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Civil Society Support for Armenia's PSRP

The Economic Development and Research Center (EDRC), an independent public policy research organization based in Yerevan, Armenia, has been helping shape the PSRP process in that country.

The EDRC's involvement began in 2001, when in cooperation with Oxfam GB it initiated the Policy Choice for Poverty Reduction Project to enable civil society organizations to participate effectively in the PSRP process. The following year EDRC issued a research paper entitled "Growth with Equity," which analyzed poverty in Armenia and presented macroeconomic policy recommendations. To ensure that the report — which is based on economic models developed by EDRC — is fully transparent to readers, it fully explained the methodologies it employed.

The PSRP expert group that prepared the first draft of Armenia's PSRP made extensive use of "Growth with Equity" in such areas as making medium- and long-term forecasts of macroeconomic indicators and assessing the impact of various policy choices on poverty and income distribution.

EDRC's contribution to the PRSP process demonstrates the positive impact that civil society organizations can have in this area. It also creates an institutional basis for strengthening the non-governmental sector's macro-modeling capacities, traditionally an area where civil society has struggled to participate. EDRC strongly believes that to have a positive impact on public policy, civil society organizations must build up their technical capacities while also advocating the interests of the populations they represent.

For further information, contact Mushegh A. Tumasyan at mtumanyan@edrc.am. Read the presentation "[Modeling Issues Related to EDRC Models](#)."

Budget Transparency: The Kenyan Perspective

Over the last two decades, fiscal policy has remained Kenya's most challenging and complex area of macroeconomic management, characterized by persistent budget deficits, a growing debt burden, little economic growth, high interest rates, and high inflation. In addition, public financial management has been poor, allegedly due to corruption, poor accountability, wasteful expenditures, lack of discipline and work ethic in the public sector, and lack of openness in the budget process.

One sign of the country's fiscal problems is that economic growth for 1998, at 2.3 percent, was far below the budget's projection of 5.5 percent. This large discrepancy calls into question the validity of government budget targets. One result of these problems is that policy priorities tend to be dictated by, rather than to dictate, the budget. The Institute of Economic Affairs (IEA) argues that greater transparency and consultation on macro-policy could help refine macro targeting.

The IEA has issued a survey of budget transparency in Kenya that takes the reader through the main phases of the budget process and points out legal, institutional, and procedural problems that have made the management of public finances less transparent. The IEA study, entitled *Budget Transparency: Kenyan Perspective*, also recommends specific measures to enhance Kenya's budget transparency.

For further information, contact Albert Mwenda at albert@ieakenya.or.ke. Read the [report](#).

A Glance at India's 2003-04 Budget

According to the Center on Budget Accountability (CBA), an Indian NGO, India's budget process is not very satisfactory in terms of civil society's participation in preparing and implementing the budget, the level of transparency regarding the implications of budget proposals for different sectors of society, and follow-up assessments of the budget's implementation.

In addition, over the last decade, government budgets have increasingly reflected the pursuit of neo-liberal economic policies. In the name of fiscal reform, numerous tax benefits have been provided to private industry in the hope that this will stimulate production. These benefits have failed to materialize, however, mainly because the Indian economy lacks sufficient domestic demand.

Meanwhile, expenditures for social programs have been squeezed both by the government's inability to expand its revenue base and by policymakers' ever-increasing demands that the fiscal deficit be reduced. Yet the government's failure to keep the deficit under control primarily reflects the rapid growth of expenditures in non-productive areas such as defence, as well as the growth of committed expenditures such as salaries and interest payments.

To add to these problems, the budget is increasingly being used as a propaganda tool for electoral benefits regardless of the country's long-term needs. For example, India's Union government, circumventing Parliament, announced major sops in January 2004 in an effort to appeal to voters in advance of coming general elections. These sops will affect both this year's and next year's budget. For further information, contact CBA at cbadelhi@vsnl.net. To read CBA Newsletter *Budget Track*, click [here](#).

Budget Training in Albania

The IBP recently spent the week of 12 January 2004 in Tirana, Albania, working with the Public Private Finance Institute (PPFI). PPFI is a relatively new NGO that has begun to provide information on the Albanian budget to civil society organizations, government officials, members of parliament, the media, the private sector, and other interested parties. Having recently received funding to provide training to CSOs, PPFI asked the IBP to help develop its own training program.

The growth of PPFI in Albania is an exciting development. Long one of the most isolated countries in the world and the last of the former communist regimes in Europe to embrace democracy, Albania faces serious economic and political challenges. PPFI, though a new organization without a great deal of experience, may be well-positioned to provide important help in this process. The founder and executive director of PPFI, Elida Recic, is a one-time staff person in Albania's budget bureau who knows her way around both the budget and the personnel involved in drafting and implementing the budget. Having studied overseas, she also has an appreciation of the role of budget transparency and participation in the budget process.



In recent weeks PFFI, working in coalition with other civil society groups, achieved some initial success in increasing the education budget for Albania, and appears to have successfully fought off an effort by the city of Tirana to monopolize the increase that was intended for schools throughout the country. PFFI's role in increasing the budget by an amount equal to \$7 million was recognized by the nation's Minister of Education who invited Ms. Recic to a meeting intended to develop plans for how the extra money should be used.

The IBP was asked to help develop a training program for civil society organizations, in an effort to build on this success, bring more groups into the network of budget-savvy organizations, and distribute more widely information contained in a budget guide produced by PFFI. The core of the IBP's contribution was to draft a detailed three-day training for Albania CSOs and help design several of the workshops. In addition, the IBP also provided organizational consulting to PFFI, demonstrating various strategies budget groups in other countries use in making their budget analyses and information useful for CSOs. PFFI and the IBP agreed to explore opportunities for a regional budget training in the Balkans if sufficient interest in the region exists.

For more information, contact Jim St. George at stgeorge@cbpp.org.

Human Rights and Budget Work

Dignity International, an NGO that focuses on economic, social, and cultural (ESC) rights, recently held its second annual learning program on ESC rights in Alcochete, Portugal. Participants primarily represented development organizations and agencies at the national level.

The program focused in part on monitoring governments' respect for ESC rights and included a section on public budgets, which addressed the relationship of budgets to ESC rights. As part of this section, participants conducted an exercise on looking at budgets from a "rights perspective." Given broad figures related to government revenue and spending for a fictional country over the course of several decades, as well as some data about population, poverty, GDP, and so on, participants broke into groups to assess the budget from the perspective of NGOs concerned about the government's compliance with its obligations related to specific rights (for example, the right to health, the right to housing, or children's ESC rights).

Before this exercise, few of the participants had considered looking at their country's budget within a rights framework. By the end of the exercise, several indicated they intended to go home and start work on budgets because the potential of budget analysis as a tool for assessing government compliance with its rights obligations had become so apparent.

For more information, contact Ann Blyberg at ablyberg@iie.org.

World Social Forum (WSF), Mumbai, India

The fourth World Social Forum (WSF) took place in Mumbai, India from Jan 16-21 and focused on the impact of neoliberal globalization under the theme "Another World is Possible." Around 80,000 people enthusiastically participated in plenary sessions, conferences, panels, seminars, cultural events, solidarity meetings, rallies, and marches to discuss a wide range of topics.

One of more than 300 seminars that took place was organized by the National Social Watch Coalition, India and Center for Youth and Social Development (CYSD), India and focused on governance and accountability in various countries with the UN Millennium Development Goals (MDG) as the backdrop. John Samuel International Director of ActionAid Thailand spoke of the paradigm shift in the definition of governance in today's world where citizens have turned from "subjects" into "objects" and are reduced to consumers of services. Samuel reflected on the importance of public budgets and policies as a key indicator of the MDG.

Milun Kothari, Indian advisor to the UN Human Rights Panel and Marina Conti, Italian UN MDG coordinator at UNDP spoke about the individual steps that countries need to take to achieve the MDG. In the light of PSRPs, for instance it is necessary for civil society organizations to engage in the process and see the budget as a key policy-monitoring tool.

Other panels touched on important issues such as the effects of taxation on the individual at a time when corporations are receiving increasing tax concessions. Diane Elson discussed the importance of fiscal democracy and the need to hold governments accountable for the

devolution of the resources towards war and defense that cuts money from public services. Defense spending was another issue raised to highlight the impact of war and the high costs of rebuilding an economy. However, alternatives pointed toward taking steps to moderate the occurrence of conflicts and creating deterrence mechanisms such as high taxes on arms sales.

For more information on the panels described above, contact Uma Ramesh at cbadelhi@vsnl.net or visit the [WSF website](#).

New in the IBP Library: Budget Reviews on India, Israel, Namibia, and More!

The Marginalised Matter. Demystifying the Budget 2003-04

By National Centre for Advocacy Studies

This paper, prepared in response to the Union Government of India's 2003-04 budget, focuses on welfare and employment issues.

Two Years of Destructive Policies. Critique of the Budget Proposal for Israel for Fiscal 2004

By Shlomo Swirski and Ety Konor-Attias, Adva Center

This paper is a general critique of the current Israeli government's last six economic plans. Focusing on the ideology driving the government's budget policies, it reviews the causes of the current economic crisis, the measures taken by the Sharon government in response, and the effects of these measures on social services, from education to health care. The lack of a thoughtful and consultative budget approval process is cited as one of the main flaws in the government's economic policies.

Additional Budget 2003/04: We had it coming

By Robin Sherbourne, Institute for Public Policy Research (IPPR)

This paper analyzes Namibia's revised budget for 2003-2004. Known as an Additional Budget, the revised budget is put out after the government collects tax revenues, particularly revenues from diamond mining. This paper argues that the government must address two main problems in the current budget process: 1) the inaccuracy of current revenue forecasting, and 2) inconsistency in dealing with windfall revenues. It concludes that the reliance on windfalls from diamond revenues to fund expenditures is overly risky, as the drop in diamond mining revenues in 2003 demonstrates.

2004 Pre-Budget Statement. "People's Budget": Recommendations and Contributions

By Besinati Mpepo, Civil Society of Poverty Reduction (CSPR)

This brief "pre-budget statement" seeks to add the voices of Zambia's poor to the formulation and execution of the budget. It looks at the current level of poverty in Zambia and explains that civil society participation in the budget process will better serve public expenditure accountability goals.

Budget Transparency: Kenyan Perspective

By Albert K. Mwenda and Mary N. Gachocho, IEA

This study provides a comprehensive review and analysis of the Kenyan budget process, covering issues related to participation, availability of information, and budget accountability. It is based on responses from various stakeholders in the budget process, including audit firms, civil society organizations, and academics. These stakeholders regard the budget's overall legal and institutional framework as weak and in need of improvement.

The study closes by proposing certain broad strategies to increase the transparency and accessibility of the budget process.

From 'Donorship' to Ownership? Moving Towards PRSP Roundtable Two

By Oxfam International

This paper summarizes the experiences of Oxfam International and its partners working on PSRPs in more than 30 countries; it was originally presented to the IMF's Independent Evaluation Office and the World Bank's Operations Evaluation Department as part of their review of the PSRP process. The paper covers such issues as participation, trade, macroeconomics, gender, poverty and social impact assessments, and education. Each section contains detailed recommendations on how to improve the PRSP in the second round of the process.

Ethical Dimensions of Public Expenditure Management

By A. Premchand, Georgia State University

This paper introduces the concept of Public Expenditure Management (PEM). Using examples from various countries and time periods, it shows how unethical budget practices resulting from lack of formal laws or protocols on how to formulate a budget can cause policy distortions, uneconomic practices, the growth of unaccountable bureaucracies, and fiscal crisis.

Budgeting for HIV/AIDS in South Africa: Report on Intergovernmental Funding Flows for Integrated Response in the Social Sector

By Alison Hickey, Nhlanhla Ndlovu, and Teresa Guthrie, Idasa, Aids Budget Unit

This report analyses provincial capacity and spending procedures currently impacting on the effectiveness of earmarked grants, and assesses the success of the new funding approach that channels HIV/AIDS funds to the provinces via an unconditional block grant. Analysis is based on official budget documents and interviews with national and provincial officials in social service departments and treasuries. The report concludes with recommendations on effective funding mechanisms for transferring funds to the provinces for HIV/AIDS interventions.

Announcements

CIVIL SOCIETY BUDGET INITIATIVE

The Civil Society Budget Initiative (CSBI), a three-year grant program coordinated by the IBP, is inviting "Letters of Interest" from civil society organizations interested in receiving financial and technical support to build their capacity to carry out effective analysis and advocacy on government budgets. Eligible countries for the first year's selection include Bolivia, Burkina Faso, Cambodia, Ethiopia, Honduras, Indonesia, Malawi, Mongolia, Mozambique, Nicaragua, and Senegal. CSBI prefers to receive applications in English but will accept applications in French, Portuguese, and Spanish. The deadline for applications is February 28, 2004. For more information, send a message to csbi@cbpp.org, or go to: <http://www.internationalbudget.org/CSBI.htm>

SCALING UP POVERTY REDUCTION: A GLOBAL LEARNING PROCESS AND CONFERENCE

The [World Bank](#), in cooperation with other multilateral and bilateral donors, is sponsoring a series of activities designed to allow key development actors to share their experiences from poverty reduction initiatives around the world. These activities, conducted over a nine-month period, will draw on leading-edge information and communication technologies to

bring together participants from across the development community. A series of case studies, multi-country interactive videoconferences, online dialogues, and field visits will lead up to a working conference hosted by the Government of China in Shanghai on 26-28 May 2004. For more information, go to:

<http://www.worldbank.org/wbi/reducingpoverty/index.html>.