

OECD DEVELOPMENT CENTRE

POLICY BRIEF No. 22

STRENGTHENING PARTICIPATION IN PUBLIC EXPENDITURE MANAGEMENT: POLICY RECOMMENDATIONS FOR KEY STAKEHOLDERS

by

Jeremy Heimans

- Participation by civil society in public expenditure management promises to improve social and economic outcomes while increasing confidence in public institutions.
- Participatory budgeting (PB) programmes depend on the effective engagement of three key domestic stakeholders: governments, civil society and legislatures. Participatory budgeting cannot be imposed.
- The successful execution of participatory programmes is hampered by serious capacity gaps among key domestic stakeholders. The introduction of PB programmes should be sequenced to reflect different national conditions and policy settings.
- Citizen-led participation in budget policy has the potential to improve the effectiveness of nationally driven development strategies such as Poverty Reduction Strategy Papers (PRSPs).
- Donors should focus their efforts on investing in increased capacity among all stakeholders, while encouraging political engagement among governments in particular.

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Widening citizen participation in the process of government is one of the responses to perceived shortcomings in governance in developing and emerging economies. Achieving such broadened involvement, however, is complex and difficult. One effort which is of particular interest is participatory budgeting: the active promotion of citizen involvement in the process of budget design and management. According to this approach, civil society joins with the organs of government and legislatures to set and monitor public spending targets. This simple idea will require goodwill and active co-operation from all partners to be successful. One result could well be renewed faith in the integrity of government and the efficiency of public administration, thus strengthening democracy.

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Table of Contents

Definition, Goals and Conditions for Participatory Budgeting (PB)	5
Methodology and Scope of Work	11
Engaging with Participatory Budgeting: Challenges and Policy Recommendations for Key Stakeholders	15
Governments	15
Civil Society	22
Legislature	28
Concluding Observations	35
Notes	37
Bibliography	40
Other Titles in the Series	42

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Introduction

Participation in public expenditure management — by poor people themselves, or by the civil society organisations and parliaments who represent them — is emerging as a major new arena for political activity and economic policy-making in developing countries at all levels of government. This brief analyses the challenges facing the three main stakeholders in participatory budgeting (PB) — governments, civil society and legislatures — in effectively engaging with participation². A series of policy recommendations is offered focusing on how these key domestic stakeholders can better contribute to successful participatory budgeting programmes.

Definition, Goals and Conditions for Participatory Budgeting (PB)

This brief draws on the preliminary conceptual framework for participatory public expenditure management set out by Wagle and Shah (2002: 4-5) of the World Bank's Social Development Department. They identify four phases of participatory budgeting, operating in a cyclic manner. We elaborate on this model³.

Phase 1 — Formulation: This is the process of “making” the budget. The municipal, regional or national government prepares its revenue and expenditure estimates. Key choices are made about spending priorities by geographical area, sector and among social groups. At a state and national level, finance ministries, co-ordinating at a high level among relevant government departments, usually drive the budget formulation process. At a local level in developing countries budget formulation may be less formalised, and may be partially directed by officials from higher levels of government.

There are a number of avenues for participation at the formulation stage:

- Communities can participate in budget formulation either through shared control of budget decisions and resources, as currently occurs in almost 100 Brazilian municipalities (see case study 1, below); or governments can consult communities, using a variety of mechanisms, about the content of the budget, without giving them formal control over budget resources. Both of these avenues for participation have tended to be focused at municipal and regional level, in part because of the added complexities involved in formulating a national budget and in part because of the practical difficulties of creating vehicles for mass participation at the national level⁴.

- Civil Society Organisations (CSOs) can act as intermediaries between citizens and governments at all levels. At a local level, CSOs may conduct a community needs assessment to collect information about citizen demands and convey them to budget-making authorities, or help organise consultation meetings between members of the community, grassroots and religious organisations and municipal governments. At higher levels of government, CSOs are more likely to advocate on behalf of poor people, for example by ensuring that a national budget is sufficiently focused on poverty reduction. In some cases, civil society advocacy will involve limited contact with governments and be more focused on external pressure and “campaigning”. Alternative budgets are an example of an advocacy tool used by CSOs in a variety of countries to make the case for specific spending (and revenue-raising) priorities in the official budget. In other cases, as now occurs in Uganda, CSOs will actually be partners in government budget formulation processes (see case study 2, page 17).

Case Study 1. **Porto Alegre — Participatory Budgeting as Radical Political Change**

The Porto Alegre model is the best-known and most distinctive participatory budgeting programme. Beginning in 1989 in the municipality of Porto Alegre on the initiative of the newly elected Workers’ Party, it has since spread to almost 100 municipalities in Brazil, and has been implemented at a state level in Rio Grande do Sul. Schneider and Goldfrank (2001) have demonstrated how the programme has been successfully scaled-up from municipal to state level in Brazil, with the direct participation of hundreds of thousands of people. However, PB has not yet been implemented at the national level, and there are no plans to do so at this stage. It is widely viewed as a successful experiment in participatory democracy that has contributed to the goals of poverty reduction while increasing confidence in public institutions⁵. As a result it has attracted the support of groups ranging from the World Bank to left-leaning political parties.

While focused on the formulation phase of the PB cycle, the Porto Alegre model also encompasses budget analysis, tracking and monitoring activities. Under Porto Alegre style participatory budgeting, citizens and civil society organisations directly participate in making budget decisions through a year-long cycle of mass citizen forums, thematic assemblies addressing specific issues such as health and education, and the election of dedicated citizen-delegates who form a Participatory Budgeting Council which reviews the final budget proposal. The process is used to allocate budget resources (using a quantitative scheme to prioritise spending according to need and preferences), set broad social and economic policy priorities and monitor public expenditure⁶.

Phase 2 — Analysis: This stage begins once the budget has been presented in the legislature. At this point in the cycle, the budget is subject to the highest level of public scrutiny. This is the primary phase for legislative participation in the budget process — parliaments will scrutinise the contents of the budget and, depending on the political and institutional environment, seek to amend particular items. At this point, civil society organisations such as the Institute for Democracy in South Africa (IDASA) and the Institute for Economic Affairs in Kenya will conduct budget analysis. Their work seeks to demystify the inaccessible aspects of the budget for the general public and legislators, and to highlight the underlying policy implications of the budget for objectives such as poverty reduction or improving the status of women. CSOs often make this critique the subject of public debate by using the media, and they may also form alliances and share information with the legislature in order to increase the effectiveness of their advocacy efforts.

Phase 3 — Tracking: The tracking phase occurs after legislative approval of the budget and once budget allocations are disbursed to government departments and to lower-tiered structures such as local governments. In many developing countries, opportunities for rent seeking, capacity gaps or bottlenecks in the flow of resources mean that only a fraction of funds budgeted for poverty reduction purposes are actually spent to this end (Wagle and Shah, 2002: 4). In this context, civil society groups conduct activities, acting independently of governments or in co-operation with them, to track the flow of funds through established bureaucratic channels to ensure that disbursed amounts reach intended beneficiaries. Such tracking partly relies on the ability of civil society organisations to conduct detailed analytical work working with communities to assess whether funds have been spent as intended. The World Bank funded Public Expenditure Tracking System (PETS) is an example of this (World Bank, 2001)⁷.

Phase 4 — Performance Evaluation: The final phase of the participatory budgeting cycle involves assessing the performance of the public services that the budget funds. The critical participatory element of this phase is citizens' feedback about the quality of, access to and satisfaction with the services they receive from governments. One instrument to collect this information, administered by civil society groups or independent groups hired by the government, are "report cards" — surveys that focus on poor people's experience of public services.

Justification for Participatory Approaches

The justification for pursuing participatory budgeting relates both to the substantive content of budgets and to the participatory process itself. The goals of PB include: poverty reduction and improved social equity outcomes for disadvantaged groups, citizen empowerment and public “learning”, enhanced confidence in public institutions and more efficient budget policy formulation and delivery.

Content of Budgets

- Poverty reduction and PRSPs. Participation by the poor and those who represent them in the budget-making process aims to ensure that the content of budgets reflects nationally agreed objectives related to poverty reduction and social equity. As Jim Shultz (interview) of the Democracy Centre points out, participatory budget work is not viewed as an objective or value-neutral process — rather, it is usually premised on the strong normative assumption that the needs of the poor should be the top priority in the making of public budgets. Budgets are among the most important policy instruments available for achieving poverty reduction, and participatory budgeting is emerging as a means of enhancing the Poverty Reduction Strategy Paper (PRSP) process, which is itself founded on the principles of countrywide consensus and partnership between civil society and government (Brinkerhoff and Goldsmith, 2000)⁸. The integration of participatory budgeting with PRSPs could occur in a number of ways:
 - Civil society organisations can integrate their PRSP activities with budget tracking (phase 3) and performance evaluation (phase 4) work. For example, CSOs can monitor the performance of the PRSP as a programme and then monitor public spending to assess whether the budget as implemented is consistent with the poverty reduction objectives and agreed expenditures set out in the PRSP (Thindwa, interview).
 - The PRSP formulation process can use information gathered through the participatory budgeting process about the needs, demands and public expenditure priorities of poor people. This can be used to develop more detailed and locally targeted plans.
 - The participatory budgeting process can be used as a model for participation in the PRSP process. PB programmes provide models for direct citizen participation in policy-making processes which are cascaded

up to higher tiers of government, as well as examples of how to conduct community consultations and create sophisticated alliances or co-operative relationships between governments, legislatures and civil society.

- Participatory budgeting, particularly through budget analysis (phase 2) activities, allows public expenditure to be seen through the specific lens of a group in society (e.g. women, children), a disadvantaged region or a particular policy goal (e.g. poverty reduction), which can lead to a shift in resources or more targeted spending to these areas.
- By providing more efficient and accurate information flows (for example through tracking (phase 3) of the final destination of public funds and feedback information about the quality of public services (phase 4)), and by increasing the transparency and accountability of government budget processes, participatory budgeting aims to improve government performance and to reduce corruption and clientelism.

Budget Process

- Advocates of popular participation in the budget process argue that it empowers citizens and promotes public learning. In this way, participatory budgeting is seen as a natural component of some of the more ambitious programmes for the reform of representative democracy, such as that set out in the literature on Empowered Deliberative Democracy⁹. Moreover, public learning about the difficult resource allocation decisions facing governments may lead to more realistic public expectations about what governments can deliver through budget policy. If the participatory component of PB programmes is perceived as genuine, this may in turn lead to increased trust and confidence in official institutions. Public support may also increase public compliance with government programmes and policies, making them easier to implement (Brinkerhoff and Goldsmith, 2000: 10).
- Participatory budgeting is part of the larger agenda to democratise the formulation of macroeconomic policy. As Cagatay *et al.* (2000: 2) argue, macroeconomic policy, including fiscal policy, has traditionally been depicted as a neutral subject, devoid of social content, or as a technical subject best left to experts. As such, it has remained shrouded in secrecy or obscurity in many countries, despite the critical importance of macroeconomic policy to social and economic outcomes. To this end, participatory budgeting provides avenues to make fiscal policy the subject of public dialogue and, in some cases, decision making.

Risks of PB

While there is a strong justification for participation in public expenditure management, participatory budgeting is not without risks, as identified in this brief. These include:

- *The potential impact on fiscal discipline of increased demands on governments through participation.* This is a major concern expressed by governments in developing countries. As Brinkerhoff and Goldsmith (2000) argue, however, the risk of this is reduced when participants do not simply argue for more funds, but focus on shifting existing funds to reflect different priorities, as the civil society organisations leading the Women's Budget Initiative in South Africa have done.
- *An erosion of the legitimacy of established democratic institutions such as parliaments in favour of less accountable civil society organisations.* The Brazilian experience with participatory budgeting shows there is some risk that parliaments will be undermined by the creation of parallel participatory processes that are aligned with the executive government. However, participatory budgeting may also have positive effects on existing democratic institutions.
- *Escalation of conflict over resource allocation and distribution among participating social groups.* Interest groups might view the PB process as simply a new arena for competition over resources and approach participation in this spirit. Within civil society, local NGOs might share a commitment to the general goal of poverty reduction, but will want to see resources allocated to the particular policy areas in which they work. The risk is that distributional conflict will break down the broad coalitions that strengthen NGOs' negotiating position with governments.
- *The "capture" of participatory processes by local elites, by the most vocal constituencies or by those with personal motives.* Budgetary participation accompanied by decentralisation may give elites at the local level greater scope to extract benefits from the budget, whereas at the centre more public scrutiny and organised civil society pressure tends to exist (Brinkerhoff and Goldsmith, 2000). In any case, opt-in processes that do not secure broad-based participation are always at risk of being hijacked by vocal or better organised constituencies. Participatory budget monitoring and evaluation programmes may also be undermined by the participation of those with personal vendettas some special interest in making a negative evaluation, as Songco (2001) has documented.

Methodology and Scope of Work

This study is based on a review of the existing literature on participatory budgeting as well as interviews with a range of experts, including members of civil society, government officials and specialists in multilateral agencies, who have had experience with different aspects of PB.

Pre-conditions for Participatory Budgeting

Given the high level of donor interest in participatory budgeting as a policy instrument for developing countries, a key question which has not yet been adequately addressed concerns the conditions under which participatory budgeting programmes, and particularly the more radical and ambitious Brazilian-style programmes, could be transported to other countries with different political cultures, social conditions or levels of economic development¹⁰. In assessing the likelihood that a participatory budgeting programme will be successfully implemented in a specific geographical or social context, the following factors are significant:

- *Commitment to participation by executive branch.* An analysis of the conditions leading up to and following the implementation and proliferation of participatory budgeting in Brazil suggests that a major factor determining the replicability of participatory budgeting in other political settings is the level of commitment by the executive branch to its sustainable implementation. Unlike many of the forms of participatory budgeting which are studied in this paper, the Porto Alegre model was led by the municipal government, and involved an explicit ideological commitment by the ruling Workers' Party to "reconstruct the public sphere". The leaders of Porto Alegre wished to create new, non-state spaces for popular participation that would exist alongside the established mechanisms of representative democracy. State actions and strategies have been the key drivers in the successful implementation of Porto Alegre-style PB in Brazil. Commitment to participation by the executive branch is substantially more important for more ambitious models of PB, which can entail the creation of major new civic institutions, than it is for activities such as budget analysis and tracking, which often involve non-state actors applying pressure to governments, usually in concert with other key social or political sources of power such as the legislature, the research community or the media.

- A vibrant civil society is already in place. In 1998, for example, there were around 600 CSOs in Porto Alegre and a strong pre-existing movement towards popular councils and other forms of direct participation existed there. As Navarro (1998: 2) argues, PB did not come from nowhere in Brazil.
- *Civil society groups are already engaged in public consultations on budget and are undertaking monitoring activities.* There is a level of political consciousness about budget rights. For example, as Utzig (2001: 9) points out, the popular movement in the city of Porto Alegre had long been demanding that the government should open the “black box” of the budget at the time of the election of the Workers’ Party on a PB platform. In Rio de Janeiro, the civil society network IBASE had already conducted high-visibility budget work before the introduction of a Porto Alegre style PB system there. Moreover, to conduct budget analysis and monitoring work, civil society groups need to have a relatively sophisticated technical capacity already, especially at higher levels of government, as the experience of organisations like IDASA in South Africa and the Institute for Economic Affairs in Kenya has shown (see below).
- *The government has a relatively sophisticated level of organisational capacity,* which is required to manage a large-scale participatory programme. As Krafchik (interview) points out, many aspects of Brazil’s civil service resemble those of an advanced economy in sophistication and capacity. In contrast, as discussed below, some governments elsewhere are unable to conduct even relatively simple analyses of their own budget data.
- *Civil servants have prior experience of administrative and financial decentralisation* (for example, local governments should have sufficient discretionary resources available to undertake a PB programme which involves shared control of local resources). A favourable constitutional environment that makes explicit provision for decentralisation is also helpful (Navarro, 1998: 2).
- *The government can implement PB* — and subsequent increases in spending to poorer areas relative to better off ones — without alienating middle class or other key constituencies needed for political support. The experience of participatory budgeting in Brazil does suggest that, over time, the middle class bought into the programme because they saw themselves as beneficiaries of the improved quality of public services and did not feel excluded from the new civic processes (Schneider and Goldfrank, 2001).

- *Legislatures which are open to participatory budgeting* and which have the capacity to become key partners of civil society in realising its benefits. While the Brazilian experience has shown that legislative support for more ambitious models of participatory budgeting is not an essential condition for their successful implementation, other types of PB activities, such as budget analysis, are much more effective if the legislature is involved, as discussed below.
- *Successful implementation of PB may also correlate with the degree of economic development.* As Shultz (2002: 18) points out, budget work began in wealthy countries, then spread to middle income countries such as Argentina and Mexico and only recently has appeared in very poor countries such as Nicaragua and Uganda.

The above analysis suggests that different types of participatory budgeting policies will be appropriate for different local and national contexts. Indeed, as Brinkerhoff and Goldsmith (2000) argue, the introduction of participatory policies needs to be sequenced in order to increase the likelihood of their successful implementation. An initiative requiring the creation of new institutions and dedicated political processes will require a more favourable environment than that which would be required for effective civil society advocacy on budget issues, for example.

Participatory Budgeting and Representative Democracy

There is an ostensible conflict between the kind of radical participatory democracy as envisaged by the Porto Alegre model, and representative democracy as practised through periodic elections, which tend to involve a larger number of voters than “opt-in” participatory structures but a lower frequency and intensity of popular participation. As detailed below, parliaments have in some cases strongly resisted models of participatory budgeting that create parallel tracks for decision making outside of official democratic institutions, fearing they will erode the authority of parliament. The key role played by CSOs in mobilising citizens to participate in PB further raises the question of the representative legitimacy of these organisations compared with that of parliament.

The experience of PB in Brazil, however, suggests that the introduction of participatory democracy may actually improve the character of representative democracy, and that conflict between the representative and participatory

spheres may be healthy. Parliaments, especially in weak democratic settings, can become bastions of clientelism and pork barrelling¹¹. Schneider and Goldfrank (2001: 11-12) argue that participatory budgeting has “forced old actors to respond to demands that are more representative than a few powerful lobbies and electoral constituencies”, as was the case in Brazil before the introduction of PB. Along similar lines, Avritzer (2000: 34-35) argues that in late democratisation settings, mechanisms like participatory budgeting are able to transfer the egalitarian and democratic aspects of existing civic culture into the public or government sphere, which has had no experience with democracy and whose institutions — including parliaments — tend to be atrophied and, frequently, corrupt. The long-term risk, as de Sousa Santos (1998: 32) points out, is that as PB becomes entrenched, the very destabilising quality that makes participation valuable will lose its destabilising potential, with the emergence of a cadre of specialised participatory citizens who might ultimately come to resemble the legislative culture to which PB is, in part, a reaction.

Engaging with Participatory Budgeting: Challenges and Policy Recommendations for Key Stakeholders

This section analyses the political, institutional and external factors that constrain the ability of key stakeholders in participatory public expenditure management to engage fully and effectively with participatory processes. For each stakeholder, a set of preliminary policy recommendations is offered which detail ways in which these obstacles can be overcome and the level of engagement increased, where appropriate.

Governments¹²

Government engagement with participatory public expenditure management is often the critical factor behind the success and sustainability of such programmes. Predictably, governments seem to display three basic postures towards PB:

Proactive: Governments which are explicitly committed to popular participation — as an end in itself or as a means of enhancing economic and social justice outcomes — may initiate or lead efforts to implement participatory budgeting programmes. This type of government response remains, however, somewhat rare. As discussed above, in the context of more radical PB programmes, such attitudes are usually associated with left-wing political parties, such as the Workers' Party in Brazil, which are explicitly committed to introducing a form of participatory democracy. In some cases, the implementation of participatory budgeting may also be motivated by attempts to marginalise other centres of political and bureaucratic power, such as hostile legislatures or business groups.

Neutral: A more common perspective among developing country governments sees participation in the budget process as being politically obligatory, or even politically advantageous, but as of little practical significance. Governments use participatory rhetoric, and limited gestures towards increased budget transparency and community budget consultations, to assuage donors and reduce tensions with civil society, but they may not meaningfully engage with the process — at least initially. A typical example of this attitude among governments is the hiring of a public relations company to run a community budget consultation process in Cape Town (Badlander, interview). In this context, government action to open up the budget process to participation will still largely depend on the extent and effectiveness of external pressure placed on governments. However, over time, “learning” by governments about the benefits of participation, such as increased information flows and higher prestige with constituents, creates the

potential to shift governments into a more positive and proactive stance, as has occurred at the national level in Uganda over the past several years (see case study 2).

Hostile: Some governments view participation by civil society or legislatures in budget making with deep scepticism. They may view the increased transparency and accountability that usually accompanies participatory budgeting as a threat to their clientelistic relationships with particular sectors or interests. Governments hostile to participatory budgeting are usually highly secretive about the budget formulation process and limit the public availability of budget information.

Lack of Government Political Will to Engage with PB

The vast majority of developing-country governments at municipal, regional and national level will be either neutral or hostile towards participatory budgeting, at least initially. For that reason, lack of political will presents a substantial barrier to genuine government engagement with participation. Governments express the following concerns, some genuinely and some rather more opportunistically, about PB programmes and policies:

- It is more difficult to make the tough choices necessary between competing fiscal demands if budget formulation is subjected to public scrutiny. According to this argument, participation at the formulation phase — be it through a Porto Alegre-style process or by conducting formal pre-budget consultations with civil society — exposes the government to the external demands of different constituencies. This is said to inhibit the government's ability to pursue fiscal discipline and to make budget decisions in the overall public interest, with the balancing of competing interests that involves.
- Leaks of key features of the budget prior to presentation in the legislature will lead to speculation and may have a destabilising effect on markets (Krafchik, interview). This concern applies most directly when civil society groups or members of the legislature are brought into finance ministry-led budget formulation processes. This argument would not, however, necessarily preclude more extensive consultation or participation in the budget analysis, tracking and performance evaluation phases of participatory budgeting.
- Creating formal openings for budgetary participation will further strain their capacity and limit their ability to act decisively. Many developing-country governments are already under severe capacity constraints in trying to deliver sound budget policy (see discussion below). There is

**Case Study 2. The Uganda Debt Network: Building Trust between
Civil Society and Government**

The Uganda Debt Network is an advocacy coalition of over 100 NGOs in Uganda. Since 1999 it has been conducting budget analysis, tracking and performance evaluation, as well as working at local and district level organising budget consultations between local governments and communities. The UDN has since expanded its budget monitoring activities from 2 to 17 districts in Uganda. It conducts quarterly field surveys, using researchers and community members, to track the government's actual spending on poverty relief and other issues (Shultz, 2002: 19). The organisation is represented at several levels in the national budget process, including on the finance ministry sector and poverty eradication working groups, and is consulted on medium term expenditure framework issues. The budget process in Uganda is now described by UDN as being a highly transparent one, and Uganda is seen as an example for other nations, especially in sub-Saharan Africa.

Since its formation in 1996, the UDN has developed an unprecedented relationship with the government. "Over time", says Zie Gariyo, the head of the Centre, "interaction [with the government] deepens as experience deepens, and friendships and relationships are built". The strength of these relationships varies across levels of government and government departments — the UDN says it has a much stronger relationship with the Ministry of Finance than the Ministry of Agriculture, for example. Gariyo acknowledges that a potential pitfall of the UDN's work is that the organisation might become too close to the government and lose its critical voice, but he also points to the lasting gains made by the UDN because of this relationship, such as the fact that community-based monitoring of public expenditure at local level is now incorporated into budget processes at several levels of government.

The UDN says the challenge now is for it to maintain its capacity to "keep up" with government budget-making processes. The network has only two or three staff members currently capable of engaging with high-level government budget work. Its capacity is further constrained by the fact that at any given time some staff must be in the field to collect the kind of data about public spending and service delivery at the community level that will add value to government budget formulation processes.

concern that participation might force compromises that further dilute the effectiveness of government policies, or result in a loss of time and resources because:

- Creating the need for consultations with multiple civil society stakeholders is time-consuming and open-ended. At a municipal level, consulting with civil society might involve holding a series of public meetings to canvass community opinion on budget matters. Such consultations are mandated under the new Ugandan Local Government Act, for example, but are rarely implemented there because local governments feel they “don’t have the time” and that such meetings will open up a Pandora’s box of demands in the community (Gariyo, interview).
 - Involving governments in complex and drawn out negotiations with legislatures during the second, legislative review phase of the PB cycle can lead to very substantial delays in the passage of the budget. There can be damaging consequences for donor and investor confidence and in some cases for the reliable provision of public services. In Nigeria during the 2000 fiscal year, for example, there was a four-month delay in the passing of the federal budget because of a dispute between the President and the National Assembly, as the legislature sought to increase its role in fiscal affairs (Wehner, 2001a: 1).
- The representative legitimacy of civil society groups doing budget work is unclear. As the section below dealing with civil society argues, it is not always clear on whose behalf civil society groups engaged in specialised budget analysis, tracking or performance evaluation are speaking. This criticism has been made of IDASA in South Africa, for example, and can be used by governments to dismiss these groups’ critiques or justify only minimal consultation with them.
- The capacity of the poor to contribute meaningfully to “complex” discussions about budget settings. If it is argued that the poor themselves are the only genuinely representative voice of local communities, then governments will sometimes invoke the argument that these same people are unable to add value to discussions about fiscal priority setting. A typical complaint is that PB processes or public consultations simply result in “shopping lists” of demands from communities that do not reflect the scarce resources available (Badlander, interview). However, the extent to which a grassroots PB programme fails to define clear spending priorities is as much a function of the design of the programme, and specifically of whether it uses a structured process to make choices among competing items of expenditure, (as is the case with the Porto Alegre model), as it is of the capacities of the poor themselves¹³.

Government Capacity Constraints

Even when political will is not a major obstacle to government engagement with participatory budgeting, issues of government capacity — financial, intellectual and political — may present problems. While the literature on participatory budgeting and the efforts of advocates have largely been focused on improving the capacity of civil society to engage in budget work, and to a lesser extent on strengthening the role of parliaments, leading practitioners argue that the role of government capacity in making participatory budgeting work has been overlooked¹⁴. Even with good intentions on the part of governments, if government capacity itself is weak it will be much harder to guarantee the success of a participatory budgeting programme. If, for example, a government is unable to provide timely, useful and accessible budget information, participation and external scrutiny of the budget will be hindered. Government capacity may be constrained in several ways:

Personnel and Resources Gaps

Finance ministries may have weak capacity owing to a loss of senior personnel to multilateral agencies, the private sector or to NGOs who are able to provide them with more attractive remuneration, career opportunities and potential for impact. At the senior levels required to undertake sophisticated budget policy, the loss of highly skilled personnel is a major challenge for many developing country governments.

A related problem is the erosion of in-house government policy-making capacity in developing countries, due to the prominent role of the World Bank and the IMF in fiscal policy making. As Chabal and Daloz (1999) have argued, finance ministries in many countries are now so dependent on these organisations that some no longer feel confident doing their own work.

More generally, some government departments may simply lack resources, personnel or IT capacity. This makes a range of tasks — from regularly publishing detailed budget information over the internet for the benefit of civil society and the media to conducting detailed consultations with civil society actors on budget matters — impractical or unaffordable. For example, in Nigeria as recently as the year 2000 the national budget papers were not available in printed form and as such civil society and the public at large did not have access to full budget figures (Wehner, 2001a: 3).

An even greater financial and logistical challenge is the implementation of a large-scale Porto Alegre participatory budgeting programme. As noted below, such a programme requires significant resources, the setting up of a fairly complex administrative apparatus to support the activities of the PB organs created and highly skilled civil servants.

Analytical Skills

Weak analytical capacity can hamper the implementation of PB programmes.

Civil servants may lack the interdisciplinary skills to analyse the impact of the budget across sectors or on different policy objectives, such as on poverty reduction or the needs of children, (Krafchik, interview). This leaves the task of such analysis – necessary to illuminate the policy trade-offs and value choices underlying the budget — to civil society or the legislature, neither of which may be well positioned to do so.

Governments themselves may not be in a position to analyse the discrepancies between budgeted programmes and actual spending, to track what happens to funds once they have been disbursed or to evaluate the impact of services delivered at the local level. For example, before the implementation of the Public Expenditure Tracking System (PETS), a participatory assessment tool to track education spending in Uganda, the government was simply unaware that only a fraction of the money designated for primary schools in the budget was actually reaching local communities down the line¹⁵. This lack of basic knowledge makes the task of starting a serious conversation with government around these issues an especially difficult one.

Political Management Skills

Governments may lack the political management skills to deal effectively with civil society, legislatures or broader-based participatory structures. Governments who have had limited exposure to participatory methodologies in other policy areas, or who are not used to dealing with civil society or even to negotiating with legislatures, may adopt an adversarial attitude to participation, or simply not have procedures and clearly identified personnel in place to mainstream the results of participatory processes into policy decisions.

*Recommendations to Promote Greater Government Engagement
in Participatory Budgeting*

As identified above, the major obstacle preventing greater government engagement with participatory budgeting programmes is lack of political will and weak government capacity. Overcoming government resistance to opening up the budget process is partly a function of effective and focused external pressure from civil society and their partners (see recommendations for civil society in the following section). However, several other factors will also help shift government policies towards budgetary participation:

Governments should work more closely with civil society to leverage additional knowledge and capacity. Governments can realise concrete benefits from forming closer relationships with civil society. Some examples of civil society's potential value-add include:

a] Specialised civil society groups doing budget work can bolster weak budget-making capacity by providing valuable budget analysis on a range of aspects of the budget, such as its implications for specific sectors or groups. Organisations such as IDASA and UDN have become indispensable to their governments by providing consistent and high quality analysis feeds into the budget formulation and review processes. These organisations may even be in a position to train public officials in the tools of budget analysis.

b] Participatory budgeting can provide governments with valuable information flows about the use or misuse of public expenditures at a local level and the quality of service delivery. Gariyo (interview) recounts the simple example of how community consultation in a Ugandan village alerted the municipal government to the fact that a local official was using steel shafts that were intended for the construction of the roof of the local school for his own home. This kind of micro-level information is only feasible to obtain using participatory methods. Civil society groups are also often better able to gather information during the performance evaluation phase of the participatory budgeting cycle, for example through detailed surveys and interviewing of local communities often called community impact assessments, which are designed to gather feedback on the quality of public services that have been budgeted for.

c] Civil society groups are usually better positioned than governments to explain budgets to ordinary people in more accessible language, and to disseminate this knowledge to local communities. In effect, civil society acts as a powerful information and distribution network helping to bring public officials closer to the people, which is often politically advantageous for governments.

Civil society advocates and donor agencies should emphasise the political benefits for governments by pursuing PB. Government officials and other participants in PB programmes argue that, over time, well-designed PB programmes can be political windfalls for the political parties who implement them, leading to an increase in trust in government and more realistic management of expectations about budget outcomes and the capacities of government¹⁶. Rather than simply producing a shopping list of demands, when communities are presented with clearly defined choices among competing spending priorities they develop a deeper appreciation of the trade-offs involved. People develop a level of patience — if they see that the demands of a neighbouring community are met this year, they may be more prepared to wait until next year until the full benefits reach them, especially if they have a sense of the fiscal constraints under which the government is operating (Vergarra, interview).

Multilateral and bilateral donor agencies should fund capacity building on budgets within governments, including increasing the capacity of government agencies and staff to work with civil society, when that increased capacity is accompanied by measures to improve transparency and introduce additional, institutionalised avenues for participation.

Civil Society

As the bridge between citizens themselves and the key institutional stakeholders who make budget decisions, civil society's role in participatory budgeting is crucial. As the OECD DAC Ad Hoc Working Group on Participatory Development and Good Governance (1997: 3) noted, government-driven technocratic approaches to participation tend to fail “without effective local demand for change, expressed through local constituencies and locally based skills for building grassroots and national participation”.

Political Dilemmas for Civil Society

Civil society faces a number of political dilemmas and constraints in leading the push for participatory public expenditure management.

To What Extent Should Civil Society Engage with Government?

There is a debate within the different sections of civil society involved with participatory budgeting — between those who could broadly be characterised as committed to pursuing incremental change, mainly by building sustainable relationships with the administrative apparatuses of government, and those who advocate a more ambitious participatory and political agenda, which might involve a more adversarial stance towards government. The incrementalists, such as IDASA in South Africa and the Ugandan Debt Network, view themselves as partnering with government “while retaining the right to be critical”, as Warren Krafchik puts it. Where governments are hostile to participation, however, oppositional strategies may have more impact. Shultz (2002: 23) points out that most CSOs doing budget work end up playing both insider and outsider roles.

How Representative is Civil Society?

At the national level, where civil society requires an increasingly sophisticated skill-set to contribute meaningfully to policy discussions, there is a question around how genuinely representative or inclusive of the poor CSOs doing budget work are. Those with the capacity to do budget analysis of the kind IDASA does, for example, are highly educated middle class elites. They have often cultivated strong relationships with members of the legislature and the national media but may not be so well connected to local communities. While these organisations usually intervene in favour of pro-poor policies, their advocacy agenda may not arise from any kind of comprehensive consultative process with poor people.

Even those organisations that do operate at a grassroots level may have weak and undemocratic governance processes, and do not face the kind of scrutiny that governments and legislatures, at least in theory, are exposed to. A substantial literature has criticised NGOs on this basis¹⁷.

Conflict

As Songco (2001) notes, there is a risk that of conflict among different sectors of civil society, especially those concerned with poverty reduction, when participatory programmes are introduced at the formulation stage. CSOs tend to advocate increases in budget allocations for their issue areas, which may be inconsistent with overall fiscal constraints. To some extent, Brazilian-style PB has overcome this by introducing generally agreed criteria for prioritising among competing expenditure items.

Capacity Challenges for Civil Society

Like other key stakeholders in participatory budgeting, civil society organisations and poor people themselves face a series of capacity challenges that determine their ability to agitate for, and participate effectively in, PB programmes. Shultz (2002) suggests several different types of civil society capacity, employed here.

Technical and Organisational Capacity

CSOs must be able to provide valuable inputs into budget formulation, analysis and tracking, or they risk losing credibility with governments. They must be able to “keep up” with pace of the government budget cycle. At higher levels, this demands highly skilled staff and adequate resources to enable CSOs to work at the level of finance ministry officials charged with technical aspects of the budget, as well as political negotiation skills in consultations with those who are principally concerned with the policy and political implications of the budget.

They must be able to gather needs assessment and feedback information from the poor about their experience of public services that governments, because of their lack of proximity to local communities, may lack the capacity to do.

Translation Capacity

As Shultz (2002: 20) argues, CSOs need to be able to communicate clearly to the general public and to poor communities about budget issues and participatory processes. This includes:

Using the media: CSOs can use the media for information dissemination, civic education and advocacy purposes. At a local level, community radio can be used to create community dialogue about budget issues, a necessary precondition for meaningful participation. For example, the UDN in Uganda sponsors radio programmes in some districts for local government officials to come in and listen to the budget needs and concerns of community members. In countries such as Zambia where the media environment is dominated by the state or where independent media are subject to government intimidation, this may be more difficult to achieve (Wehner, 2001b: 5).

Training poor people to participate: The Porto Alegre experience has shown that a process of learning takes place over time by all stakeholders in participatory budgeting programmes. Initially there may be little public interest in budgets, and no genuine understanding of how budgets work. Civil society organisations,

particularly at a grassroots level, can help manage the expectations of communities about the outcomes of participatory budgeting programmes and the role they are expected to play, and can help ensure the sustainability of participatory programmes by training poor people in participatory methods. As Songco (2001: 12) argues a balance needs to be struck between the role of intermediary groups like specialised CSOs and the participation of the poor themselves in participatory public expenditure management.

Strategic and Mobilisation Capacity

A further challenge for civil society is to be able to build public pressure out of the demands that arise from participation. For example, if tracking of public expenditures by civil society groups reveals that only a fraction of funds meant for local authorities actually reaches them, the challenge for civil society is then to turn these findings into politically salient and specific demands on governments, and to use their mobilisation capacities within communities and with the media to launch campaigns based on these results.

Budget analysis organisations need strong links to legislatures and other civil society groups because it is they who will carry on the work outside of the budget cycle. Strengthened legislative and civil society capacity to engage in policy and resource allocation debates means that these groups will be able to present governments with serious policy critiques and alternative proposals (International Budget Project, 2000: 2).

Recommendations for Strengthening CSOs' Role in Participatory Budgeting

- i) *Increased funding for civil society to engage in quality, sophisticated budget analysis, tracking and monitoring activities* including hiring of technical staff to match top government skill-sets. While ideally legislatures would take a leading role in budget accountability and analysis, that is not always practical, at least in the short-term as is discussed below in the section dealing with legislatures. In that context, civil society needs to be adequately funded to fill the gap. Private foundations such as the Ford Foundation — which currently fund hundreds of civil society groups around the world to do this kind of work — as well as national donor development agencies, are best positioned to provide this funding. Funding from multilateral agencies such as the World Bank might compromise CSOs' ability to be active critics of overall fiscal policy settings that are often shaped by multilateral agencies or the PRSP process (Shultz, interview).

- ii) *CSOs should campaign for and launch effectively targeted pilot programmes for bottom-up participatory budgeting in countries with already transparent budget regimes and neutral or receptive governments. This could be phased in along the lines suggested in Bangladesh in case study 3 below, with an initial focus on analysis and monitoring shifting to more direct forms of participation. The ultimate political objective for civil society in some contexts may be the implementation of new participatory structures involving shared control of budget resources, as in Brazil.*

**Case Study 3. Phasing in Participatory Budgeting Policies —
National Budget Work in Bangladesh**

A pilot programme implemented by a group of researchers from the Institute for Development Policy Analysis and Advocacy working with activists from NGOs and the media in Bangladesh since 1995 offers a useful model for how to sequence participatory budgeting initiatives in a way that maximises their impact and potential sustainability. In the first phase of the project, a review of budgetary practices and the impact of the national budget on poverty was conducted, finding that the poor were excluded from budget processes and that there was a serious leakage in the flow of resources allocated for the poor. In the second phase of the project, an innovative participatory appraisal study was conducted in the slums of Dhaka to determine people's understanding of budget issues and the impact of the budget on their livelihoods. In the third stage of the project, the group is advocating a comprehensive participatory budget process in Bangladesh, including decentralisation of the budgeting system to give more resources and authority to local governments, and the use of a range of participatory instruments in the budget formulation and feedback phases, including formal consultations and the use of citizen juries, opinion polls and social attitude surveys.

Source: Cagatay *et al.* (2000).

- iii) *National CSOs must work to cascade down budget work to the poor and civil society, teaching communities participatory methodologies and how to conduct community needs assessment and public expenditure monitoring. The kind of high-level budget work done by specialised civil society organisations should not be done in isolation from more grassroots participatory work. Community-based participation provides valuable information to organisations working at a higher level about the needs and demands of poor communities, and is an important end in itself, helping*

communities to develop a consciousness that public services and information about how governments are spending their money are rights. Moreover, as Utzig (2001: 9) argues, part of the success of the Porto Alegre model is in the fact that the process was open to all citizens, rather than just the leaders of neighbourhood associations and popular movements. Examples of this kind of capacity building include the work of the Brazilian Institute of Social and Economic Analyses (IBASE), which provides training to members of civil society and to the delegates involved in participatory budgeting in 100 cities and, in a developed country context, the budget schools run by the Canadian Centre for Policy and CHOICES to impart technical information about budgets to citizens and CSOs, and to get input into and disseminate the Alternative Federal Budget¹⁸.

iv) Recommended implementation strategies for civil society and their coalition partners

Concerted pressure from civil society, the media and “champions” of participatory budgeting within the legislature is essential to convincing neutral or hostile governments to increase budget transparency and to open up the budget process to new channels for participation. As one civil society advocate in Bolivia put it: “the World Bank having a cup of tea with the government telling them about the benefits of participation won’t work; aggressive domestic political pressure will” (Shultz, interview). As discussed elsewhere in this paper, that pressure works best when civil society, taking the lead, forms coalitions with parliamentarians in recognition of their common interests, while leveraging the media to draw attention to issues such as government secretiveness about budget information, the specific policy implications of the budget and the proper uses of public expenditure. A number of advocacy strategies can increase the effectiveness of external pressure:

a) Position budget transparency and participation as a corruption issue. In many developing countries, the fight against corruption is a major policy issue that resonates strongly in the media and with key domestic political constituencies. Governments are also highly sensitive to the perceptions of external donors and investors about corruption of other “good governance” policies. Advocates can make the case that increased budget transparency and participation reduces opportunities for clientelism and corruption, for example through tracking of expenditures by civil society organisations to ensure that public expenditures actually reach their intended recipients, and that budget appropriations match actual spending and are used efficiently. The experience of the civil society push for participatory public

expenditure management in Nicaragua, which was explicitly linked to an anti-corruption campaign, suggests this strategy can be effective (Shultz, interview). In the same way, it may be politically useful for governments themselves to use participatory PAM policies as a way of enhancing their anti-corruption credentials, and to justifying their introduction to resistant elements of their domestic support base.

b] Use report cards, such as those pioneered by the Public Affairs Centre in India, which provide a well publicised and credible account of the state of the country's public services¹⁹. Transparency report cards could also be used to draw attention to government progress in providing publicly available budget information and to the extent of civil society consultation in budget formulation.

v) *Broadened advocacy agenda. CSOs' advocacy agenda on participatory budgeting could also be broadened:*

a] Linking budget advocacy to human rights: As Shultz (2002: 32) argues, summarising the consensus at a civil society meeting to consider the links between budget work and human rights, "at a minimum, it would benefit groups involved in budget work to study agreements which bind their governments to standards of economic, social and cultural rights, and to explore how these obligations might be used to political and legal advantage".

b] Examine the revenue side of pro-poor budgeting: As Cagatay et al. (2000) point out, existing budget initiatives tend to emphasise the expenditure side, even though revenue decisions can be equally important in their implications for income distribution and poverty outcomes. Shultz (2002: 24) has urged civil society to scale-up its analytic work on taxes and revenue because "advocacy on taxes is a means of assuring that governments have the resources to meet people's basic needs". In recognition of this, initiatives such as the Alternative Federal Budget of the Canadian Centre on Policy Alternatives provide a comprehensive set of alternative proposals about the level and proposed sources of government revenue, as well as detailed spending proposals.

Legislatures²⁰

Legislatures have a critical role to play at all stages of the participatory budget process:

- *Formulation:* Parliament can make demands about spending priorities for specific sectors or policy areas before the budget is submitted to it.
- *Analysis:* Once the budget is submitted in the legislature, parliamentary analysis and review of the of the budget may lead to amendments, or in exceptional cases a refusal to approve budget appropriations. The analysis phase is where parliament would be expected to play its most significant role in the PB cycle.
- *Tracking and performance evaluation:* Parliamentary research units may produce valuable analysis that tracks the use and destination of approved expenditures, and help to conduct impact assessments that evaluate the effectiveness and efficiency of public spending.

Moreover, legislatures can contribute to the goals of participatory budgeting.

An active role by legislatures in budget making and budget review provides a check on the unconstrained exercise of fiscal authority by a strong executive branch. Pressure from parliament is likely to increase budget accountability and transparency, from which civil society groups will also benefit. A strong and independent role for parliament in budget matters is especially important in Presidential systems with independently elected executives where the mandate of parliament is defined partly to act as a counterweight to executive power. In countries such as Zambia, where substantial government spending takes place through issuing presidential warrants, this role for parliament takes on even greater significance (Wehner, 2001b).

Parliaments may better express the popular will. As direct representatives of the people they may more accurately reflect the views of key social groups than the executive branch or (unelected) civil society organisations, especially if good information flows exist between elected representatives and local constituents.

Parliamentary participation does not necessarily preclude parallel processes for direct participation in the budget process. Moreover, especially at a national level parliamentary participation in the budget process may be the only practical proxy for more grassroots forms of participation in overall fiscal priority setting. In some countries with weak civil societies or participatory traditions, parliamentary involvement may be the only viable channel for participation, at least initially. As the World Bank PRSP review argued, sustainability of participatory policies depends on the extent to which they are built on existing processes and political structures such as parliament.

Alliances between legislatures and civil society have encouraged the development of more directly participatory policies at the community, municipal and state level. Moreover, as the leading civil society organisation involved in budget work in Zambia has argued, unless the legislature has practical power to amend the contents of the budget, efforts by civil society to influence the budget are futile because nothing can be done to change the proposition once it is submitted for legislative approval (Wehner, 2001b).

Parliamentary Resistance to PB Programmes

While in some countries parliaments have enthusiastically embraced alliances with civil society groups in order to provide a check on executive government dominance of the budget process, in others they have strongly resisted civil society involvement in budget making. This has occurred on different levels, depending on the type of participatory budgeting programme:

In some cases, governments have undertaken detailed consultation with budget advocacy groups, while legislatures are bypassed until the legislative review phase. As noted elsewhere, in Uganda this has reached the point where representatives of the Uganda Debt Network now sit as members of ministry of finance budget formulation committees. Some parliamentarians there resent the prominent role of civil society (Gariyo, interview), and may see this as way of governments trying to undermine their role as an independent source of political power and as a means of keeping the executive branch in check.

More radical participatory models are often viewed as a threat to parliaments. PB programmes such as those found in Brazil are seen by legislatures as having much broader and potentially damaging consequences for the legitimacy and importance of parliament as a democratic institution, as well as for parliament's control of resources. Parliaments are again concerned that they will be sidelined by a strong coalition of governments and the PB apparatus. Utzig (2001: 16-17) has documented the intense struggles between the legislature and the government-submitted budget (which incorporates the results of PB) during the legislative budget review period in Porto Alegre. This is exacerbated by the fact that opposition parties have usually controlled the legislature in Porto Alegre, although despite this PB-developed budgets have usually passed the legislature with only relatively minor amendments owing to strong government and community pressure. Schneider and Goldfrank (2001: 5-6) describe how parliamentary opposition to PB was even greater and more coherently organised when the programme was introduced at a state level in Rio Grande do Sul in the late 1990s. Opposition parties in the state legislature sought to sidetrack PB by

creating or maintaining their own PB programmes that were in fact only minimally participatory. The extent to which participatory budgeting in Brazil has actually undermined the legitimacy of the legislative branch in Porto Alegre is contested — Utzig (2001: 19) argues that Parliament retains a key role in the budget process, and that “by reducing the gap between society and state institutions ... the whole [formal] decision-making process becomes more legitimate”.

*What are the Constraints on Parliamentary Capacity to Engage
in Budget Work?²¹*

The ability of national or state parliaments to be effective actors in budget-making processes is severely constrained in many developing countries. As the above discussion makes clear, this is likely to hamper the transparent and participatory character of budgets significantly unless the executive branch has effectively bypassed parliament and established parallel participatory processes with civil society actors.

Institutional “Capture”

Institutional “capture” of parliament by the executive branch has been well documented in the political science literature²². In many developing countries, Parliaments are not simply weak but they are dominated by ruling parties and hence have very little incentive to scrutinise or challenge budgets. In some countries, such as South Africa, members of parliament belonging to the ruling party tend to see their legislative careers as simply a stepping stone into the executive branch, and so are disinclined to take independent positions from the government on critical policy issues such as the budget. This contrasts with countries with strong parliamentary traditions, such as the United States, where membership of a Congressional budget or finance committee is often regarded as a career objective in itself, and where political actors take the principle of parliamentary scrutiny very seriously.

Formal Conferred Powers

In many developing countries, the formal conferred powers of parliament to amend budgets are explicitly limited. Because of the critical importance and political sensitivity of the budget, the ability of parliaments to review or amend the budget tends to be relatively even more circumscribed than other legislative powers. Restrictions on the ability of parliaments in relation to making increases

in expenditure are common, although parliaments generally have much greater scope to enforce decreases in expenditure (Krafchik and Wehner, 2001). In some countries, Parliaments are only empowered to “consider” budget estimates, not to amend them in either direction²³. Even when Parliaments have some formal powers, the ability of governments to authorise expenditure using presidential warrants or other discretionary tools are extensive.

Parliamentary Committees

The presence of strong and independent parliamentary committees is critical to effective parliamentary engagement in the budget process, and to government budget accountability itself. Parliamentary committees, once introduced, are hard to remove and they provide a permanent structure to help ensure budget accountability regardless of a government’s stance towards participation. In many developing countries, parliamentary committees dedicated to budget and finance either do not exist or are weak. In some cases, parliamentary committees are only empowered to make broad recommendations to the floor of the house. Krafchik and Wehner (2001) have found that the ability of a parliamentary committee to recommend actual amendments to the deciding house is important in informing detailed parliamentary debate, which in turn is more likely to lead to the passage of budget amendments. Sweden’s budget process is often cited as a success, in part because of the key role played by parliamentary committees, which includes budget formulation powers (Bengtsson and Mattson, 1998).

Legislative Review

A further critical constraint on parliaments is the time allotted for legislative review during the budget cycle. The period of legislative review is a critical one because it is during this window of time that parliament, as well as civil society and members of the public, debate the contents of the budget. There are two dimensions here:

- International experience suggests that three months is a minimum time requirement for a meaningful parliamentary budget process (Wehner, 2001a, b). In many developing countries, this window of time is significantly smaller, hampering the ability of parliaments to conduct a detailed analysis of the budget and to develop substantial proposals for amendments. In Honduras, for example, parliament has just 72 hours to approve the budget

based on a limited set of information about the government's spending plans, a review phase that effectively renders parliamentary involvement in the budget process meaningless (Shultz, interview).

- A detailed committee process increases the likelihood of parliament making amendments to the budget.

Capacity and Resources of Legislatures

In most developing countries, legislators have substantially weaker technical capacity and resources to engage in budget work than does the executive branch, hindering their ability to be an assertive presence in budget policy. There are two major dimensions of this constraint:

Legislators Lack the Confidence to Insert Themselves Into Budget Discussions

In many countries, legislators perceive the budget-making process as an obscure technical process, driven by finance ministry economists, which they do not understand and which they are not able to contribute to meaningfully. This is especially the case in countries, such as Uganda, where most elected representatives are not highly educated and have received no basic training in macroeconomics, finance or other disciplines that would be useful to budget analysis. This lack of confidence is in some ways unfounded. Legislatures only need ensure that budget items are in alignment with government policies — a relatively simple analytical task — to ensure a minimum level of government budget accountability. Moreover, as the Porto Alegre experiments have shown, the weighing up of competing spending priorities involves debates about underlying values and an empirical assessment of the needs of communities, neither of which necessarily demand any specialised knowledge.

Parliaments Lack Independent Research Capacity to Conduct Budget Analysis

Some aspects of budget analysis do, however, require a level of technical capacity that legislatures may lack. For example, the impact of the budget on key policy areas or on target groups such as women and ethnic minorities will generally not be transparent simply by analysing the budget by line item. In many mature democracies, parliaments will have at their disposal research units that

are independent of the executive branch to assist in the tasks of budget analysis, and in some cases to monitor the effective use of disbursed funds and evaluating the impact of budget spending. Perhaps the best-known and most sophisticated example of such in-house technical and analytic capacity is the United States Congressional Budget Office. As Krafchik and Wehner (2001) identify, models for such units vary from those which are dedicated to budget analysis and separate from other parliamentary research services (as exist in the United States and the Philippines) to dedicated budget units within parliamentary research units (the model used in Poland) to general parliamentary research units with the capacity to undertake budget analysis when required (e.g. the United Kingdom and Germany).

*Recommendations for Increasing the Effective Involvement
of Parliaments in the PB Process*

- i) *Legislatures need some level of in-house technical expertise to contribute meaningfully to the budget process.* The US Congressional Budget Office model of research capacity is not realistic in most developing country contexts; but a minimum level of in-house capacity is affordable and practical to implement. The provision of adequate research capacity can cost an additional 5-10% of Parliamentary operating budgets (Krafchik and Wehner, 2001).
- ii) *Domestic stakeholders and donor agencies should argue for an increase in the powers of the legislature to amend and review budgets.* A first step would be giving parliaments power to propose decreases in spending, which is considered a minimum requirement for any meaningful legislative role in the budget process (Wehner, 2001a).
- iii) *Expand the role of Parliamentary Committees in budget process.* In some cases these committees will need to be introduced from scratch. In cases where existing committees are weak, a first step would be to give them the right, under parliamentary standing procedures, to propose specific budget amendments to the floor of the house.
- iv) *The legislative review phase of budget cycle should be extended to allow more time for public and legislative scrutiny of budget proposals.* Where possible, this should be constitutionally enshrined, and require the government to submit the budget a minimum of three months in advance.

- v) *Legally mandate detailed monthly or quarterly public expenditure reporting to parliament as part of a broad government accountability regime.* A basic element of such reporting would be a projection of actual spending figures against budget allocations to see how much of the budget has actually been implemented.
- vi) *Form alliances with civil society.* Despite the potential threat sometimes posed by civil society to the central role of legislatures in the budget process, in many cases these alliances are politically critical. Both civil society and the legislature need access to the same accurate, detailed budget information from governments in order to do their jobs. Moreover, civil society's work can provide invaluable political information for legislators. For example, the IDASA-led South African Children's Budget, which analyses the impact of the South African budget on children across a range of policy areas, has become a major policy and advocacy tool for the South African legislature (International Budget Project, 2000).

Concluding Observations

This brief has argued that participatory budgeting matters. By reshaping both the substantive content of public budgets and the process of budget policy-making in developing countries, PB can have far-reaching effects on poverty reduction and social justice outcomes, citizen empowerment and public learning, and confidence in nascent or precarious public institutions.

The initial results of experiments in participatory public expenditure management are promising, though participation is not without risks for existing democratic institutions and for the integrity of the policy-making process. Participatory processes that emphasise civil society participation while marginalising the role of legislatures risk damaging the legitimacy of what may be the only institutional counterpoint to executive power. There also exists the serious potential for participatory processes to be hijacked by interest groups or local elites, or for participation simply to become a venue for distributional conflict, both of which would distort the resource allocation decisions made using such processes.

Realising the benefits of PB requires that governments, civil society and legislatures are *willing* and *able* to play their part. This brief suggests that participatory budgeting will be most effective when domestic stakeholders are politically committed to the participatory process, have sophisticated technical capacity, and are willing to form strategic alliances and build relationships of trust without jeopardising the more radical aims of participation itself.

This brief has also emphasised the importance of sequencing the different policies and programmes that come under the rubric of participatory public expenditure management in a way that reflects different social and economic conditions in developing countries. Brazilian-style participation in budget formulation has very different implications for public institutions and the budget process itself than modest attempts at budget analysis by specialised civil society groups. Capacity to participate and confidence in the participatory process among partners are built over time. Experiences in Uganda, Bangladesh and elsewhere show that participatory policies can be progressively “ramped up”, and the success of the Porto Alegre experiments shows that an ambitious, citizen-focused and citizen-controlled model is possible, but will not be the initial focus in many countries.

External actors, including bilateral and multilateral donors and private charitable foundations, are best positioned to advance the phasing in of PB programmes by helping all domestic stakeholders to build their capacity to participate effectively. Depending on the national context, this will include some combination of funding for civil society budget work and, where there is some openness to participation, offering expertise and resources to strengthen the capacities of government departments and legislatures. These actions can improve the quality and accessibility of public budget information and create an enabling environment for governments and parliaments to work with civil society. External actors should also lend their legitimacy to appropriate PB programmes so as to help overcome weak political will on the part of governments. At the same time, external actors should avoid the temptation to impose participatory budgeting programmes on developing countries. As this brief has suggested, this may not be sustainable in countries with little experience of participation.

Participation in public expenditure management is still a new frontier for policy making. As experiments proliferate in the coming years, future research should continue to identify best practices and to carefully specify which programmes are most appropriate for different social and economic contexts.

Notes

1. Frank Knox Fellow, Kennedy School of Government, Harvard University. This Brief was completed while the author was Research Associate at the OECD Development Centre. Questions or comments are welcomed and should be directed to the author at jeremy_heimans@ksg02.harvard.edu
2. This brief uses the term participatory budgeting (PB) to refer to the full range of policy instruments that Wagle and Shah (2002) call participatory public expenditure management, not simply to the programmes for popular participation in budget-making that were pioneered in Porto Alegre, Brazil, as the term is sometimes used.
3. The focus here is mainly on those challenges and constraints that *cut across* the different phases of the PB cycle and the different types of programmes set out here. Emphasis is also placed on those issues of capacity and political will that are common to municipal, state and national levels of government, although in some cases the analysis will be more relevant to one level of government than another. While principally concerned with the key internal stakeholders in PB — governments, legislatures and civil society — some consideration is also given to the role that external stakeholders such as donor agencies and multilateral organisations can play.
4. As Schneider and Goldfrank (2001) point out, traditional theorists of participatory democracy such as Mansbridge, Pateman and Dahl have emphasised small-scale or local citizen participation because they view large-scale participation as either impractical, or more likely to become majority-driven and conflictual. These theorists do not account for the potential impact of communications technology in overcoming at least some of the practical barriers to mass participation.
5. Among the most spectacular results in Porto Alegre largely attributed to participatory budgeting are an increase in the number of households with access to water services from 80 to 98 per cent; a rise in the percentage of children served by municipal sewerage systems from 46 to 85 per cent over the same period; a doubling of enrolments in public schools and, perhaps most strikingly, an increase in tax revenue collected of over 50 per cent (Schneider and Goldfrank, 2001).
6. For a detailed description of the structure and organisation of Porto Alegre style participatory budgeting programmes, see for example Wampler (2000) or de Sousa de Santos (1998).
7. The Public Expenditure Tracking System in Uganda is explained at www.worldbank.org/participation/web/webfiles/cepemcase5.htm
8. Attempts to link PRSPs and participatory budgeting initiatives are still nascent and relatively poorly defined. The World Bank says it is committed to incorporating PB into the PRSP as the latter becomes a more established policy instrument (Thindwa, interview).

9. See for example, Fung and Wright (2001).
10. Even in Porto Alegre, where PB has been hugely popular, the system remains somewhat precarious — the programme is still not enshrined in law, and the Parliament has recently tried to legislate to reduce dramatically the scope of PB activities (Utzig, 2001). There is also no guarantee that the programme will survive a change of government there. Nonetheless, the broad political popularity of the Porto Alegre model, its success in winning middle class support domestically, and the enthusiasm it has generated among key donor and multilateral agencies, suggest it would be difficult to uproot.
11. See for example Niskanen (1971) or Buchanan (1987).
12. Governments are defined here to include the national, state or municipal level executive branch and its administrative apparatus. Where the analysis presented applies to certain levels of government and not to others, that is noted.
13. De Sousa Santos (1998) gives the following example of how priority setting occurs under the Porto Alegre system. In 1997, the allocation of expenditure on new street pavement in 16 regions of the city was determined by the relative priority given to this expenditure item by the different regions. The amount distributed depended on three criteria and a relative weight for each: "Take two regions: *Extremo Sul*, a region with 80.21 per cent need of pavement and the *Centro* with 0.14 per cent. Concerning the need criterion, which carried a general weight of 3, the *Extremo Sul* had the highest grade (4) and accordingly got 12 points (3X4), while the *Centro*, with the lowest grade (1), got 3 points (3X1). Concerning the criterion of total population, which carried the general weight of 2, the *Extremo Sul*, with a population of 20 647 inhabitants, had the lowest grade (1) and hence got 2 points (2X1), while the *Centro* with a much bigger population (293 193 inhabitants) had the highest grade (4) and hence got 8 points (2X4). Finally, concerning the criterion of the priority given by the region, which carried a general weight of 3, the *Extremo Sul* gave the highest priority to pavement and, accordingly, had the highest grade (4) and thus got 12 points (3X4), while the *Centro* gave a very low priority to pavement and thus had the lowest grade (0) and consequently no points (3X0). As a result, the total sum of points of the *Extremo Sul* in the item of street pavement was 26 points (12+2+12) while the *Centro*'s total sum was 11 points (3+8+0). Since the global number of points for all regions was 262 points, the *Extremo Sul* received 9.9 per cent of the investment, that is, 1 985 metres of street pavement, while the *Centro* received only 4.2 per cent of the investment or 840 metres of pavement".
14. This view is shared widely among PB practitioners within the World Bank, by budget advocates at the International Budget Project, and by those working at community level in developing countries, such as the Ford Foundation and Jim Shultz's Institute for Democracy.
15. For more information about the use of Public Expenditure Tracking Systems, see http://www.worldbank.org/programs/public_services/topic/tools.htm
16. The implementation of PB in Brazil has been a key driving factor behind the continued electoral success of the Workers' Party in Porto Alegre and Rio Grande do Sul, which has been consistently supported by between 55 and 75 per cent of the population in these regions (2001). It is however very difficult to generalise beyond the Workers' Party experience in terms of the concrete political impact of implementing different kinds of PB policies.

17. See for example Fowler (1991).
18. See Cagatay *et al.* (2000) for a discussion of alternative national budgets in the Canadian context.
19. For more information about this tool, see www.pacindia.org
20. The discussion of parliaments here uses examples mainly drawn from the national level though it mostly applies to state and regional legislatures also. Indeed, some of the capacity constraints facing parliaments discussed here may be particularly acute at state or regional level. The focus is on national parliaments because it is at this level where parliamentary participation seems to have the greatest relative importance, considering the difficulties associated with broad-based popular participation in national budget making.
21. The analysis of the constraints on parliamentary capacity set out below relies in large part on the findings of Krafchik and Wehner (2001) and Wehner (2001a; 2001b), and generally on the work of the International Budget Project and IDASA in analysing the issue of parliamentary engagement in the budget process across a range of countries.
22. Carl Schmitt's (1985) analysis of the role of parliaments during the Weimar Republic is one example.
23. This was the case in Uganda before the implementation of the Budget Act 2000, which significantly expanded the legislature's budget powers.

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