continued)

Critical Success Factors

- Research Capacity of NGO
- Transparency of Budget Information
- Effective Communication and Alliances
- Relationship with Parliament

Limitations and Risks

- Government may not respond – some information may not be accessible
- Elite capture or exclusivity if there is no dissemination campaign

Some Case Examples...

3. Participatory Expenditure Tracking: PETS, Uganda

Background:

- Uganda saw rapid growth in 1990s – 7% average
- Increased spending in basic social services – 3-fold rise in primary education spending
- But no increase in enrollment in official statistics
- Clear that increased resources not leading to positive outcomes – case for expenditure tracking

Public Expenditure Tracking Surveys:

- First Undertaken for the Education and Health Sector in 1996
- Aimed to trace the flow of resources from origin to destination and identify leakages and diagnose institutional problems in the public service delivery

Uganda

Findings...

- Only 13 percent of intended capitation grant actually reached schools (1991-95)
- Blockage at district/local government level
- Large schools with wealthier parents and qualified teachers able to obtain more of their budget allocation
- Enrollment dilemma resolved – 60% average increase hidden due to perverse incentives
- By under-reporting enrolment, schools remitted less collected fees to District
- By under-reporting fees received, Districts pocketed capitation grants (per enrollee)
- Average capitation grant in 1991 only 2% of allocation; 26% in 1996
- Parental contributions led to good record keeping at schools

3) Participatory Expenditure Tracking: PETS, Uganda

Follow-up and Impact...

- ❖ Upon release PETS results, Government launched *mass information campaign* by MoF (the press, posters)
- ❖ Reforms made included:
 1. Publishing amounts transferred to the districts in newspapers and radio broadcasts
 2. Requiring schools to maintain public notice boards to post monthly transfer of funds
 3. *Legally provisioning for accountability and information dissemination in the 1997 Local Governance Act*
 4. Requiring districts to deposit all grants directly to school accounts and giving schools authority for procurement
- ❖ By 1999 capitation grants received by schools almost 100%

3. Participatory Expenditure Tracking (continued.)

- **Critical Success Factors**
 - Ability of Intermediary Group
 - Access to Supply side (budget) data
 - Media Campaign -
- **Limitations and Risks**
 - No legal guarantee to punish offenders
 - Inability to get expenditure data
 - Government resistance/backlash

Some Case Examples...

4. Participatory Performance Monitoring: Citizen Report Card, Philippines

Context:

- Citizen Report Cards are service delivery surveys that assess performance of public services based on client feedback
- Focus in Philippines was on the *Lingap Para sa Mahihirap* (“Care for the Poor”) Program
- CRC conducted by Social Weather Station (NGO) and World Bank Country Team

Dissemination Strategy:

- Individual consultations with concerned public agencies
- Interface meetings between citizens and service providers
- Targeted dissemination to the legislature
- Media campaign, regional workshops, user friendly CDs...

4. Participatory Performance Monitoring: Citizen Report Card, Philippines

Influence on Budget Process:

- Department of Budget and Management (DBM) has started program to develop performance-based indicators based on Report Card
- DBM has agreed to contract out the report card to independent CSOs
- An advisory panel comprising CSO representatives, key government oversight agencies, service providers and private sector will be convened to guide the CRC

4) Participatory Performance Monitoring (continued.)

Critical Success Factors

- Technical competence/Ability to facilitate
- Financing
- IEC Strategy

Limitations and Risks

- Need critical mass of mobilization
- Government indifference

Making PPEM Work – Follow-up and Institutionalization:

- Both supply side and demand side follow up needed for success
- For instance:

A) Supply Side:

- More transparent public records
- Right to Information legislation
- Public forums for community feedback
- Performance based incentives and allocation
- Training on financial management / transparency

Follow-up and Institutionalization:

B) Demand Side:

- Informing Election Campaigns
- Community auditing committees
- Training of NGO Staff
- Coalitions between CSOs South-South learning
- Mobilizing domestic resources

Some Key Insights:

- Which entry point depends on context and demand
- Level of Participation varies
- Different components apply to different levels of government
- Information dissemination is critical
- Need complementary supply side initiatives
- Building links with formal accountability mechanisms