

Chapter 6

Conclusion and Recommendations

6.1 GENERAL LESSONS LEARNED

In sponsoring a pilot project, ADB explicitly sought to examine what factors support or detract the institutionalization of consultative budget processes. The range of countries involved in this project has provided contrasting contexts from which to draw these lessons. Factors that strongly influence whether or not budget participation is likely to succeed can be considered in three areas: institutional, technical, and political/cultural. The issues highlighted below were found in all three countries to varying degrees and thus may be useful in a broad range of Asian contexts.

Institutional Considerations

As democratizing countries create and empower local legislatures, there is necessarily a period of transition in which government officials and bureaucrats must accustom themselves to new sources of oversight. This period can be marked by high levels of conflict between executive and legislative branches of government over resources and authority. Such conflict is exacerbated by a generally weak capacity of newly institutionalized legislatures correlating with poor functioning of their role in budget monitoring and oversight mechanisms. While tensions between executive and legislative branches exist in all democracies, new democracies may be particularly prone to this problem.

Legal mechanisms for public consultation and/or oversight of the budget under decentralization

programs generally focus on the role of legislators as representatives of the public. Indeed, many of the legislators and government officials interviewed during this project felt that direct public consultation was redundant with the function of local legislators as representatives of the people. The focus on consultation processes internal to government (for example, hearings between the executive and legislative, public hearings held by the local government) means that resistance by government stakeholders can easily result in a failure to implement these provisions. In this climate, CSOs and constituents should express the value of direct participation of citizens and proactively build bridges to legislators. Governments seeking to increase public participation may also wish to consider mechanisms that rely on proactive citizens to involve themselves in the budget process, for example, Freedom of Information legislation, which may be more useful in guaranteeing budget consultation/oversight.

Perhaps due to the urgency of delivering services and ensuring that budgets are passed on time, consultative activity during the budget cycle almost exclusively focuses on budget preparation and enactment. Mechanisms to monitor the use of funds or evaluate the impact of programs are weak or absent. This can take the form of legislative monitoring committees failing to meet or be trained as in Pakistan, or failure of the executive to prepare and submit budget revisions during the fiscal year as in the Marshall Islands. In countries with weak accountability and high levels of corruption, where actual budget expenditures are at risk of being spent

on non-budgeted items, budget monitoring is at least as useful an area for public involvement as budget planning.

Technical Considerations

Decentralization efforts in Indonesia and Pakistan have attracted significant donor support in the form of both financial and technical assistance. The bulk of this support has been directed to aiding civil servants to learn and implement the new rules and structure. Far less support has been provided to local legislators. As a consequence, legislators are not fully aware of their responsibilities to enact and monitor the annual budget. Nor are they aware of provisions in the law regarding public consultation. The failure of the budget schedule and budget rules to be implemented in two of the pilot countries, while partly an institutional problem, as highlighted above, is also clearly related to limited capacity of bureaucrats to understand and implement budget rules, and parliaments/councils to engage meaningfully in their oversight roles.

The clarity of budget formats significantly impacts whether civil society can evaluate and monitor expenditures. This is particularly important in relation to the current (administrative) expenditure portion of the budget, which receives almost no review by the public or the legislative, but is likely to include large amounts of funds subject to inappropriate use, particularly in countries with embedded corruption. Efforts to introduce performance-based budgeting are useful in allowing the public to examine costs in detail and to connect expenditures to expected outcomes. However, governments often face significant human resource constraints in implementing this kind of accounting. Donors should be careful in advocating the adoption of performance-based budgeting simultaneous with more participatory forms of budgeting as the two reforms may overwhelm local bureaucrats trying to adjust to the new systems.

For most citizens, undertaking financial analysis is off-putting and time-consuming. For civil society actors to engage in analytical work, sustained external technical assistance to create capacity to analyze budgets and financial support to engage in advocacy are prerequisites for successful institutionalization. Donors should anticipate significant long-term

Box 7: Transparency Supports Budgeting System Reforms

Trainings and media coverage during the pilot project brought attention to the failure by some government bodies to follow the budget rules. This has resulted in renewed commitment by the Marshalllese Senate PAC to begin meeting again after a lapse of 6 years. The PAC monitors expenditure by the executive and is, thus, vital to holding line departments accountable for budget implementation.

In Pakistan, tehsil councils were unaware of provisions that allowed for public consultation over the draft budget and tax proposals prior to the technical assistance. They are now energized to enforce these provisions. The Nazims of both local governments have agreed to work with the councils to implement these parts of the budget rules for the first time.

In Indonesia, public consultations on the budget that were found to be attended by very small, select groups of citizens will now be opened to more general audiences so that the spirit of the law is being implemented. Thus, supporting enhanced participation can enhance, rather than compete, with more technical support for budget reforms.

engagement with local counterparts to replicate applied budgeting approaches.

Finally, during budget forums, general discussions of the budget were considered to be less effective than presentations of the budget by sector. This allowed for more in-depth discussions of line items as well as the link between quality and output in relation to resource inputs. This was seen most clearly in Indonesia where the Makassar meeting, held in plenary, resulted in a more general discussion of the budget than in Kebumen where breakout sessions led by the heads of the departments, resulted in more concrete discussions of outputs and needs.

Political and Cultural Considerations

As in most democracies, legislators view securing development projects/funds for their constituents as

an important part of their ability to be reelected. Given the scarce resources for development funds at the local level, this often results in an informal system of apportionment whereby each local legislator is “entitled” to a certain amount of the development budget for their district. This can have the negative result of development expenditures that are ad hoc and not strategic.

In some cases, there have been movements toward more equitable distribution of funds: for example, requiring that some funds be spent in all subdistricts of the local government, or trying to provide additional funds to low-income parts of the municipality/district. The creation of annual or mid-term development plans, particularly if based on needs assessments in the community, would facilitate more efficient use of development funds, but require achieving political consensus.

Related to the apportionment of development funds among legislators, attempts to ensure political representation by women through instruments such as quotas have resulted in their relative marginalization in their own parties and legislatures. One consequence of this is that many have unequal access to budget information, seats on committees that deal with budget review, and development funds for their constituencies. On a positive note, many women being elected to these positions, exactly because they are marginalized, appear to be more willing to make

budget documents available to the public and have a vested interest in gaining access to budget information themselves to find out how much funds other legislators are receiving.

On the part of the executive, the attitude of some officials who remain resistant to the idea of sharing budgets as public information, particularly before enactment, can obstruct applied budgeting. This derives from traditional notions of what constitutes state’s secrets; a concern that budget officials will be reprimanded by those higher up in the bureaucracy or by politicians who do not want this information shared; a sense that “working documents” (i.e., a budget that will change and is not yet finalized) are not fit for public consumption or a failure to maintain the budget schedule (often due to behind-the-scenes political deal making in addition to the technical constraints discussed above) resulting in budget documents not being compiled in any comprehensible format until enactment is urgent to maintain expenditures. Leadership by the head of the government is important in signaling to bureaucrats responsible for preparing the budget that increased transparency will be rewarded rather than punished.

Ironically, as external budget monitoring becomes more effective at uncovering misallocations/abuses, this may have the effect of reducing the willingness of local governments (both legislative and executive branches) to cooperate. For instance, some local governments in Indonesia that were visited during the inception visit cited recent legal actions taken against corrupt local parliaments as the reason they were hesitant to participate in the pilot project. Thus, the success of applied budgeting initiatives in increasing transparency may actually hinder replication.

It should also not be assumed that civil society actors necessarily understand why they should be involved in the budget process or that they will feel comfortable engaging in such consultation. Factors leading to this include a sense that putting together the budget is the job of government and can safely be entrusted to them; cultural unease in some communities at questioning authority or disagreeing in public (particularly with people in positions of power), or a feeling of hopelessness that advocacy can lead to tangible reforms.

Box 8: Addressing Gender Concerns

In Pakistan, 33% of local council seats are reserved for women. However, once elected, women are often treated differently due to their perceived lack of political base. Activities under the technical assistance highlighted that women councilors were not receiving equal access to development funds as their male counterparts.

The Jehlum local government agreed to address this inequity by giving women and men councilors equal access to development funds as a result of discussion at the budget forum. While this may be a stipulated requirement under the laws of the land, dialogue and exchange help clarify such issues and bring them into the public domain with possibilities of replication.

As discussed in Chapter Two, challenges to implementing participatory budgeting initiatives, in which the public actually decides on the use of development funds, are particularly steep. In both Indonesia and Pakistan, decentralization laws have provisions for bottom-up planning processes related to the formation of the annual development budget. In both cases, these have not been very effective primarily due to political resistance, but are also due to fiscal constraints and the logistical difficulties of aggregating high levels of demand.

Given the difficulties of increasing revenues, addressing limited development funds in the budget will necessarily require frank discussion of how current expenditures are set. Historical and economic legacies in many Asian countries have resulted in proportionally large public sector employment. The result is that the vast bulk of budgets are spent on salaries, reducing the availability of funds for service provision. As public consultation efforts proceed, a debate over efficient use of funds is sorely needed, but can only occur if current expenditures are clearly decipherable. Rationalizing the size of the civil service is a politically difficult challenge facing many governments. Better understanding of the impact on the size of the civil service on local development budgets may assist in making civil sector reforms more palatable.

6.2 LESSONS FOR REPLICATION OUTSIDE THE PILOT COUNTRIES

Although the short duration of the project means that conclusions must be considered provisional, the fact that common experiences were seen in such different contexts leads us to make some recommendations as to how such initiatives can be pursued in other municipalities/countries. As a general guideline, it is suggested that governments, donors, and CSOs wishing to replicate these activities consider the following:

1. Clear regulatory frameworks help support participatory budgeting

Efforts are most likely to meet success in countries/locations that have some legal/regulatory framework supportive of public involvement in governance

processes and where the head of government is willing to show leadership on this issue. Governments that do not yet have laws or regulations allowing for public consultation and monitoring of budgets should consider enacting such legislation. Governments that have already created such a framework should be encouraged to ensure that other parts of the Budget Rules are consistent with public participation and may wish to consider issuing guidelines to local governments highlighting best practice in implementing public consultation.

2. External assistance can contribute to local reform efforts

The reforms required to facilitate successful applied budgeting efforts often need external assistance. This can be both in facilitating dialogue between branches of government and civil society or, more technical in nature, focusing on the actual budget preparation and analysis itself. Technical assistance to local governments should be offered to ensure that budgets are being produced in a clear format and that the Budget rules and calendar are being followed. Technical assistance should be extended to local parliamentarians at the same time to the executive so that they better understand their role in the budget process. CSOs require technical assistance to learn how to analyze budgets and grant assistance to allow them to focus staff time and resources on preparing budget briefs, trainings, and advocacy activities.

3. Civil society must start with simple and effective methods

CSOs should initially concentrate on budget literacy efforts so that their constituents can usefully engage in budget dialogue. Budget literacy materials should assume no prior knowledge of budgets, accounting concepts, or government functions and should be in local language. Repeated trainings over a sustained period of time are needed to absorb the information.

4. Access to information is vital

Programs are recommended to focus first on access to information as the initial and prerequisite step to greater public involvement in budget planning and

oversight. Local governments should be supported to disseminate budget information broadly including mass media such as radio, newspaper, television, and the internet.

Forums to engage public feedback are a useful next step and can be sponsored by either the executive or legislative. However, it is important that such forums should happen early enough in the annual budget cycle to allow for revisions of the budget. In addition, to be legitimate, such forums must be as inclusive as possible.

6.3 CONCLUSION

Politics matters

The experiences of the three countries in this pilot project highlight that the challenges to opening budget processes to public oversight are primarily political, not technical. In general, the willingness of the head of government to enable and consider public input into the budget process sets the tone for how successful activities will be. Resistance at the lower levels of the bureaucracy will only give way in the face of an overarching environment supportive of these efforts. Reform-minded individuals should be supported with technical assistance for their staff and should be engaged in disseminating their activities to other local governments. The active participation of heads of government in this pilot project demonstrates that there are counterparts who are eager to institute more consultative practices. Donors are encouraged to focus programming on these sites to develop viable models for consultation that can be used to persuade other local governments of the benefits of opening the budget process to the public.

Because government documents are still commonly treated as state secrets in many developing countries, a legal framework supporting enhanced transparency is very useful in clarifying for bureaucrats what information can be shared with the public. The presence of a supportive legal framework that can be referred to in requesting access to budget information greatly facilitates the likelihood that this work will be successful. While the existence of legal provisions does not mean that they will be implemented in the absence of demand, it is difficult

for officials to directly refuse to implement these provisions once discrepancies between law and practice become the subject of public debate. The case of the RMI demonstrates that while reforms can be made in an environment without legal provisions for public participation in budgeting, this was dependent upon the personal commitment of high level officials. This makes such reforms vulnerable to personnel changes.

Reform ownership

Where governments are pursuing reforms to allow the community to have direct input into decision making over development funds, the political and fiscal challenges of implementing such measures must be fully recognized. To overcome these challenges, fiscal transfers should take into account the overall levels of funding absorbed by current expenditures. Where development funds are too small to provide significant support for community projects, the solicitation of ideas from the community may just lead to frustration as projects go largely unfunded. Where development funds are sufficient but are being underspent for whatever reasons, central governments may consider providing incentives to local governments, for example, by making disbursements of block grants contingent on the progress of the development fund pipeline. Donors should be aware that reforms along these lines require significant political buy-in at all levels and should, therefore, consider working on budget transparency and public consultation first before attempting such ambitious programs.

Understanding the local context is important

The interests of various government officials are not uniform and should be taken into account when assessing the sustainability and replicability of applied budgeting initiatives. Indeed, the perceived conflict of interest between the executive and legislative branches can facilitate more participatory budgeting as parliamentarians join with civil society actors in demanding better access to the budget process. Donors are encouraged to deepen engagement in one community to work with the executive, legis-

lative, and civil society as the three pillars of this activity. Most interventions tend to focus on capacity building of one counterpart. A three-prong effort is likely to be more effective in addressing the complex barriers to greater budget oversight.

Civil society coalitions are essential for success

In designing applied budgeting initiatives, site selection should be biased toward areas where civil society has capacity and interest to engage in applied budgeting. The willingness of CSOs to engage in applied budgeting should not be assumed: many groups either feel that the budget is the responsibility of the government or that their inputs will be ignored. In addition, for many CSOs, particularly at the grassroots level, the technical challenges involved in undertaking the financial analysis required are formidable. For this reason, many efforts have focused primarily on budget literacy. Despite large investments in some countries to create capacity, there is a surprising paucity of training manuals available. Furthermore, making the leap from understanding the budget to advocating for budget revisions and engaging effectively with local government requires another set of skills. Internationally, these efforts have had most success when undertaken by NGOs dedicated to applied budgeting. For this reason, donors may wish to focus on institutional strengthening of a core group of NGOs by extending grants and technical support to organizations wishing to engage in budget analysis as a primary activity of their organization.

Advocacy networks that are provincial or national play an important role in supporting individual efforts and contributing to replication. NGOs should form such networks to support broader advocacy efforts and support the dissemination of information both domestically and internationally.

Media has a paramount role in promoting transparency

The role of mass media in promoting increased transparency is well-accepted and has been demonstrated in both industrial and developing countries.³² Its role should be carefully considered in designing applied budgeting activities to take advantage of the educational and advocacy roles the press can play. For example, coverage of project activities and opinions-editorials in the Marshallese press appear to have contributed to PAC agreeing to meet again. In Makassar, local press highlighted the absence of local councilors and certain high-level officials from the budget forums, questioning the government's commitment to participation. CSOs are encouraged to partner with the press, and budget literacy trainings should be extended to journalists to encourage their active participation in applied budgeting efforts.

The success of the pilot initiatives indicates that significant opportunities for broadening and deepening applied budgeting work in Asia exist. Benefits seen under the pilot project include increased commitment by the executive and legislative branches to follow the budget rules, improve internal processes, and solicit civil society inputs. On the part of CSOs, these activities provide increased understanding of government's role and function and ultimately, by enhancing dialogue and accountability, can strengthen democratic institutions. Increased engagement by civil society in the budgeting process also results in better policy and planning by encouraging more efficient use of resources and projects that respond to genuine needs of the community. Consistent with international experience, therefore, applied budgeting can play an important part in supporting improved governance outcomes in Asia, particularly at the local level in a context of decentralization.