

Chapter 1

Introduction

It has been accepted that the quality and nature of governance plays a fundamental role in the achievement of desirable development outcomes. Across Asia, reforms are being made to improve governance by introducing new systems—institutional and technical—intended to increase the transparency and accountability of government. Spurred by concerns for regime survival, threats to territorial integrity, or encouraged by international best practice, governments are undertaking (sometimes radical) changes to governance structures that often reshape the relationship between citizens and the state. Most evident in efforts to decentralize government functions to lower tiers of government, these reforms require governments to reexamine how citizens can influence service delivery and policy decisions.

As the primary management tool of government, the annual budget is a logical place to focus efforts on to improve development outcomes. The budget intersects with all aspects of governance reform—fiscal policy, administrative reform, anti-corruption efforts, service delivery, and social policy, among others. The budget, therefore, provides a tangible focal point for discussions of community priorities and government effectiveness. Applied budgeting efforts have consequently blossomed internationally. Great innovation is being applied to influence budget allocations to respond better to community needs. While these efforts are relatively new and few quantitative evaluations have yet been conducted, preliminary evidence indicates that increased community involvement in the budget process leads to improved service delivery outcomes and increased investment in traditionally underserved communities.³

In many countries, and particularly those in the process of democratizing, asserting citizen influence over budget planning and implementation has focused initially on institutionalizing the role of the legislators (as elected representatives of the public) in the budget process. This takes the form of enactment and monitoring responsibilities of the legislative branch over the budget and also in the role of legislators in influencing the allocation of development funds. While obvious, this issue is raised because, in many cases, this form of oversight is not being implemented or is ineffective. In some cases, problems affecting the executive branch (e.g., political interference, corruption) may so permeate the legislature that the oversight role is left meaningless or poses additional challenges. Conversely, in places where legislators can be supported to play their role effectively, they represent a potentially powerful ally to civil society organizations (CSOs) in the budget process.

Civil society commonly refers to citizens outside of government service, drawn directly from communities, and organized in nongovernment organizations (NGOs), grassroots organizations, and private sector associations. In relation to local governments in particular, civil society can influence planning and implementation of government projects to ensure that policy aligns with the needs of the community. Civil society can also play an important role in monitoring the use of resources for impact, thus, increasing accountability of local governments.

In Asia, CSOs' bottom-up initiatives have been most successful in achieving these goals. Regional efforts to increase public consultation and monitoring of budgets have been spearheaded by NGOs engaged in budget literacy, analysis, and advocacy. Such

programs are advanced furthest in countries with a vibrant civil society and free press. In India, for example, numerous organizations work to analyze state budgets, create budget briefs, and work with local legislators to increase allocations for poor and underserved communities. To cite only one well-known example, the Gujarat-based NGO, Developing Initiatives for Social and Human Action (DISHA), prepares 30 budget briefs annually analyzing state departmental budgets. DISHA is a member of a nationwide network of NGOs that engages in applied budget analysis in 12 Indian states. Working with media and its own network of activists, DISHA has been able to effect a sharp increase in funds dedicated to improve the welfare of tribal populations.⁴ In Indonesia, NGOs—such as, the Indonesian Forum for Budget Transparency (FITRA) and the Bandung Institute for Governance Studies (BIGS)—are engaged in budget analysis and advocacy which, in some cases, has led to the uncovering of significant misuse of funds. BIGS, for example, is participating in a litigation involving 45 members of the Bandung city council for misappropriation of public funds.⁵ In Bangladesh, several NGOs are piloting work with local government officials to hold public budget presentations by the Union’s chairpersons, efforts which have been well-received by both local governments and the public.⁶

Participatory budgeting initiatives—or direct community consultations in allocating development resources—are also being implemented in Asia, but generally in a top-down manner that has been less successful. The technical assistance included two countries—Indonesia and Pakistan—where community consultation in the planning of the development budget is explicitly required in the budget rules. Similar to the well-known effort in Porto Alegre, Brazil, these programs are intended to mobilize citizens to identify and propose their own projects for inclusion in the local budget. In both countries, these were top-down initiatives that had faced significant challenges in implementation due, in large part, to political resistance and budgetary constraints in the lower tiers of government. In Pakistan, 25% of development funds must be set aside for projects proposed by citizen community boards (CCBs). Despite the registration of over 25,000 CCBs across Pakistan, these set-aside funds are uniformly underdisbursed. In Indonesia, the budget planning process calls for an elaborate set of public consultation meetings, starting at the village level

and moving up to the district level, to solicit local needs. However, no budget allocation is given for proposed projects during this consultation process. The result is that few, if any, of these locally-generated requests are ultimately funded.

Given the growing interest in budget work on the part of both governments and civil society, the Asian Development Bank (ADB) supported a regional technical assistance in a diverse set of countries—Indonesia, Marshall Islands, and Pakistan—to pilot consultative budget planning. The technical assistance was conducted from October 2005 to June 2006 with the broad objective of “enhancing civil society’s awareness of resource allocation and the budgeting process and their actual involvement in the budget decision-making process. Through civic, informed, and constructive engagement, public service delivery will be more responsive to the poor.” It was designed to focus on direct involvement of citizens in the budget process (i.e., formulation and review) rather than monitoring with the intention that citizens would improve their understanding of allocation possibilities and revenue options.

This publication is intended for development practitioners, local governments, and CSOs interested in how applied budgeting initiatives have been implemented in the region. General discussion of international best practice and preconditions for successful application of applied budgeting are not covered here as a wealth of information already exists on these subjects.⁷ This publication instead provides case studies of the pilot projects in the three countries and shares lessons learned from them for other organizations and stakeholders seeking to increase participation and transparency in budgeting. The Indonesian case study is presented in Chapter Three, the Marshall Islands case study in Chapter Four, and the Pakistan case study in Chapter Five. Each of the case studies provides a contextual background for readers new to the country, an overview of how activities unrolled in that country, and country-specific recommendations and action plans. While the pilot countries were disparate in terms of size, governance systems, and political/cultural background, there are significant overlaps in findings and recommendations arising from the technical assistance experience. This suggests that such initiatives could usefully be replicated in other parts of Asia. Lessons learned and recommendations for replication outside of the pilot countries are presented in Chapter Six.