

ASIAN DEVELOPMENT BANK

TAR:TRA 36662

TECHNICAL ASSISTANCE
(Financed by the Governance Cooperation Fund)

FOR

CIVIL SOCIETY PARTICIPATION

IN BUDGET FORMULATION

IN THE PACIFIC

October 2003

ABBREVIATIONS

ADB	–	Asian Development Bank
CGA	–	country governance assessment
NGO	–	nongovernment organization
PDMC	–	Pacific developing member country
PPA	–	participatory poverty assessment

NOTE

In this report, "\$" refers to US dollars.

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I. INTRODUCTION

1. The Pacific Strategy for the New Millennium 2000–2004¹ focuses on five strategic objectives: (i) sound economic management, good governance, and public sector reform; (ii) private sector development; (iii) improvement of women's welfare in the social, economic, and political spheres; (iv) support for sustainable environment management; and (v) support for poverty reduction as a unifying theme. The strategy emphasizes the importance of economic development being participatory and inclusive, particularly if the benefits of economic development are to be shared more equitably than in the past and suggests that wider involvement of nongovernment organizations (NGO) and stronger ownership of the development strategies and reform agenda by the governments of the Pacific developing member countries (PDMC) become a priority.

2. Preliminary findings of the country governance assessments (CGA), conducted in six of the PDMCs², indicate that few mechanisms are in place to encourage the participation of civil society, particularly social NGOs, in the resource allocation process through the annual budget formulation. In several PDMCs, members of civil society are consulted for the development of overall strategic directions. For instance, in Fiji Islands, development strategies are devised through convening a national summit, or in Samoa, the Strategy for the Development of Samoa 2002–2004 Opportunities for All was developed after extensive consultations with stakeholders. However, the involvement of civil society in prioritizing specific resource allocation needs, particularly the needs of the poor, remains limited.

3. The CGA findings also suggest that the current perception of the NGO–government relationship is not one of constructive engagement, particularly when it comes to confronting the availability and distribution of often scarce and diminishing financial resources. Experience from other countries as well as from an ongoing technical assistance (TA) on Youth and Gender Sensitive Public Expenditure Management in the Pacific has shown that the lack of civil society's capacity to understand the budget process severely limits their ability to engage constructively in the resource prioritization and allocation process³. These findings were also confirmed during a regional governance workshop held in Fiji Islands, 29–31 July 2003. Workshop participants from governments, NGOs, and development partners underscored the importance of a participatory approach to the budget process and expressed strong interest in participating in training as they recognize their lack of capacity in this area. The current TA aims to raise awareness and understanding of the budget process of civil society organizations and of government officials from ministries and departments involved in the resource allocation process of the benefits of a participatory approach. The TA intends to encourage stakeholders to engage together in the debate, analysis, prioritization, and monitoring decisions about public expenditures and investments. The TA's goals, purpose, and scope are summarized in the TA framework (Appendix 1)⁴.

¹ Asian Development Bank. 2000. *A Pacific Strategy for the New Millennium*. Manila.

² Fiji Islands, Federated States of Micronesia, Papua New Guinea, Samoa, Tonga and Vanuatu and observations from RETA 6065 (ADB. 2002. *Regional Technical Assistance for Assessing Community Perspectives on Governance in the Pacific*. Manila).

³ See inception report, May 2003 of TA 5998 (ADB. 2001/02. *Regional Technical Assistance for Youth and Gender Sensitive Public Expenditure Management in the Pacific*. Manila). For other countries, see country studies of International Budget Project. Available: <http://www.internationalbudget.org>

⁴ The TA first appeared in *ADB Business Opportunities* (Internet edition) on 13 February 2003.

II. ISSUES

4. Access to basic social services, the quality of services, and employment creation have been cited as priorities in the participatory poverty assessments carried out in several PDMCs⁵. In many PDMCs, basic social services often fail to reach the poorer strata of society, the outer islands, rural areas, or urban squatter settlements. While most PDMC governments express a commitment to addressing the disparities in service delivery, there is a gap between policy statements and the way the government raises and spends its resources, and between consultation processes at the national level and the actual allocation of resources at the community level.

5. Given the diverse geography of the Pacific and the perceived and actual remoteness of the national governments from areas where government services are most needed, strengthening the linkages between the community level and the provincial and national levels is a prerequisite to better targeted social service delivery. NGOs can facilitate the strengthening of these linkages and ensure equitable and, in particular, gender and youth sensitive application. In many PDMCs, migration to urban areas has led to a disruption of the traditional processes and social networks. Civil society organizations thus play an important role in complementing and substituting for the traditional social networks.

6. Government budgets have a central role in the planning and control of the country's economic activities and in particular for private sector development, which is necessary for employment creation. Budgets are important tools with profound implications for poverty reduction and social equity issues. Civic engagement can contribute to government accountability by raising awareness and demand for transparency and for improved public service delivery. It also contributes to the integration of a pro-poor perspective into budgets and policies. Civil society is also aware of the needs of the most vulnerable members of society and can be a force of change for budgets to become more responsive to those needs. Civil society can thus effectively complement or assist in overcoming the weaknesses and failures of formal public institutions.

7. The CGAs have shown that civil society is unevenly developed among the PDMCs and that most NGOs are active in the social sector and community development. Civil society lacks the capacity, skills, and experience to engage in a constructive dialogue with the government in relation to prioritizing and allocating resources. Furthermore, civil society is often discouraged from becoming more involved in the budget process because of the very technical, abstract, and closed nature of the budget process in many countries. Engaging civil society requires therefore the demystification and simplification of the budget process as well as improving policy analysis and advocacy skills. A better understanding of the budget process is also an important step toward building ownership of budget analysis, advocacy, and monitoring government performance.

⁵ ADB. 2002. *Priorities of the People – Hardship in Samoa*. Manila.

ADB. 2002. *Priorities of the Poor in Papua New Guinea*. Manila.

ADB. 2003. *Priorities of the People – Hardship in the Marshall Islands*. Manila.

ADB. 2003. *Priorities of the People – Hardship in Vanuatu*. Manila.

III. THE TECHNICAL ASSISTANCE

A. Purpose and Output

8. The regional TA's main objective is to improve the responsiveness of resource allocation decisions and of mechanisms of service delivery to the demands of poverty reduction by (i) encouraging governments to adopt a participatory approach to the budget process, and (ii) enhancing the awareness and capacity of NGOs in their impact on the resource allocation process.

9. The outputs of the TA include the following:

- (i) The TA will develop training material appropriate to the economic, political, and cultural context of the PDMCs. The TA will build on the work done and the lessons learned, and use the extensive literature on international good practices in participatory budgeting. The training material will take into consideration the different budget processes in the PDMCs. The two regional workshops will group together countries with similar budget processes.
- (ii) Two regional workshops will involve demystifying the budget process, developing budget literacy and debate among civil society and government officials from key ministries and departments (such as prime minister's offices, ministries of finances, ministries of national planning, women's and youth affairs and poverty task forces) of several PDMCs.
- (iii) Skills will be transferred to local institutions and NGOs through a "train-the-trainer" approach for future activities and sustainability.
- (iv) Lessons learned from the regional workshops will be analyzed.
- (v) An action plan will be developed to (a) encourage governments to open up the process of budget formulation and execution to civil society, particularly to social NGOs; and (b) provide capacity building to more stakeholders: government officials at various levels (community, provincial, island, and national) in various ministries and departments, civil society organizations, media representatives, legislators, and all PDMCs.

B. Methodology and Key Activities

10. The training material will be developed by drawing on the extensive experience available on participatory budgeting and training methodologies, particularly from the International Budget Project. The training material will consider the lessons learned from related Asian Development Bank projects and activities of other agencies (e.g., Commonwealth Secretariat) in public financial management and participatory and gender-sensitive approaches in PDMCs⁶. It will also take into consideration the ongoing and proposed activities relating to public financial

⁶ Participatory poverty assessments were conducted under RETA 6002 (ADB. 2001. *Regional Technical Assistance for Consultation Workshops for Poverty Reduction Strategies in Selected Pacific Developing Member Countries*. Manila.); RETA 6047 (ADB. 2002. *Regional Technical Assistance for the Preparation of National Poverty Reduction Strategies in Pacific Developing Member Countries*. Manila.); and TA 3667 (ADB. 2001. *Technical Assistance to Papua New Guinea for Poverty Analyses for Socio Economic Development Strategies*. Manila.)

management carried out by the Pacific Financial Technical Assistance Center (PFTAC) in collaboration with the University of the South Pacific (USP). The training will be designed in a way that is appropriate to the economic, social, and cultural conditions of the PDMCs. The international NGO selected as consultant will choose and visit two PDMCs to develop case studies for the training material.

11. The main focus of the training material is to facilitate the "demystification" of the budget process, allowing participants to gain a firm understanding of budget analysis and advocacy skills. The training material will (i) contain information on budget terminology, the structure and cycle of a budget, the timing and sequencing of the budget process and institutional roles, and responsibilities of various actors; (ii) take into account the different budget processes in the PDMCs; (iii) provide guidance on how to assess the impact of resource allocation decisions upon the poor; and (iv) contain a module for civil society groups on how to build an advocacy strategy, in particular selecting priorities and the resources (human and financial) involved in developing such a strategy.

12. The training on "demystifying" the budget process will target civil society groups, government officials, members of the media, and legislators. While the training under this TA will involve primarily members of NGOs and government officials from key ministries, the training material will be used during follow-up activities to eventually involve a much larger and widespread number of participants. The training methodology will be a "training-the-trainers" approach. To ensure sustainability and the expansion of the training to all levels of government, the TA will also explore the possibilities of developing a webpage hosted by a regional NGO such as the Pacific Island Association of NGOs (PIANGO) or the Foundation of the Peoples of the South Pacific International (FSPI), as well as other means to disseminate the training material.

13. Two regional workshops will be held, bringing together approximately 4–6 participants from each of several PDMCs that will be selected as pilot test countries, such as Fiji Islands and the Republic of Marshall Islands. The PDMCs participating in the TA will be selected during the initial phase of the TA. Participants will represent the main NGOs, in particular women and youth groups, and government officials from relevant ministries or departments. The training will include developing and testing several initial submissions based on the pilot test country case studies. The training will be conducted by an international NGO with extensive experience in developing and carrying out participatory budgeting training in cooperation with local and regional NGOs and academic institutions. It will encourage presentations from various participants, ministries, or departments involved in resource allocation and NGOs in order to use local knowledge and context and to promote ownership.

14. The feedback from the workshop participants will be used as input to the design of an action plan and subsequent activities. The international NGO selected as consultant will be required to submit a brief inception report 2 weeks after the commencement of the TA, outlining the training schedule and content. The international NGO will also submit a final report summarizing the findings, progress, and achievements during the TA. The final report will include recommendations on how to extend the training to more participants and other countries.

C. Cost and Financing

15. The total cost of the TA is estimated at \$250,000 equivalent and will be financed on a grant basis by the Governance Cooperation Fund. Detailed cost estimates are provided in Appendix 2. The TA funds will be administered by ADB.

D. Implementation Arrangements

16. The Pacific Department of ADB will be the Executing Agency for the TA. An international NGO with extensive experience in the resource allocation process and in developing and carrying out training will be engaged as consultant to develop and conduct the training. The NGO will have links to regional organizations and NGOs and strong interest in building long-term relations with local NGOs to ensure the sustainability of the initiative. The teamleader will be a full-time staff of the NGO and will coordinate the training development, facilitation, and other project activities as well as the input of the local and regional NGOs and academic institutions. The international NGO will prepare progress reports and the final report to ADB. Local NGOs in each participating PDMC will be involved in the TA implementation through workshops and follow-up activities.

17. The international NGO will be engaged by ADB in accordance with its *Guidelines on the Use of Consultants* and other arrangements satisfactory to ADB for the engagement of domestic consultants. Outline terms of reference are provided in Appendix 3.

18. The TA will commence in November 2003 and is expected to be completed by June 2004.

IV. THE PRESIDENT'S DECISION

19. The President, acting under the authority delegated by the Board, has approved ADB administering technical assistance not exceeding the equivalent of \$250,000 to be financed on a grant basis by the Governance Cooperation Fund for Civil Society Participation in Budget Formulation in the Pacific, and hereby reports this action to the Board.

TECHNICAL ASSISTANCE FRAMEWORK

Design Summary	Performance Indicators/Targets	Monitoring Mechanisms	Assumptions and Risks
<p>Goal Improve responsiveness of resource allocation decisions and service delivery mechanisms to demands of poverty reduction</p>	<p>Government expenditure trends over time</p>	<p>Asian Development Bank (ADB) analysis of Pacific developing member countries' (PDMCs) annual budget papers, to determine changes, if any, in expenditure priorities</p>	<p>Government support</p>
<p>Purpose Encourage governments to adopt a participatory approach to the budget process</p> <p>Enhance NGOs' awareness of and capacity in their impact on resource allocation decisions</p>	<p>Number of governments that open the budget process to input from civil society</p> <p>Number of submissions from NGOs in each PDMC</p>	<p>ADB survey of nongovernment organizations (NGOs) to determine number of formal and informal meetings between governments and NGOs during budget formulation</p>	<p>Governments' continued political will to adopt reforms and open the resource allocation decision-making process to new ideas</p> <p>Willingness of NGOs to enter into a constructive partnership with governments</p>
<p>Outputs Training materials developed, taking into account specific features of Pacific governance environment and decision-making process. The training will target civil society organizations, the media, and government officials from relevant ministries and departments</p> <p>2 regional workshops with participation of</p>	<p>Participation of local NGO representatives in preparing the training materials</p> <p>Training material will (i) facilitate the "demystification" of the budget process and (ii) allow training participants to gain a firm understanding of budget analysis and advocacy skills</p> <p>4–6 participants from each participating</p>	<p>Reports from international NGO</p> <p>ADB staff presence and participation in</p>	

Design Summary	Performance Indicators/Targets	Monitoring Mechanisms	Assumptions and Risks
<p>NGOs, media representatives, public officials from key ministries and departments from several PDMCs selected as pilot countries</p> <p>Transfer of skills to several trainers through "training-the-trainers" approach</p> <p>Follow-up, analysis of lessons learned from workshops</p> <p>Development of action plan to (i) encourage governments to open the process of budget formulation and execution to civil society; and (ii) extend capacity building to more stakeholders: government officials at various levels (community, provincial, island, and national) to various ministries, departments, civil society organizations, media, legislators, and other PDMCs</p>	<p>PDMC (NGOs and public officials from key ministries and departments)</p> <p>A minimum of 2 trainers from each participating PDMC trained</p> <p>Lessons learned are disseminated to regional and local NGOs</p> <p>Number of governments that are actively encouraging the participation of members of civil society in resource allocation decisions</p> <p>Number of submissions by NGOs</p> <p>Participation by NGOs in government economic planning/budget meetings</p>	<p>workshops</p> <p>Feedback from participants</p> <p>Reports from international NGO based on assessment of workshops and participants' feedback</p> <p>Review by ADB staff</p>	
<p>Activities</p> <p>Development of training materials</p> <p>Visit to 2 initial</p>		<p>International NGO's report</p> <p>Review by ADB staff</p>	

Design Summary	Performance Indicators/Targets	Monitoring Mechanisms	Assumptions and Risks
<p>countries to develop case studies</p> <p>Conduct of 2 regional workshops</p> <p>Development of action plan for extending activities</p>	<p>Two regional workshops with 4–6 participants per country</p>	<p>Workshop reports, participants' evaluation and feedback</p> <p>Review by ADB staff</p>	
<p>Inputs</p> <p>International NGO to develop training material, to organize and conduct training (\$80,000) in collaboration with local and regional NGOs and academic institutions as appropriate (\$24,000)</p> <p>ADB professional staff resources to manage the project and to attend regional workshops</p> <p>Cost of workshops (incl. travel, accommodation for participants) (\$100,000)</p> <p>Expenses for reproduction and dissemination of materials (\$10,000)</p>		<p>Staff review</p> <p>International NGO's report</p>	

COST ESTIMATES AND FINANCING PLAN
(\$'000)

Item	Total Cost
A. Asian Development Bank Financing ^a	
1. International NGO	
a. Remuneration and Per Diem	
i. International NGO	80
ii. Domestic NGOs	24
b. International and Local Travel	15
c. Reports and Communications	10
2. Training, Seminars, and Conferences ^b	100
3. Miscellaneous Administration and Support Costs	6
4. Contingencies	15
Total	250

^a Financed from the Governance Cooperation Fund and administered by the Asian Development Bank.

^b \$100,000 is a provisional sum to be used by all selected NGOs in their financial proposals.

Note: There will be no financial contributions by PDMC governments.

Source: Asian Development Bank estimates.

OUTLINE TERMS OF REFERENCE FOR CONSULTANTS

1. An international nongovernment organization (NGO) will be recruited with extensive experience in policy dialogue with governments on various levels and in making submissions on a wide range of policy issues regarding resource allocation decisions and their impact on the most vulnerable segments of the community. The NGO will have a very good record of constructive engagement with governments. The NGO will have strong links to other regional and international NGOs active in policy dialogue with governments for resource allocation decisions, and a strong interest in building sustainable relations with local NGOs in the Pacific developing member countries (PDMCs).
2. The NGO will have experience in developing training materials on how to (i) read a budget; (ii) apply a rigorous methodology for pro-poor budget analysis; (iii) enhance civil society organizations' capacity in their constructive communication and engagement with government officials at various levels, and (iv) effectively deal and use the media. The NGO will have experience in developing training materials appropriate for the context of developing countries.
3. The specific tasks of the NGO will include the following:
 - (i) Review the extensive material available on participatory budgeting and training methodologies. Take into consideration the lessons learned from relevant activities by the Asian Development Bank (ADB) and other funding agencies (e.g., Commonwealth Secretariat) in finance, planning, economic reforms, and participatory and gender-sensitive budgeting approaches in PDMCs. Take into consideration the ongoing and proposed activities relating to public financial management carried out by the Pacific Technical Assistance Center (PFTAC) in collaboration with the University of the South Pacific (USP). With input from local NGOs and academic institutions, ensure that the training material is appropriate to the economic, social, and political conditions of the PDMCs. The training material will also take in consideration the different budgeting processes in the PDMCs.
 - (ii) Develop training material that will facilitate the "demystification" of the budget process and will allow training participants to gain a firm understanding of budget analysis and advocacy skills. The training will target civil society organizations, the media, and government officials from relevant ministries and departments. The training will contain information on budget terminology, the structure and cycle of a budget, the timing and sequencing of the budget process and institutional roles and responsibilities of various actors. The training material will provide guidance on how to assess the impact of resource allocation decisions on the poor and will contain a module for civil society groups on how to build an advocacy strategy, in particular priority selection and the resources (human and financial) involved in developing such a strategy. The training will use a "training-the-trainer" approach.
 - (iii) In consultation with the ADB TA officer, select and visit two pilot test countries to develop case study material for the training and to coordinate with regional and local NGOs and academic institutions.

- (iv) Coordinate the input and participation of regional and local NGOs to the design and implementation of the training.
- (v) In coordination with the ADB TA officer and regional and local NGOs, select participants in two regional workshops.
- (vi) In coordination with local and regional NGOs, prepare and organize two regional workshops for approximately 4–6 participants from several PDMCs that will be selected as pilot test countries. The training will include developing and testing submissions based on the two country case studies.
- (vii) Facilitate training workshops in coordination with local and regional NGOs.
- (viii) Prepare an action plan for extending activities based on the feedback received from participants. Explore possibilities of developing a webpage hosted by a regional NGO such as the Pacific Island Association of NGOs (PIANGO) or the Foundation of the Peoples of the South Pacific International (FSPI), and other means to disseminate the material.

4. The international NGO will submit a brief inception report 2 weeks after the commencement of the TA outlining the training schedule and content. The international NGO will also submit a final report summarizing the findings, progress, and achievements during the TA. The final report will include recommendations on how to extend the training to more participants and other countries.