

## Making Budgets Work for the Poor

OVER THE past couple of decades, a number of significant changes happened in the city of Porto Alegre in Brazil: the number of households with access to water services substantially increased, the number of children in public schools doubled during 1989-1996, and tax revenue went up by nearly 50%.

All these gains were a result of the local government recognizing that the public needed to be involved in how taxpayers' money were spent. The city, in fact, was so successful that the national government of Brazil is following its example and applying its participatory budgeting model to about 500 municipalities.



"Participatory budgeting has emerged as an important tool to promote accountable and pro-poor governance," says Raza Ahmad, an ADB Governance and Capacity Development Specialist. "Government budgets are not only central to planning and controlling a country's economic activities, but they are also important policy tools with profound implications for poverty reduction and social equity."

Poverty assessments, he explains, cite problems of access to public service delivery, and service quality. Often, the poor have less access than other social strata to basic service delivery. When they do, quality is not always sufficient. Through participatory budgeting, the poor can have a say in how local governments raise and spend their resources.

Mr. Ahmad is the coeditor of the publication, [\*Fostering Public Participation in Budget-Making\*](#), which documents the experiences, successes, and challenges of pilot testing participatory budgeting at the local level in three countries - Indonesia, Marshall Islands, and Pakistan. The book is a part of a technical assistance grant project financed by the Poverty Reduction Cooperation Fund.

In Indonesia, participatory budgeting was tested in Kebumen Regency in Central Java and Makassar City in South Sulawesi. In Pakistan, it was tested in Kasur and Jehlum subdistricts (*tehsils*) in Punjab Province. Indonesia and Pakistan have both recently undergone a major decentralization of powers to the local level. Marshall

Islands, on the other hand, is a small island-nation, and thus the pilot project focused on the national budget.

A key feature of participatory budgeting practices, says Mr. Ahmad, is the increased reliance on civil society organizations (CSOs) to influence government priorities for spending and reform, and monitoring public expenditures.

“Civil society groups have emerged as partners of local governments in four areas: local development planning and budgeting processes, holding local governments accountable in the allocation of local resources, enhancing local revenues, and tracking the use of resources and the impact of local policies and programs,” he explains, and adds that the successful pilots in the three countries have demonstrated that civil society's engagement is not difficult to elicit provided local governments have the political will and technical resources.

In each of the pilot sites, the strategy tested involved the public dissemination of and consultation on the draft annual budget. Since the draft annual budget sets the actual work plan of the government for the upcoming year, effort was made to generate public oversight of the annual budget to demonstrate impact on the governance outcomes.

Budget manuals were prepared for workshops aimed at increasing CSOs' capacity to understand and participate in budget-making processes - good practices in budgeting, the budget cycle and actors in their respective governments, guides to analyzing revenue and expenditure, and information on how they can get involved.

A broad range of CSOs was involved - churches, parent-teacher associations, private sector associations, and journalists. Trainings were likewise extended to members of the local councils of Indonesia and Pakistan, upon their request, and also for tehsil councilors in both Jehlum and Kasur. In Marshall Islands, CSOs from Majuro and Ebeye, the two main population centers that together constitute over 75% of the population, were involved.

A number of important advances were made during the final stages of the project, which were particularly encouraging considering its limited scope. In the Marshall Islands, the Senate Public Accounts Committee agreed to meet for the first time in nearly six years. In Indonesia, the local council of Kebumen is drafting a regulation on local budgeting which will explicitly include provisions for public consultation. In Pakistan, however, efforts to implement the budget rules will likely require further technical assistance to both the executive and the legislative wings of the local government.

Consistent with lessons learned from related governance programs, Mr. Ahmad says that the experience in the three countries highlighted the following:

- Conflict between executive and legislative branches of government reduces the likelihood that meaningful public consultation will take place;
- Budget efforts often focus on planning, but monitoring may be even more useful in some contexts;
- Donor fund supporting budget reforms has primarily focused on the executive arm of government to the neglect of the legislative branch;
- Successful institutionalization of applied budget work requires sustained support (financial and technical) to CSOs;

- Even in a democratizing context, many government officials continue to resist the notion that budgets should be shared with the public. Reform-minded heads of local governments can serve as models in this regard; and
- Bottom-up processes intended to allow citizens to directly impact the annual budget planning were found to be ineffective in both Indonesia and Pakistan due to political resistance, fiscal constraints, and low capacity. Legal mechanisms such as Freedom of Information Act, which empowers citizens to analyze the budget, may be more useful than mechanisms for consultation within the annual planning process, which can be blocked by political resistance.

“The project highlighted that the challenges to opening budget processes to public oversight are primarily political,” Mr. Ahmad says. “In general, the willingness of the head of government to enable and consider public input into the budget process sets the tone for the success of the activities. Resistance at lower levels of the bureaucracy will only give way in the face of an overarching environment supportive of these efforts.”

In addition, he adds that a number of technical issues have to be overcome, particularly in strengthening the capacity of civil society counterparts and the legislators to play their role in budget oversight. In replicating these activities, practitioners are advised to:

- Focus efforts on countries/local governments with a legal framework supportive of public consultation and where heads of local governments are willing to take a leadership role;
- Extend technical assistance to both the executive and the legislative branches simultaneously to ensure that the budget rules are followed and that there is agreement on how public consultation should be conducted; and
- Work with CSOs to develop budget literacy campaigns and to support long-term networking and capacity building for successful advocacy.

Nevertheless, Mr. Ahmad says that there are significant opportunities for replicating applied budgeting work in Asia. Benefits seen under the pilot project include increased commitment by the executive and the legislative branches to follow budget rules, improve internal processes and solicit civil society inputs.

For CSOs, the project provided increased understanding of the government’s role and function, and ultimately - by enhancing dialogue and accountability - they can help 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 the genuine needs of the community.

“Consistent with international experience, participatory budgeting is recommended as a useful tool in supporting improved governance outcomes, especially for the poor,” says Mr. Ahmad. #