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Africa Fiscal Transparency Book Launch

Civil society budget analysis organizations from Ghana, Kenya, Nigeria, South Africa, and Zambia recently published a path-breaking research on Budget Transparency and Participation in the Budget Process. The study evaluated the extent to which these countries provided sufficient budgetary information and access to citizens and civil society organizations to participate effectively in the budget process. The study is intended to create a civil society agenda to demand changes in the budget process.

The research results were launched by the Deputy Speaker of the Kenyan Parliament, the Honorable Job Omino, at a conference in Nairobi, Kenya on 25-26 June, 2002. The conference was co-hosted by the Idasa Budget Information Service, Kenyan Institute for Economic Affairs, and the local Kenyan chapter of Transparency International. Attendees included 60 civil society representatives and legislators from the five participating countries and from Cameroon, Ivory Coast, Lesotho, Malawi, Mali, Mexico, Namibia, and Tanzania.

The research project was coordinated by the Budget Information Service at the Institute for Democracy in South Africa. The other participating institutions were Isodec in Ghana, Transparency International in Kenya, Integrity in Nigeria, and Women for Change and the Catholic Commission for Justice and Peace in Zambia. Financial assistance for the project was provided by Ford Foundation, the U.K. Department for International Development, the Swedish International Development Agency, and the Danish Trust Fund for Governance administered by the World Bank.
The two-day event began with the presentation of a paper synthesizing the study’s findings by the project editor, Alta Fölscher, followed by a discussion. While budget transparency and participation are lagging (in varying degrees) in each of the countries studied, participants stressed that civil society organizations and legislators are strengthening their roles in the budget process, which should produce further progress toward good governance.

The bulk of the remaining sessions were devoted to detailed discussion of the country results for each of the five major categories that the study explored:

- Legal Framework for Transparency
- Clarity of Roles and Responsibilities
- Public Availability of Information and the Comprehensiveness of the Budget
- Existence of Systems to Enforce Transparency
- Civil Society and Legislative Participation in the Budget Process

The final session included a report and discussion on global developments and opportunities for further civil society work on budget transparency. Researchers from the Center on Research and Teachings in Economics CIDE in Mexico presented the results of a recent civil society project that measured budget transparency and participation in five Latin American countries: Argentina, Brazil, Chile, Mexico, and Peru. The conference closed with a discussion of further efforts to promote transparency in Africa and of the opportunities to create a global civil society coalition on these issues.

To order the book *Budget Transparency and Participation: Five African Case Studies*, contact The Idasa Bookshop at faldelah@idasact.org.za or Nomzi@idasact.org.za. To read the executive summary, research method chapter, general results, and country paper summaries, go to the IBP website at: http://www.internationalbudget.org/resources/africalaunch.htm. A full conference report will be produced by the Africa Budget Project at the Idasa Budget Information Service.

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**St. Petersburg Conference on Budget Transparency and Participation**

The St. Petersburg Humanities and Political Transparent Budget“ in Pushkin, just outside St. Petersburg, on 14-15 June 2002. The fourth international conference organized by Strategy, had about 80 participants, including activists and experts from the eight Russian cities where Strategy’s Transparent Budget Program has been operating. Other participants included academics, government officials, representatives of Russian NGOs, and international budget groups from Indonesia, Mexico, and the United States, as well as members of donor agencies and foundations.

The conference explored the "social technology" of budget transparency and participation - in other words, a set of techniques to encourage public participation in the budget process and expand citizen representation, particularly among those with low incomes (a group that traditionally is underrepresented in the budget process). Participants examined the various approaches that had been developed and applied in eight Russian municipalities to promote budget transparency and participation. These include methods to:
Assess and analyze budget process transparency and participation
Undertake applied budget analysis
Organize public events (such as the public hearings described later in this newsletter)
Develop educational/training modules, and
Draft and promote legislation aimed at promoting transparency and public participation

In addition to discussing the achievements of the first two years of the Transparent Budget Program, conference participants identified critical obstacles to public participation in the budget process in some Russian regions, such as the lack of motivation among NGOs, governmental skepticism regarding the ability of NGOs to participate effectively in the budget process, and weak legal requirements to promote civil society participation in budget debates. Over the next two years, Strategy plans to expand the Transparent Budget Program to new regions of Russia and, in the cities where its partners are already working, to improve the use of applied budget analysis and engage government authorities more effectively in policy debates.

Finally, the conference highlighted the fact that promoting budget transparency, especially through closing loopholes in legislation, is one of the key elements to addressing corruption in the public sector. It also noted the positive role that an independent media can play in promoting transparency and participation.

For more information, contact Denis Torhov at torhov@strateg.spb.su.

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**Case Study: Budget Public Hearings in Russia**

The St. Petersburg Humanities and Political Studies Center (Strategy) provides training and methodological support to NGOs in eight regions of Russia; its goal is to facilitate greater budget transparency and civil society participation in local and regional budget processes. One novel approach that Strategy has developed is to help local NGOs organize public hearings on budget-related issues. The hearings are designed to promote interaction among NGOs, government officials, and the legislature, thereby improving the quality both of budget debate and, ultimately, of budget decisions.

Each hearing is an organized discussion on a specific budget issue, such as funding for social programs, and includes representatives of different levels and branches of government along with civil society. The media are invited to attend so that the discussion can reach a wider audience. The local NGO organizes the hearing and, along with other selected participants, gives prepared presentations, which are followed by a discussion.

Each hearing aims to reach agreement on a joint statement, which is adopted by all of the participants. The joint statement, which can include policy recommendations, is then distributed to government officials, the legislature, civil society organizations, and the public through the media and the internet.

Strategy held the first public hearings in St. Petersburg in October 2000, where locally based NGOs discussed the 2001 city budget and its social policy components with representatives of the city government’s executive and legislature. Since then, hearings
have been held in other regions of Russia. In Murmansk, for example, several hearings have been held on funding for social programs, the budget process, and budget accessibility and transparency. In addition, some NGOs have hosted smaller "roundtable discussions" with government officials on budget issues.

For more information, contact Denis Torhov at torhov@strateg.spb.su.

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**Budget Awareness Workshops**

Workshops on civil society budget work were recently carried out in Bolivia, Burkina Faso, Honduras, Ivory Coast, Malawi, Nepal, Nicaragua, and Tanzania by the Budget Information Service (BIS) of Institute for Democracy in South Africa (IDASA), the Center for Budget and Policy Studies (CBPS) based in Bangalore, India, and the Research and Analysis Center, FUNDAR based in Mexico. The workshops are part of a new initiative. This initiative is being undertaken by several institutions including the UK Department for International Development (DFID), the International Budget Partnership (IBP), the World Bank Civic Participation Unit, and budget groups from several developing countries, to support budget work in low-income and Poverty Reduction Strategy Paper (PRSP) countries.

The workshops are aimed at providing information to civil society actors that may have an interest in and the capacity to undertake applied budget activities. The workshops also help to identify the types of assistance that will be demanded to support budget work. The workshops were attended by diverse organizations including unions, NGOs working on structural adjustment issues, trade and oversight, women's groups, children's groups, environmentalists, and grassroots groups; as well some government and legislature representatives.

The workshops showed that civil society organizations in several low income countries are starting to specialize in budget issues, despite significant obstacles including lack of information and weak participation opportunities. Each country has at least one institution that is starting to engage in the budget process and that has the potential to assist civil society more generally understand public budgeting. Further, Nicaragua, Bolivia, Tanzania, Nepal, and Malawi each have at least one independent civil society institution that is already working in a comprehensive way in applied budget work. In several of the target countries, established civil society networks already exist that can help play a role in identifying groups with substantial experience for training and disseminating training materials.

For more information on these workshops in Central America, contact Helena Hofbauer at helena@fundar.org.mx; in Africa contact Marritt Claassens at Marritt@idasact.org.za; and in Asia contact Vinod Vyasulu at cbps@vsnl.com.

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**IDB Seminar on Tax Compliance**

On 11-12 June, the Interamerican Development Bank and Japan Center for International Finance organized the conference “New Challenges in Tax Compliance: Japan’s Experience and Its Significance for Latin America.” Presentations examined the tax compliance systems of France, Japan, Spain, and the United States and how the experiences of these countries...
can be useful in addressing tax compliance problems in Latin America. Attendees included government officials from Brazil, Chile, Colombia, Dominican Republic, Ecuador, Guatemala, Jamaica, Mexico, Panama, and Paraguay.

Effective tax compliance ensures that the government will have a reliable source of revenue, enabling policymakers to plan future spending on education, social services, and infrastructure. Unfortunately, tax compliance is weakened by problems such as tax evasion, the existence of businesses that change their identity by fusing together and then disappearing from governmental records, and overly complex tax systems. Transitional economies, for example, face the difficult tasks of modernizing their tax administration systems and adjusting old laws to new free-market policies.

The United States has found withholding an effective way to improve tax compliance. As a result of withholding, almost 70 percent of American taxpayers are entitled to refunds, which many regard as a form of forced savings. In Japan, self-assessment operates through bookkeeping systems known as the “blue return system” (for individuals who conduct a business or a corporation) and the “white return system” (for all other returns). These systems provide taxpayers with bookkeeping forms to keep records and books that facilitate the tax filing process.

Other countries are seeking to improve tax compliance as well. The Mexican Congress, for example, is discussing a proposal to create the post of taxpayer ombudsman. Brazil, following the Spanish model, is considering a proposal to create a taxpayer law aimed at simplifying the taxation process and informing taxpayers of their rights. Among the general trends in tax compliance efforts is the wider use of electronic filing, which appears to produce gains in accuracy and efficiency.

The government officials who participated in the conference were unaware of any civil society organizations conducting tax compliance analysis in their countries. Some officials stated that it would be useful to have additional support from NGOs to keep their tax staff updated.

For more information on the agenda and presentations, click here.

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**Budget Formulation Workshop in Nepal by Citizens’ Poverty Watch Forum**

Citizens’ Poverty Watch Forum, an NGO based in Nepal working on budget analysis, poverty, and foreign aid issues, organized a two-day training program titled "The Components of the Budget Formulation Stage in Nepal" on 23-24 March. The 18 participants included university lecturers, journalists, NGO activists, and civil society groups. The program was coordinated by Dadhi Adhikari, Program Manager of Citizens’ Poverty Watch Forum, assisted by Dr. G. B. Thapa, director of the Foreign Exchange Department of the Nepal Rastra Bank (Central Bank of Nepal).

The budget process in Nepal is not accessible to the public. Citizens are not told what happens at the budget formulation stage, for instance, and thus are unable to determine whether the government is working for or against the public interest. Hence, the main objectives of the training were to provide detailed information about the federal budget process in Nepal (with particular focus on the components of the formulation and execution
stages) and how they can participate in the early stages if the budget process given the limited opportunities available.

One of the central discussions was on the impact of foreign aid on the Nepalese budget as one example of the lack of transparency and participation. The current practice is for the government to allocate internal resources to match foreign aid. This tends to limit discretionary resources available to reflect citizen's priorities. Other discussions focused on Dr. Thapa's presentation on how the budget formulation and execution phases operate. He explained the components of each phase, the challenges of budget execution in Nepal, and how the formulation phase can be made more participatory. The training concluded that the major problems of the Nepalese budgetary system are the lack of transparency in the formulation and execution phases and the absence of participatory mechanisms during the formulation phase.

For more information, contact Dadhi Adhikari at cpwf@forum.wlink.com.np.

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**New Groups on the IBP Site**

**PARTICIPATORY BUDGET ANALYSIS, BANGLADESH**
ActionAid has undertaken a budget analysis initiative in Bangladesh. Part of a three-country project named Participatory Budget Analysis (PBA), the initiative includes Bangladesh, Kenya, and Brazil. PBA carries out budget policy analysis at the national level, focusing on policy advocacy founded on concrete, accurate, and reliable research. For more information, go to [http://www.internationalbudget.org/groups/bangladesh.htm](http://www.internationalbudget.org/groups/bangladesh.htm) or [www.pbabd.org](http://www.pbabd.org).

**TAMILNADU PEOPLE'S FORUM FOR SOCIAL DEVELOPMENT (TPFSD), INDIA**
This NGO, based in Tamilnadu, India, focuses on public policy advocacy for social development. The Forum’s activities include training legislators in budgets and social development issues and organizing meetings among grassroots groups, researchers, and bureaucrats on socio-economic rights in Tamilnadu and on budgeting issues. For more information, go to: [http://www.internationalbudget.org/groups/india.htm](http://www.internationalbudget.org/groups/india.htm).

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**New Papers on the IBP Online Library**

The following two documents published by the Institute of Development Studies outline the significant challenges that must be overcome in the course of establishing participatory, sustainable, country-owned poverty reduction strategies.

*Assessing Participation in Poverty Reduction Strategy Papers: a Desk-based Synthesis of Experience in Sub-Saharan Africa*
By Rosemary McGee with Josh Levene and Alexandra Hughes

*Participation in Poverty Reduction Strategies: A Synthesis of Experience with Participatory Approaches to Policy Design, Implementation, and Monitoring*
By Rosemary McGee with Andy Norton
The Overseas Development Institute has released a series of case studies evaluating the impact of Poverty Reduction Strategy Papers for Ghana, Malawi, Mozambique, Tanzania, and Uganda:

*How, When and Why Does Poverty Get Budget Priority? Poverty Reduction Strategy and Public Expenditure in Ghana*
By Mick Foster and Douglas Zormelo

*How, When and Why Does Poverty Get Budget Priority? Poverty Reduction Strategy and Public Expenditure in Malawi*
By Adrian Fozzard and Chauncy Simwaka

*How, When and Why Does Poverty get Budget Priority? Poverty Reduction Strategy and Public Expenditure in Mozambique*
By Adrian Fozzard

By Felix Naschold and Adrian Fozzard

By Mick Foster and Peter Mijumbi

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**Announcement**

**THEMES SECTION ON IBP SITE**
Reflecting the growth of civil society budget work, a new “Themes” section on the IBP website organizes resources according to major themes or categories of budget work. The first theme is the interaction between applied budget analysis and economic, social, and cultural rights. The second theme, which will be launched soon, is budget transparency and participation. To visit the new Themes Section, go to: [http://www.internationalbudget.org/themes/index.htm](http://www.internationalbudget.org/themes/index.htm).