

Chapter 2

Methodology and Design Considerations

In designing the activities, the project team carefully considered how to best initiate meaningful pilot activities within the time and resource constraints of the project. In particular, because the project's timeframe was only 8 months—less than a full budget cycle—results were framed in terms of increased capacity and sustainable mechanisms for engagement rather than any changes in budget allocations. Comparability between countries was further complicated by differences in scale. Nonetheless, the project was able to apply similar approaches and activities in all three countries. Perhaps even more surprisingly, findings and recommendations are similar for the three countries as well. This indicates that the type of activities discussed in this study offer an excellent chance of being replicated even in very different contexts across the region.

Two sites were selected for project implementation in each country, although the focus of the pilot project in the Marshall Islands was on the national budget. In proposing a final list of sites, the team used a set of criteria including: (i) willingness of the local government to share budget documents and participate in public hearings; (ii) presence of civil society stakeholders with a capacity and/or interest in budget literacy and constructive advocacy toward government; and (iii) presence of other donor programs that could support the continuation of these efforts past the timeframe of the technical assistance to encourage sustainability. In addition, an effort was made to select sites in Indonesia and Pakistan that showed sufficient commonalities to

allow a comparative analysis. Toward this end, it was decided that in both countries one site should be selected in which the local government was receiving donor assistance on the supply-side of improved budget formulation and one site without such support. In all three countries, civil society partners had not yet received concentrated training in budget analysis and advocacy issues.

In considering the budgeting strategy to be followed in the technical assistance, four possible approaches were considered:

- Systems analysis—advocacy/recommendations for improvement to the budget formulation and implementation process. It was decided that this should not be the primary focus of the pilot project as any recommendations would require administrative or even legislative reforms that could not realistically be affected in the period of this technical assistance.
- Participatory budgeting—in which a portion of the budget is allocated through a consultative process involving the public. While such systems existed in Indonesia and Pakistan, they did not exist in the Marshall Islands. Concentrating on this process, therefore, would limit the comparability between countries. In addition, it was felt that participatory budgeting requires high levels of transparency and government commitment,⁸ conditions which do not exist in all the pilot sites.

- Analysis and consultation in the drafting of the annual budget—in which the proposed or enacted annual budget can be debated upon and analyzed for its impact on various sectors (e.g., health, education, and environment), impact on particular populations (e.g., women, indigenous, and low-income), or congruence between policy priorities and budget allocations. Budget implementation can also be monitored in terms of whether disbursements meet targets, whether funds are being spent transparently, and whether projects meet quality standards. This was the methodology selected.
- Gender budgeting—a subset of annual budget analysis, in which budget analysis focuses on whether public funds are being equitably distributed to both men and women. Stakeholders in all three countries had more exposure to this kind of applied budgeting through various donor programs than any of the other approaches considered. However, given the intended innovative nature of the technical assistance, and the broader focus on civic engagement in the budget process, this approach was considered too narrow.

It was decided that increasing participation in the finalization of the annual budget had the most immediate relevance to stakeholders. Activities, therefore, sought to assist CSOs and local governments to engage in dialogue during consideration of the draft budget for the upcoming fiscal year.

Public consultations already taking place in the pilot countries focus on two parts of the budget preparation cycle. In Indonesia and Pakistan, there are requirements to solicit the public's views for development projects to be included in the annual budget. As discussed above, these processes do not work effectively and were not selected as the focus of the pilot project because of entrenched political and system challenges unlikely to be addressed during the lifetime of the project. The other existing consultation is at the end of the budget preparation process: in the Marshall Islands and, to a lesser extent, Indonesia, parliament holds public hearings during the enactment of the budget. However, this was

Box 1: What part of the budget cycle to focus on?

The technical assistance was designed to focus on the budget planning phase. However, work to monitor the implementation of the budget—for example, by examining procurement processes or evaluating the quality of public works—have also been successfully implemented in Asia and in other parts of the world. For example, in Uganda, efforts to monitor expenditures to schools resulted in marked improvements in service delivery. “Score cards” implemented in Bangalore, India, and the Philippines have also been useful in tracking whether budget allocations are resulting in improved services.

Donors and NGOs should consider both types of programming as they seek to improve services for the poor. Particularly in contexts suffering from high levels of corruption, monitoring may be even more important than the planning phases of the budget.

deemed to be so late in the process as to be ineffective at incorporating public comments.

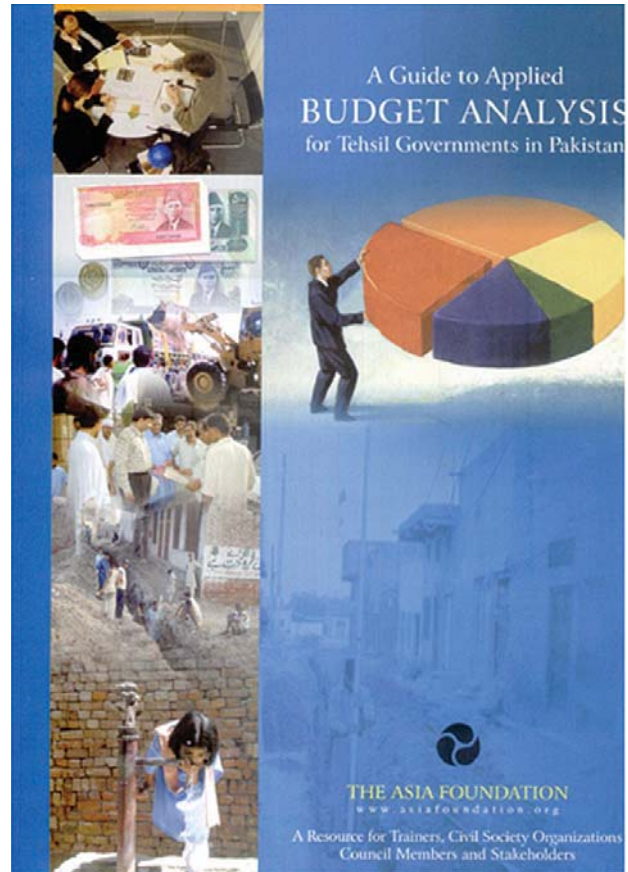
Because of these perceived weaknesses in the current consultation processes, the project instead chose to foster discussion of the draft budget document after it is compiled by the Budget Committee, but prior to its submission to parliament. This was deemed more relevant as the draft budget includes those projects which line departments in the executive branch have already proposed, but is early enough in the process to allow revisions.

The project team approached the activities with a number of design elements that were intentionally different from some of the applied budget work already being implemented in the region. First, the concentration was on opening up the budget process to citizens with the objective of increasing transparency and efficacy in budget revenue/expenditures as opposed to changing allocations or generating new demand for services. To this end, materials and discussions emphasized the fiscal constraints facing government (including equal

discussion of the revenue and expenditure sides of the budget) and the need to choose between line items as opposed to solely seeking additional services. This reflects the very real fiscal constraints that the local governments in all three countries face, as well as the need to balance revenue for service delivery with a fiscal policy conducive for private sector growth.

Second, the interests of a majority of stakeholders in better outcomes was acknowledged and solicited, as opposed to focusing solely on a particular disenfranchised group. Toward this end, constituencies such as the private sector, media outlets, and grassroots organizations (e.g., school boards, religious organizations) were included in the activities in addition to established NGOs. These design elements were intended to help inform participants from all sides of the discussion, with the expectation that a better understanding of the resources available, the institutional constraints that bind public sector actors, and the competing priorities from many segments of society will lead to a better governance process that will ultimately benefit local communities, including the poor.

The type and sequence of activities were the same across the three countries. Work began with the development of training materials on budget literacy and practical budget work. This was followed by capacity development workshops to transfer the skills needed for various stakeholders to engage in budget discussions. While the initial intention of the project was to train CSOs, it became evident during the inception visits that local legislators would also welcome capacity building in this area. They were, therefore, offered separate trainings that focused on their oversight and/or enactment role. The third activity was the conduct of local budget forums in which the executive branch presented the annual budget in a public hearing. The project concluded with national conferences in each country where stakeholders were invited to present action plans on how to institutionalize budget consultations in the future. Sustainability of the pilot projects has been supported by facilitating meetings between stakeholders and donors active in this field to discuss



The Asia Foundation Pakistan's publication, 2006.

future programming opportunities. To further support sustainability and replication, a national NGO was selected in each country to co-facilitate activities, thus, gaining capacity in this area.

A number of actions have been taken to disseminate the knowledge gained during this technical assistance and support future efforts by others. The budget manuals created for each country have been translated into local language and are being distributed widely to CSOs in both hard and electronic copies to foster their budget literacy efforts. The manuals are also being made available online at various websites, including the International Budget Project.⁹ In each country, these manuals are the first of their kind. In addition, this publication is being disseminated in English and summary versions are being prepared in local languages for distribution to government, donors, and CSOs.