

Participatory Planning and Budgeting at the Sub-national Level

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Department of Economic and Social Affairs
Division for Public Administration and
Development Management

Participatory Planning and Budgeting at the Sub-national Level

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DESA

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FOREWORD

The World Summit of September 2005 represented a historic opportunity as world leaders gathered once again to unambiguously reinforce the vitality of good governance and the rule of law at the national and international levels for sustained economic growth, sustainable development and the eradication of poverty and hunger. The World Summit Outcome underscored the need to introduce and sustain participatory processes in the structures and processes of development management. Participation from all stakeholders, especially by the citizens in the accountability processes of development management, is critical to the timely and full realization of the development goals and objectives agreed at the major UN conferences and summits, including the Millennium Development Goals (MDGs) and the UN Development Agenda. This means engaging all stakeholders including governments, civil society organizations, non-governmental organizations, the private sector, and the least disadvantaged in the decision-making processes of the state through participation in policy formulation, implementation, monitoring and review.

In recent years, the capacity of civil society organizations and non-governmental organizations in fiscal process particularly in the review, analysis and monitoring of public budgets has increased considerably. A recent report has demonstrated that efforts to make public budgeting more transparent and accountable has expanded in over 60 developing countries in Africa, Asia and Latin America. Non-governmental organizations, community and grassroots organizations have been involved in these efforts. Furthermore, communities and civil groups have become significant partners of local governments in other areas, specifically in allocating local resources, increasing local revenues and monitoring the impact and utilization of local policies and programmes. These participatory practices are emerging as important innovations in mainstreaming the needs and aspirations of citizens, local communities and civil society groups.

Pursuant to the need to deepen the participatory processes of government in order to ensure citizens' engagement, the Division for Public Administration and Development Management (DPADM) of the United Nations Department of Economic and Social Affairs (UNDESA) has launched a programme on "participatory governance" through a

comprehensive examination, promotion and advocacy of the concept of citizen/government dialoguing. This programme is expected to contribute to a pro-poor socio-economic development.

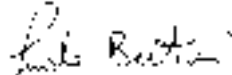
In line with this initiative, the Socio-Economic Governance and Management Branch (SGMB) and the Eastern Regional Organization for Public Administration (EROPA), a partner institution of DPADM, organized a workshop on “Community Engagement in Public Finance at the Sub-national Governments.” The workshop was held within the broader context of the first International Conference on Engaging Communities (ICEC), organized by UNDESA and the State Government of Queensland, Australia. This workshop provided a platform for the exchange of experiences on community engagement in fiscal processes from six countries—Bangladesh, Indonesia, Philippines, India, Japan and Australia. The country experiences emphasized the increasing participation of the poor and other citizens in local development planning, budgeting and monitoring of public expenditures with an aim to enhance service delivery, transparency and accountability in the public sector.

The workshop represented a diverse array of participants from the government, academe and civil society. The country experiences significantly articulated the need to engage more active participation from the citizens in the allocation of financial resources, specifically in the formulation, review and analysis of the budget in tracking public expenditures. It is envisaged that these initiatives will ultimately lead to the formulation of more transparent, participative, accountable and responsive budgets. As an outcome of this workshop, a publication on “Participatory Budgeting and Planning at the Sub-national Government Level” is now being published.

The introductory chapter provides an overview of citizen participation in sub-national planning and budgeting processes and presents the essential operational needs for local governments to adapt participatory budgeting. The other chapters highlight emerging innovative practices on engaging communities in participatory planning, budgeting and auditing through various formal and informal structures in selected countries in the Asia Pacific Region. These chapters additionally impart a thorough discussion of the key methodologies, approaches and tools used by sub-national governments and citizen groups for pro-poor budgeting and effective social auditing. Key insights and lessons from such local government innovations are also addressed in these chapters.

This publication will serve as a useful reference and guide for local governments, non-governmental organizations and civil society

institutions and will contribute to advancing the discussions in government-community engagements in fiscal processes. UNDESA remains committed to uphold the importance of good governance in achieving the goals of poverty reduction, social justice and equity through greater involvement, empowerment and engagement of citizens.



Guido Bertucci

Director

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and Development Management

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PREFACE

The publication is an output of the workshop on Community Engagement in Public Finance at the Subnational Governments held from 14-17 August 2005 in Brisbane, Australia. The workshop is a product of a continuing collaboration between the Division for Public Administration and Development Management (DPADM) of the United Nations Department of Economic and Social Affairs (UNDESA) and the Eastern Regional Organization for Public Administration (EROPA). This initiative was held within the larger context of the first International Conference on Engaging Communities, organized by UNDESA and the State Government of Queensland, Australia. The Conference endeavored to advance the implementation of the MDGs through the engagement of civil society, community based organizations and other stakeholders in government policy-making and processes.

Specialists from Australia, Bangladesh, India, Japan, Philippines and Indonesia were invited to present papers and to discuss the approaches, methodologies and tools of citizen participation specifically in the area of planning, budgeting and auditing in order to contribute to improved service delivery and more transparent and accountable local governance. The workshop further examined the necessary operational framework that must be in place to institutionalize participation in a more effective and practical manner. This publication incorporates the papers, insights and discussions from the country experiences presented at this workshop.

The workshop and the publication are part of the work programme of DPADM spearheaded by Mr. Guido Bertucci, who has provided the necessary guidance and support to these initiatives. The Socio-economic Governance and Management Branch (SGMB) of DPADM led the organization and implementation of both activities. Mr. M. Adil Khan, Chief of Branch; Mr. Jacinto De Vera, Chief of the Policy Analysis and Coordination Unit; and Ms. Patricia A. Sto. Tomas, Secretary-General of EROPA and Secretary of the Department of Labor and Employment, Philippines provided the conceptual framework and expertise in formulating the agenda and themes of the workshop. Mr. Alex B. Brillantes, Jr., Dean and Associate Professor of the University of the Philippines and the Philippines-based EROPA staff were instrumental in identifying the experts selected for the meeting and papers/contributions to this publication. Mr. Jacinto De Vera, Mr. Alex Brillantes assisted by Ms. Luisa Sambeli and Mr. Jose Tiu Sonco edited and finalized this publication.

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ABBREVIATIONS AND ACRONYMS

ADP	Annual Development Plan
BAC	Bids and Awards Committee
BDC	Barangay Development Council
BDP	Barangay Development Plan
BMP	Bangalore Mahanagara Palike
BPC	Barangay People's Council
BUILD	Building Union Infrastructure for Local Development
CAPP-SIAD	Consortium for the Advancement of People's Participation through Sustainable Integrated Area Development
CARE	Cooperative for Assistance and Relief Everywhere, Inc.
CBOs	Community-Based Organizations
CDC	City Development Council
CDD	Community Driven Development
CDP	Commune Development Planning
CDS	City Development Strategy
CE	Community Engagement
CMC	Colombo Municipal Council
CODE-NGO	Caucus for Development NGOs
CPA	Certified Public Accountant
CPMP	City Planning Master Plan
CRCs	Citizens Report Cards
CS	Customer Satisfaction
CSF	Commune/Sangkat Development Fund
CSOs	Civil Society Organizations
DAWN	Development through Active Women Networking
DBM	Department of Budget and Management
DDCs	District Development Councils
DepEd	Department of Education
DESA	Department of Economic and Social Affairs
DFID	Department for International Development
DNI	Development Needs Index
DOH	Department of Health
DOI	Development Orientation Index
DPADM	Division for Public Administration and Development Management
DPWH	Department of Public Works and Highways

DSWD	Department of Social Work and Development
EROPA	Eastern Regional Organization for Public Administration
ES	Employee Satisfaction
FFCCII	Federation of Filipino-Chinese Chamber of Commerce and Industry, Inc.
GAD	Gender and Development
GDP	Gross Domestic Product
GNP	Gross National Product
GOCCs	Government-Owned and -Controlled Corporations
GOFORDEV	Governance for Development
GPPB	Government Procurement Policy Board
GPR	Government Procurement Reform Act
HUDCC	Housing and Urban Development Coordination Council
ICEC	International Conference on Engaging Communities
ICT	Information and Communication Technology
I-PRSP	Interim and Preliminary Draft Poverty Reduction Strategy Paper
IRA	Internal Revenue Allotment
IT	Information Technology
LAT	Local Allocation Tax
LDPs	Local Development Programmes
LGAQ	Local Government Association of Queensland
LGs	Local Government Institutions
LGU	Local Government Unit
LOR	Local Own Revenue
MDGs	Millennium Development Goals
MKSS	Majdoon Kissan Shakti Sangh
MLIT	Ministry of Land, Infrastructure and Transport
MOA	Memorandum of Agreement
MOC	Ministry of Construction
MOF	Ministry of Finance
NAPC	National Anti-Poverty Commission
NBR	National Board of Revenue
NCG	Naga City Government
NCPC	Naga City People's Council
NGOs	Non-Governmental Organizations
NPM	New Public Management
NPOs	Non-Profit Organizations
ODA	Overseas Development Assistance
PA	Public Acceptance
PAC	Public Affairs Center
PDI	Participatory Development Index
PFI	Private Finance Initiative
PGF	Philippine Governance Forum
PI	Public Involvement

PICPA	Philippine Institute of Certified Public Accountants
PMCs	Project Management Committees
POs	People's Organizations
PRIs	Panchayati Raj Institutions
PRSP	Poverty Reduction Strategy Papers
PS	Procurement Service
PTCAs	Parent-Teacher-Community Associations
PW	Procurement Watch
RMP	Rural Maintenance Program
SGMB	Socio-economic Governance and Management Branch
SMS	Short Messaging Service
SURC	Sevanatha Urban Resource Center
UNCDF	United Nations Capital Development Fund
UNDESA	United Nations Department of Economic and Social Affairs
UNDP	United Nations Development Programme
UNO	Upazila Nirbahi Officer
UP	Union Parishad
USAID	United States Agency for International Development
VDCs	Village Development Councils
VGDP	Vulnerable Group Development Programme
WB	World Bank
WBI	Women Budget Initiative
WHO	World Health Organization

Participatory Planning
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Overview: Citizen Participation in Sub-national Planning and Budgeting Processes

ALEX B. BRILLANTES, JR. AND JOSE TIU SONCO II*

This paper provides an overview of citizen participation in sub-national planning and budgeting processes. Innovations towards good local governance are imperative if delivery of services are to be improved, especially if the poor are the targets. It is within this context that engaging communities and civil society organizations in both formal and informal structures of local governance would lead to the local government's effectiveness and responsiveness to its constituents. As such, participatory planning and budgeting would appropriate the delivery of services that are sought and needed by the people. Citizen involvement in local budgeting process would improve accountability and responsiveness of programs and projects that are actually delivered. The paper also discusses the key operational needs for local governments to adapt participatory budgeting. It provides the framework and learning guides for understanding and analyzing cases on participatory planning and budgeting. Finally, it presents the lessons from the country papers presented at the workshop on Community Engagement in Public Finance at the Sub-national Governments during the International Conference on Engaging Communities in Brisbane, Queensland, Australia, which was organized by United Nations-Department of Economic and Social Affairs (UNDESA) and the Eastern Regional Organization for Public Administration (EROPA).

Overview

Engaging civil society and citizens' groups in public management have enabled improved service delivery and accountability of the public sector. It has given the people greater opportunities to influence policy-making processes and the implementation of policies and programs. The

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This section draws on "Civic Participation in Local Governance in the Philippines: Focus on Sub-national Budgeting and Planning" by the same authors. This paper also draws upon the findings of the research on fiscal administration of Dr. Mark Hayllar of the Department of Public and Social Administration, City University of Hongkong.

idea of engaging the people in the management of public affairs is a key dimension of good governance. People participation—involving the constituents in the politico-administrative processes—means their needs and aspirations are heard and mainstreamed. Empowerment of citizens and their involvement in the decision-making processes, from central to sub-national, is regarded as vital for supporting pro-poor policies, improved service delivery, poverty reduction, and the attainment of the Millennium Development Goals (MDGs).

The collegial and partnering role of civil society groups with government has evolved over recent years. Civil society organizations (CSOs) and non-governmental organizations (NGOs) have become active participants in national and local development planning activities and the implementation, monitoring and evaluation of policies, programs, and projects. Public finance and expenditure management is another entry point for civil society participation.

Participatory governance underscores the involvement of the local constituents in development planning processes. People participation usually starts at the grassroots or the sub-national government level and has worked well in fostering needs-based local planning activities. However, there has been little linking of development plans to budgets. On the one hand, good policies and plans are ignored in favor of politically strategic projects, creating a disconnect between what is planned and what is budgeted. On the other hand, good programs and projects are often expensive and local revenues simply can not accommodate the large budgetary requirements.

Participation in sub-national planning and budgeting is a key tool in making local constituents understand and appreciate local development initiatives. One innovation could be citizens “deciding who to tax and how much, and how to spend these revenues” (Thindwa, 2004). Both formal and informal participatory mechanisms could be used to enable people participation in both local development planning and budgeting processes. Local planning processes have been enhanced through multi-sectoral consultation and active participation of the citizens and civil society groups. Hence, local policies, programs and projects have been prioritized and decided by the people. Moreover, the representation of a formal community-based body in the local legislative council provides the people the opportunity to ensure that the policies put forward during the planning processes are allocated enough fiscal resources during the budgeting process.

It is within this context the communities or civil society groups can be seen as important partners of local governments in four areas: (1) local

development planning and budgeting processes; (2) making local governments accountable in the allocation of local resources; (3) increasing local revenues; and (4) monitoring utilization of resources and the impact of local policies and programs. These have high impact on aligning the objectives and outcomes of fiscal transfers by ensuring the effective, efficient, and responsive utilization of fiscal resources.

Decentralization – Context of Citizens Participation at the Sub-national Governments

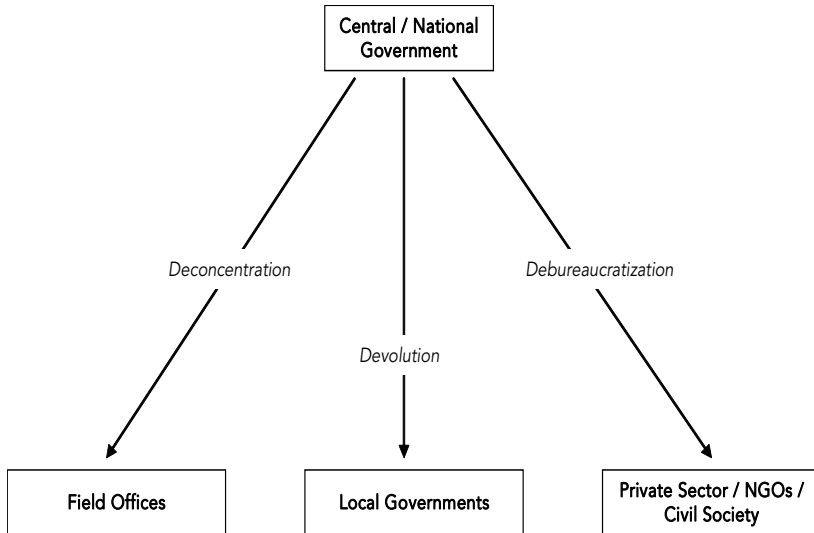
A major feature of the decentralization and devolution process is the increased involvement of local communities through NGOs, people's organizations (POs), the private sector, and businesses—sometimes collectively referred to as “civil society.”

The involvement of civil society through NGOs and POs in local development processes has led to a redefinition of the notion “governance.” Earlier notions of governance mostly referred to government as the primary institution expected to deliver basic services. It was responsible for the design and implementation of development efforts, especially at the local level. However, due mostly to various factors such as lack of resources, graft and corruption, and over-centralization, government especially at the local level has failed to “govern”, mostly in terms of delivering basic services. The notion of governance has, therefore, expanded to include complementary and even alternative service delivery mechanisms and institutions.

The expansion of the notion of governance may also be understood within the framework of decentralization. It will be recalled that decentralization is a process that can hasten and enhance democratization by bringing the locus of decision-making to the lowest level possible, and also by expanding the base of participation of the people in the process of governance. Among the major types of decentralization are the following: (1) deconcentration, which is mostly administrative in nature; (2) devolution, which is mostly political in nature and also commonly referred to as “local autonomy”; and (3) debureaucratization, which is the process of transferring the responsibility for the delivery of basic services to the private sector, NGOs and POs, sometimes lumped together as “civil society.”

Figure 1 represents the various modalities of decentralization—deconcentration, devolution, and debureaucratization.

Figure 1. Types of Decentralization



Source: Brillantes, 2004: 6.

The emergence of CSOs and NGOs in areas that traditionally belonged to government can be seen not so much as a result of the process of expansion (or contraction) of government, but as recognition of government's inability to deliver services primarily because of limited resources. Such a situation has been exacerbated by bureaucratic problems including red tape, and graft and corruption. This has, therefore, created a necessity for NGOs to participate in areas that traditionally belonged to the realm of formal government, which now includes participatory planning and budgeting at the sub-national governments.

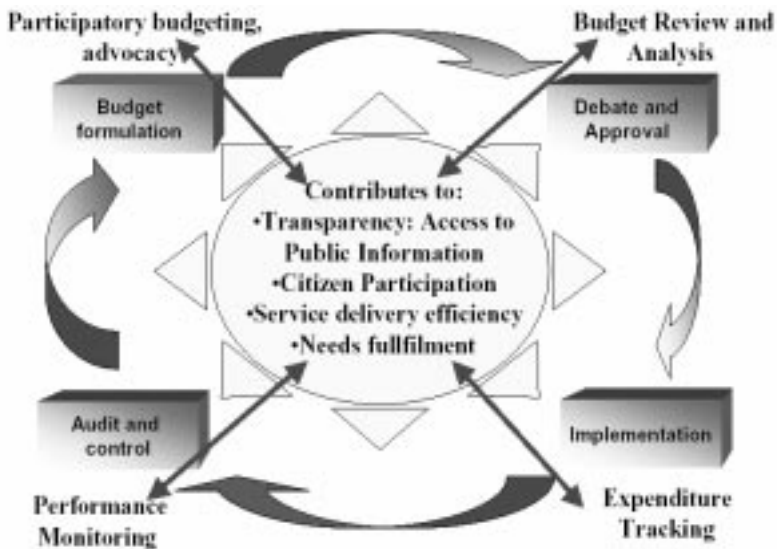
Framework for Participatory Planning and Budgeting at the Sub-national Level

Participatory planning and budgeting refer to the involvement of citizens in identifying local priorities, policies, programs, and projects that require allocation of resources. Participatory planning and budgeting provide the opportunity for people participation in the allocation of resources to priority social policies, and for them to monitor public spending and policy performance. As such, local constituents gain ownership of the policies/programs/projects for local development; thus, they are committed to support local government unit (LGU) social policies and development initiatives.

Budgeting means drawing a plan—periodic/annual budget based on local development plan in the case of LGUs—in monetary terms. *Participatory budgeting refers to the involvement of citizens in identifying local priorities, policies, programs, and projects that require allocation of resources.* It could be viewed in two ways. First, it uses a tool for participatory governance wherein program/project interventions are needs-based; thus, programs/projects financed by the local government have direct and significant impact on the lives of local constituents. Second, it could be viewed as a mechanism whereby the citizens are directly involved in the actual budgeting processes—budget formulation, review and approval, execution, and review—thereby ensuring transparency and accountability of the expenditure management of local funds. Moreover, it is anchored on financing pro-poor service delivery.

“Participatory approaches to public expenditure management refer to the range of methods, tools, and choices that introduce/involve ordinary citizens and civil society in general into the process of allocation, tracking disbursement, and monitoring the use of public resource” (Thindwa, 2004: 6). (See Figure 2.) They contribute to transparency where people have access to public information; efficient service delivery and needs fulfillment.

Figure 2. Framework for Citizen Participation in Sub-national Budgeting



Source: Thindwa, 2004.

Each phase of the local budget process is a possible entry point for civil participation to ensure accountability, transparency, and responsiveness of the local budget. Thindwa points out that civil society participation in the budget process aims to: (1) *enhance good government practices*—increase responsiveness, reduce discretion and corruption; (2) *improve effectiveness of service delivery* and making public decision-making on resource allocation more transparent, participatory, and pro-poor; and (3) *empower civil society—especially poor people*—by demystifying the budget system, and giving them a collective ‘voice’ to influence decisions.

Operational Needs of Participatory Budgeting

According to Guthrie, the operational needs of participatory budgeting seem to exist at three levels: (1) *normative*, citizen participation has to be given a legal basis; (2) *regulative*, an operational framework of participation with clear definition of roles and functions, including the methodology of participation must be mutually agreed upon and put in place; and finally, (3) *regenerative*, participation practice warrants several capacity building interventions involving both the civil society as well as the government organizations (Guthrie, D.M., 2003).

Moreover, among the indicative action points that would enable participatory budgeting in sub-national governments are:

- a. Identifying and designing clear points of entry for civil society participation in local governance.
- b. Developing a policy to provide the framework for participatory budgeting.
- c. Investment in capacity building - not only of local governments and civil society, but also of national governments agencies.
- d. A realization that participatory budgeting can not be fast-tracked.
- e. A management that can overcome long established systems and procedures.
- f. A formal system of accountabilities being in place.
- g. Efforts to institutionalize participatory governance through participatory planning and budgeting that tap institutions already working in the area.

A *policy framework for participatory budgeting process* would provide the necessary entry points of citizen participation in sub-national budgeting process. This would advance any mechanisms for participatory framework for civic participation in local planning that are already in place.

The *institutionalization of participatory budgeting in the infrastructure of local development planning activities* would be the foundation for the practice of participatory local budgeting. Both the LGUs and civil society would have critical information about such mechanism, thus engaging in it.

Participatory budgeting can not be fast-tracked. It is a continuing effort that eventually leads to a successful engagement of civil society in the formal budgeting processes. It should be noted, however, this is just one of the many reform imperatives not only in local governance, but in the administrative system in general. More importantly, there has to be efforts to ensure clear and strategic activities directed towards the attainment of the policy goals of decentralization, enhancement of living conditions of local constituencies, improving local service delivery, and contributing to national development.

Obviously, citizen participation in the budgeting processes in local governance is not yet been fully operationalized nor widely adapted. There are, however, some cases showing how local governments' improved policy choices and program implementation can be attributed to engaging civil society in the phases of the local planning and budgeting process.

Box 1. Some International Experience on Participatory Budgeting Process

Porto Alegre in Brazil has become a model for participatory budgeting. Gijurat in India has been noted for the successful engagement of civil society in budget review and analysis. The Public Expenditure Tracking Surveys in Uganda are a model for participatory expenditure tracking, and the Philippines is noted for its performance monitoring: citizen's report card.

Source: Thindwa, 2004.

Learning Guide and Framework in Examining the Cases

The papers on *“Participatory Planning and Budgeting at the Sub-national Governments”* explore best and good practices on engaging communities in participatory planning and budgeting—formal and informal structures—at the sub-national governments in selected countries

in the region. The cases highlight the efforts of local governments, communities, and citizens' groups to improve service delivery through participatory budgeting and public expenditure management. They showcase that the increasing participation of the poor and other citizens in local development planning, making local government budgets and expenditures lead to a more transparent and accountable local governance; and the delivery of pro-poor services. They also highlight success and gains from participatory planning and budgeting, and look into the key lessons from such local governance innovations.

More specifically, it would be helpful to explore and examine:

- (i) How sub-national governments involve the citizens in planning and budgeting processes to improve service delivery.
- (ii) How local governments identify and target the poor.
- (iii) Opportunities for community involvement in local budgeting processes and monitoring fund utilization.
- (iv) Fund utilization and financing of pro-poor services.
- (v) Approaches, methodologies and tools used by sub-national government and citizen groups towards pro-poor budgeting and expenditure management.
- (vi) Policies, processes, and approaches used by government that can be shared more widely for responsive service delivery.

Lessons from Some Case Studies in Operationalizing Participatory Planning and Budgeting at the Sub-national Governments

This section presents some of the key lessons and insights from the experiences on participatory budgeting in selected countries in the region. These are Bangladesh, Indonesia, and the Philippines. These cases are also contained in the succeeding part of this monograph. Likewise, it covers some of the lessons on civic participation in Thailand.

In **Bangladesh**, the major lessons in participatory budgeting include:

- People's participation in local budgeting increases transparency and accountability of the local government

institutions (LGIs). They become more responsive to the people's needs and aspirations.

- It is the local people who can really understand the developmental problems of a community. Therefore, suggestions from them should be incorporated properly in order to make development people-oriented.
- Budget prepared and implemented mechanically without people's participation can not necessary ensure sustainable development.
- Tax should not be imposed without providing services. It can create people's discontent against LGIs, which would ultimately constrain the pace of developed.
- People's participation in local level priority setting can facilitate participatory democracy at the grassroots, which leads to people's empowerment and foster social harmony.
- People, if motivated properly, can be utilized in achieving targets of the MDGs through forming people's committees at the grassroots and formulating MDG-oriented budgets at local level.

In **Indonesia**, the case study highlights the following lessons in participatory budgeting:

- Local governments need massive capacity building before fully implementing participatory planning and budgeting.
- Should implement the transition mechanism through the existence of strong, innovative, and committed local leadership.
- Participatory budgeting is necessary, local leadership is sufficient.
- Sustainability framework of local innovation.

The lessons from the experience of the **Philippines** highlight that participatory budgeting:

- Requires the creation of a legal space to enable the concept to take root.
- Underscores the issue of managing participation.
- Requires building capacities to manage engagement and partnerships.
- More often than not, left of center political parties seem to introduce a range of pro-poor institutional reforms and policies, including people budgeting practice and political commitment along with ownership and credibility (Khan 2005, citing Brautigam, 2004).
- Indicates that barangays are potential entry points for participatory budgeting.

In **Thailand**, the following are the key lessons in participatory planning and budgeting:

- Local leadership is a significant factor for civic participation.
- Local politics and culture are the most important factors that affect civic participation.
- Adoption of civic participatory approach in local planning and budgeting came from many sources, central mandates and incentives, local initiatives, and international supports.
- Disadvantaged groups have their representatives in civic forums and city hall meetings.
- Civic forums effectively built consensus and trust among citizens and communities.
- Improvement of civic sensibility of taxation due to civic participation in local planning and budgeting.
- Interventions should concentrate on the institutionalization of efforts dedicated to the innovation and dissemination of knowledge on local participatory budgeting, as well as on building-up training and learning facilities at the regional and local levels.

The lessons from Bangladesh, Indonesia, and the Philippines were drawn from the succeeding country papers of this monograph, which were all presented during the workshop on Engaging Communities in Brisbane, Australia. Meanwhile, the lessons from Thailand were drawn from a paper by Dr. Charas Suwanmala, Faculty of Political Science, Chulalongkorn University.

Conclusions

Citizens should be involved and take an active part in the allocation of financial resources. This is one of the best ways to engage the citizens. This was the main message of the panel on Participatory Budgeting organized by the UN-DESA and EROPA.

Drawing from the experiences of Bangladesh, Indonesia, and the Philippines, the panel agreed that citizens can get involved in all phases of the budget process and cycle. Citizens may be engaged in the formulation of the budget, in the review and analysis of the budget, in tracking the expenditure, or in audit and control. In each of these phases, citizens can contribute to the formulation of a more transparent, participative, accountable, and responsive budget.

Furthermore, all cases agree that the following are important in engaging communities in participatory budgeting and planning: (1) *policy framework*; (2) *local/mayoral leadership*; (3) *local political and cultural factors*; (4) *need to build capacities to manage engagement and partnership*; and (5) *the imperative for participatory budgeting to the attainment of the MDGs*. Participatory budgeting is a way of promoting good governance through increased participation, accountability, and transparency.

At the end of the day, participatory budgeting may be seen as fundamental and basic mechanisms to operationalize citizen engagement towards the realization of the MDGs.

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People's Budgeting at the Local Government Level in Bangladesh

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Participatory budgeting is an innovative policy-making process, where citizens are directly involved in making policy decisions. In this process, forums are held throughout the year so that citizens may have the opportunity to prioritize broad social policies and monitor public spending. Recently, there have been a number of initiatives of participatory budgeting in many countries of the world in national and local levels. A number of pre-budget and post-budget consultations both by the government and non-governmental organizations (NGOs) have almost become customary in enhancing people's participation in prioritizing their needs and aspirations in the national budget. Moreover, Bangladesh has initiated few participatory budgeting programs at the Union Parishad (UP), the lowest level local government institution (LGI). Pre-budget participatory planning at ward level, open budget session, and post-budget monitoring and evaluation of public expenditure, particularly in implementing different infrastructure schemes constitute some of these local level participatory budgeting activities.

Sirajganj Project of the United Nations Development Programme (UNDP) and the United Nations Capital Development Fund (UNCDF), an international NGO called Hunger Project, CARE-Bangladesh, and a Bangladeshi local NGO called Agragati Sangstha are involved in such UP-centric participatory budgeting initiatives. While such initiatives are primarily aimed at increasing capacity, transparency, and accountability of the UPs, there are many scopes of further diversifying these activities to incorporate some other dimensions of poverty reduction. For example Shamunnay, a non-government development research organization of Bangladesh, recently initiated some innovative programs of participatory budgeting at UP and municipality, two important LGIs of Bangladesh to incorporate, inter alia, formation of the Millennium Development Goals (MDGs) networks at the community level to monitor the quality of spending done by the local government.

It has already encouraged the local governments to form at least three grassroots level civil society committees like education, health, and environment committees to sensitize citizens regarding the need for their participatory actions to attain the related MDGs like access to education by the excluded groups, improving the quality of health

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spending, and enhancing the green coverage and drive for total sanitation at the village levels. The present paper tries to capture this broad context of innovative exercises, explores their salient features, draws lessons for accelerated poverty reduction and inclusive development, and suggests ways forward for wider replication of the model.

Why Participatory Budgeting?

Participatory budgeting is a process where all the people have opportunity to affect the allocation of public resources from local government perspective taking into account of sectoral priorities. The local and national government bodies arrange participatory budgeting to use information by the public in order to influence revenue mobilization and expenditure related decision-making processes (Vergara, 2002). It is such an innovative policy-making process where citizens are directly involved in making policy decisions. In this process, open forums are organized throughout the year so that citizens may have the opportunity to prioritize broad social policies and monitor public spending. This budgeting process challenges the existing social and political exclusions as the low income and traditionally excluded political actors are given the opportunities to sit in the tables of policy-making decisions. These initiatives are taken in order to promote public learning and active citizenship, achieve social justice through improved policies and resource allocations, and reforming the administrative mechanism (Wampler, 2000).

Participatory budgeting also describes the process in which citizens engage in debate and consultation to contribute towards defining the balance of expenditures, investments, priorities, and uses for public resources. So far, apart from a few well-known examples, it has been a relatively little explored area of participatory policy influencing, due in part to dominant attitude among policy-makers that ordinary people 'should not meddle in these matters'. Moreover, there is a persistent elite perception that budget is a too technical topic for ordinary people to understand it. But the fact remains that it is important that people do understand how the budgetary process actually works, how money is allocated, and where it finally goes. Before citizens or civil society organizations (CSOs) can participate in budgetary processes, they need to understand them and have sufficient and appropriate information on the same. There is, therefore, a strong imperative of demystifying the budget-making process and unbundling it. There is, however, exciting exploratory work going on in a number of countries on analyzing the budget process, its transparency, and the openings for participation which it affords (Rahman and Kabir, 2004). Bangladesh, a social laboratory for

experimentation in social development, has been contributing immensely in this area of people-friendly development.

Governments all over the world are now showing growing interest in analyzing their own budgets and budgetary processes from the perspective of particular groups of population. Brazil (Porto Alegre) and South Africa (Women Budget Initiative [WBI]) are two successful examples where participatory budgeting is led by different sectors of society. The Porto Alegre case led by district (state) government and working at the district level, is able to involve and coordinate a large proportion of the population who, in turn, provide the pressure for accountability from local government. WBI, initially a non-government venture, relied on the cooperative interaction of NGOs with central government to bring about change, and hopes to involve ever-widening sections of the population, including local governments as it proceeds. This strategy of working with government from outside has the advantage of engaging government in gender sensitive work, moving it beyond a rhetorical commitment to implementation. Indeed, it is implementation, which is the major stumbling block and not the policy itself.

Despite the constitution of Bangladesh has assured the ownership of the citizens of the country,¹ the decision-making power has always been outside the domain of the common people. They have the right to elect their representatives in different tiers of the government and cannot really make the representatives accountable to them, particularly in terms of designing and implementing programs and projects that matter for them. As a result, their hopes and aspirations get hardly reflected in the development agenda of the government (both national and local). Of course, there are serious gaps in the institutional structures of governance as well, for which people's representatives cannot always push through the pro-people agenda even if they want to. Moreover, huge differences exist between the opinions of the common people and those of the policy-makers on prioritization of development issues. The Interim and Preliminary Draft Poverty Reduction Strategy Paper (I-PRSP and PRSP) (GPRB, 2005) have consistently given emphasis on participatory approach in the prioritization of the issues for poverty reduction. But on the ground this emphasis has hardly been translated into doable actions. On the other hand, interesting examples are emerging where quality of public spending has been much better where citizens have been able to organize themselves as watchdogs.

¹ Article 7(1) of the Constitution of the People's Republic of Bangladesh clearly mentions, "All powers in the Republic belong to the people, and their exercise on behalf of the people shall be effected only under, and by the authority of, this constitution."

The annual budget (both of national and local governments) is the most important fiscal tool for enhancing the pace of economic growth and poverty reduction.² But the existing process of budget preparation in Bangladesh is not at all simplified, efficient, transparent let alone a vehicle for effective participation of the poor, particularly the marginalized women, vulnerable, and voiceless. The organized richer groups of the society with better access to political power and bureaucracy can always lobby for promoting their own interests immediately before the finalization of the national budget, while the poorer groups, mostly unorganized, have no control over the changes in the macroeconomic policies envisaged in the budget, even though these have profound implications for their livelihood (Rahman et al., 2002). The latter groups are hardly invited by the budget-makers for necessary consultations.

Local Budgeting in Bangladesh

Evidences show that the LGIs in Bangladesh are very weak in providing basic services to the citizens and in promoting good governance in their constituencies due mainly to low level of human capital in the local government bodies and absence of participatory decision-making in governance. This has, of course, been due to lack of commitment of the elites in sharing their power and privileges with the local people. The local citizens, on the other hand, have not been facilitated to form strong pressure groups to ask for their due share of the central kitty to which they too have been contributing mostly through indirect taxes. All these have resulted in inefficient LGIs even though they have huge potentials in sustainable poverty reduction and economic and social development in Bangladesh, particularly from below. In addition, access of the poor and voiceless to these institutions is often restricted due to lack of terms of information. The quality of basic utilities and services provided by other government agencies and as well as the LGIs is also not at all satisfactory. All these point towards poorer governance at the grassroots level (WB, 2002). Also, the low level of economic governance does not ensure the value for money of the taxes paid by the citizens.

² The Asian Development Bank (ADB) has defined poverty as “an unacceptable human condition.” In its view, “poverty is a deprivation of essential assets and opportunities to which every human is entitled. Everyone should have access to basic education and primary health services. Poor households have the right to sustain themselves by their labor and be reasonably rewarded, as well as having some protection from external shocks. Beyond income and basic services, individuals and societies are also poor if they are not empowered to participate in making the decisions that shape their lives.” Despite all these, ADB firmly believes that poverty is mutable—public policy and action can, and must, eliminate poverty. See ADB (2004).

Given this broader context, the budgeting process of the LGIs needs to be more pro-poor and participatory if they are to be made truly capable of playing a meaningful role in poverty reduction and realizing MDGs. This can be achieved through participatory needs assessment, participatory planning and resource mobilization, appropriate designing, implementation, and oversight of development projects. If sensitized and mobilized around budget-making process, citizens can indeed help accelerate a snowball process of change in the governance at the local level leading to positive change at the national level finally.

An effective local government can indeed play a pivotal role in integrating common people with the budget-making process and in the implementation of the budgetary provisions. The scope of people's participation crucially depends on the functioning of the local government system. The LGIs have to be equipped with instruments for mobilization of local resources and revenues, and their local obligations and responsibilities had to be satisfactorily determined. On the basis of the transfer of additional resources from the national government, local people need to be allowed to determine the priority of expenditure.

There are number of advantages of local level planning through local government. These are:

- a) It is easier for the local government to estimate investment expenditure for local level development projects;
- b) It is easy to maintain local projects through the participation of LGIs after the completion of projects;
- c) It helps make the local people aware of their needs and to articulate their priorities; and
- d) It helps in the mobilization of local resources if the processes of allocation and utilization of local and national resources are made transparent.

Capacity and Budgeting of Local Government Institutions in Bangladesh

Capacity and Financial Structure³

Local government is acknowledged as a highly viable mechanism through which democratic processes and practices can be established

³ Draws on CPD (2003) and Rahman et al. (2004).

and participatory development ensured. The constitution of Bangladesh provides for the creation of the local government bodies at every administrative level, but presently it exists only at the UP level only.

In effect, the LGIs in Bangladesh remained weak and perpetually dependent on central government through various means of political and administrative control. Almost all of the major LGI reform efforts, as a matter of fact, mostly addressed the secondary issues, *i.e.*, number and level of tiers, relationship between tiers, composition, distribution/share of functions among the tiers and central government etc., at the expense of the substantive/core issues like devolution of authority for enabling LGIs to operate in an autonomous manner. For example, personnel management including mechanisms of effective accountability of deputed government officials and other personnel whose recruitment are finally approved by the national government functionaries; the other issues, such as resource generation, management, and utilization remained out of the purview of the reform agenda. The central government exercises substantial financial and administrative control over the LGIs in different ways.

The annual budgets of the LGIs are scrutinized and approved by different levels of central government agencies. Again, in the case of UP authority over the appointment and payment of salaries of the staff is held by central government bureaucracy. In the internal functioning of LGIs, the national government functionaries also exercise control over them. For example, the Local Government Ordinance requires a UP to constitute a number of Standing Committees, and for the formation of any additional committee, it needs the formal approval of the Deputy Commissioner, the top level central government official at the district. The above facts in the context of the UP reveal that the LGIs are persistently controlled by the national government through various mechanisms in almost every aspect of their operation and function. Such practices, in reality, have turned the LGIs in Bangladesh into mere extensions of the national government and of their various functionaries.

Local government bodies have been chronically resource poor. The LGI regulations empowered them to mobilize resources from local sources through assessment and levy of taxes, leasing of local *hats* and *bazaars* (marketplaces), water bodies, etc. But they do not receive the total resources generated from their entitled sources. For example, in the case of the UPs, of the revenue generated from the leasing of the rural market, 25 percent is retained by national government, 10 percent by the Upazila (sub-districts), and 15 percent is earmarked for the maintenance of the market, and the rest 50 percent is the entitlement of the UP. Another feature of financial control is that the Upazila Nirbahi Officer (UNO) who

is the controlling central government officer at the sub-district receives funds transferred from the UP mobilized resources like share of land transfer tax, market lease money for retention in the accounts maintained by him/her for later distribution to UPs on basis of prescribed government guidelines. This clearly indicates that the UPs virtually have no direct control even over resources generated from their own jurisdictions. Such practice of regulating and controlling of the financial resources by the national government functionaries keeps the local government units (LGUs) ever resource poor and resource dependent on the national government.

The LGIs are entitled to Annual Development Plan (ADP) block grants from the national government. The local government regulation holds strict instructions that the block grant must be used specifically in certain sectors determined by the central government. This pre-determined sector allocation seriously limits the scope of local level planning as well as compromises the flexibility of local bodies to utilize the financial resources for satisfying the immediate needs of the community. This also runs contrary to the concept of functional autonomy of the LGIs.

Institutional capacity includes both human competence and logistics. Relevant studies reveal that the overwhelming majority of the chairmen and members of LGIs lack adequate knowledge and understanding of the operational procedures and functions of these bodies. They are also unaware of the intricate rules as regards to budgeting, planning, and resource management. Moreover, for example, the UPs are required to maintain and preserve more than 100 registers (for general office management, village courts, test relief programs, food-for-work programs, Vulnerable Group Development Programme [VGDP] and Rural Maintenance Program [RMP]). It is a huge task considering the managerial capacity of the said LGI. In effect, very few registers are actually maintained. This is due to the fact that very little effort has been made over the years to impart training to the elected officials and salaried staff, particularly the UP Secretaries in the relevant fields of local institutional operations.

Moreover, relevant institutions have inadequate facilities and the training modules are also out dated. Most of the LGIs have inadequate physical facilities. Many of these LGIs do not even have adequate office space. Upazila (sub-district) and Zila (district) Parishads (councils) do not enjoy real autonomy to solve the local problems. In order to finance development activities and mobilize resources, the local governments depend on the central government. Likewise, in order to employ manpower or transfer their employees serving the local administration,

they are dependent on the central government. All the key personnel who are associated with development work in the municipal areas tend to be the employees of the central government.

The municipal governments, particularly the smaller ones, do not even have sufficient control and leadership over municipal affairs. The challenge here is to create appropriate conditions for the municipal authorities to function effectively. The efficiency of municipal authorities depends to a large extent on efficient and better-trained manpower. The municipalities in Bangladesh lack organizational capabilities to undertake and successfully complete the massive task of urban development. One of the reasons for such a deficiency is the lack of trained manpower resources available to the local governments. Many of the municipalities remain understaffed. The central government exerts full control over local level decisions.

*Budgeting and People's Participation*⁴

Engagement of community and community-based organizations (CBOs), NGOs, and ordinary local people with the LGIs, particularly on prioritization of public spending has been gradually emerging as an effective tool for deepening democracy. The scope for raising voices for greater share of the public resources by the poor and vulnerable groups is also being enhanced in the process. This, of course, provides a better opportunity for citizens to see for themselves how much policy translates itself into outcomes on the ground. Such a budget work is indeed premised on the perception that citizens have the right to monitor how well the premised public services are delivered to them by the providers. Such an engagement also increases the level of transparency and accountability and improves the quality of governance. This, therefore, can also help improve the capacity of the state, particularly that of the LGIs, in expanding the scope of participatory budgeting at the grassroots level.

Budgeting process in Bangladesh is not effectively participatory in the national level although the national government is elected by popular voting system. In the existing budget-making process, there is no scope of people's participation at the local government budgeting, not to speak of the national budgeting. There have, however, been few innovations of UP-centric participatory budgeting initiatives. The Government of Bangladesh, UNDP, and UNCDF have jointly initiated a project titled

⁴Draws on Rahman (2005).

“Sirajganj Local Government Development Fund Project” or shortly Sirajganj Project, which has been organizing participatory planning and budgeting since its inception in July 2000 with a duration of five years.

Participatory planning and budgeting events take place at the UP level of Sirajganj district. Also, The Hunger Project⁵ initiated some participatory events on the proposed budget by organizing a one-day open budget session at 25 UPs all over Bangladesh in 2002 and at 27 UPs in 2003. The ordinary people raised questions on tax proposals and development and requested to undertake various development programs that would meet their practical needs. A similar type of exercise titled “Open Budget Hearing” carried out at Ramjan Nagar Union of Satkhira district⁶ carried out by a local NGO called Agrogati Sangstha in 2003. In that program, the UP Chairman declared the budget of the UP before some 500 people of that Union. Local citizens, both men and women, asked a number of questions about revenue and development expenditures of the budget.

The program created enormous enthusiasm among the local people who live indeed far away from capital city as well as from many development innovations and participation in the decision-making level. The program was a component of a project called “Transparency and Accountability of Union Parishad” financed by the Cooperative for Assistance and Relief Everywhere, Inc. (CARE)-Bangladesh. The local people present in the event opined that this type of innovation can really make transparent and accountable, especially those UPs that are located in the periphery. However, stimulated by success of the program Agragati Sangstha later initiated open budget hearings at seven UPs including Ramjan Nagar Union in the same district in June-July 2004 with the active support of the UPs. They also helped formulate five-year plans for these Unions, which is in fact the best output among the participatory budgeting exercises all over Bangladesh. The process has been continuing and gathering stronger ground with the passage of time.

On the other hand, Capacity BUILD (Building Union Infrastructure for Local Development) Project of CARE-Bangladesh was designed to introduce democratic principles and a heightened sense of civic duty to support a larger goal of decentralizing public decision-making. This intervention targeted 153 UPs throughout the country to instill an awareness of the roles and functions of this locally elected body

⁵ The Hunger Project is an international NGO, and its Bangladesh Office has been organizing open budget sessions at different UPs.

⁶ This union is adjacent to Sundarban, the world’s largest mangrove forest.

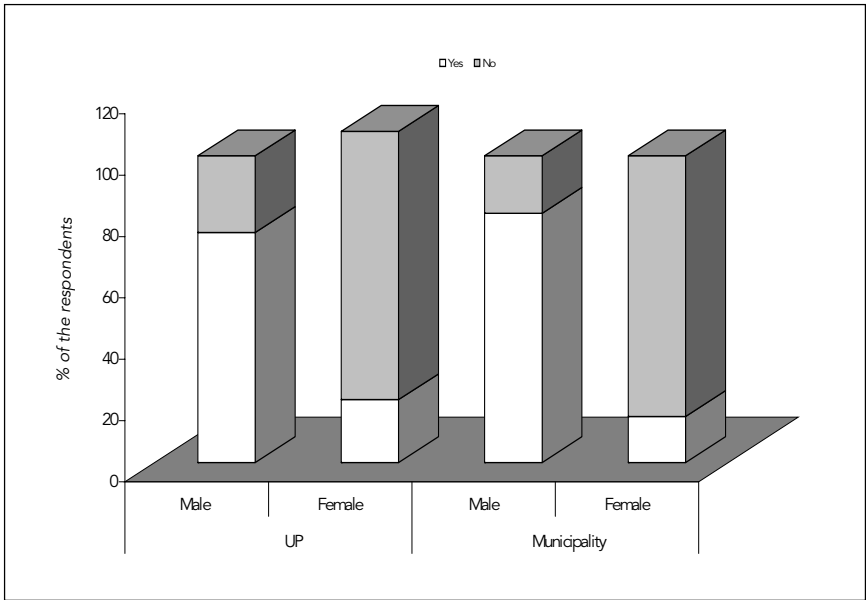
throughout the union community. The intervention supported capacity building activities both with the elected officials and the UP Secretaries (administrative officials) to improve their management skills. It also created stakeholder groups in local communities that meet regularly with the UP members in order to increase the transparency and accountability of local government. This program has been promoting the participation of marginalized and vulnerable groups (mostly poor) in local level planning and put a specific emphasis on the public role of women in government. It also tried to enhance the institutional capacity of local government, particularly the UP, to plan and coordinate effective development initiatives with community participation for fostering local level transparency and accountability. This has been a rewarding experience of participatory budgeting and planning exercise in Bangladesh. Important lessons have been learned from the BUILD initiative of CARE.

Except these few innovations, most of the UPs and almost all of the municipalities do not have people's participation in budgeting. Shamunnay, a non-government development research organization of Unnayan Shamannay, recently carried out a nationwide survey on 480 respondents selected from 52 UPs and 28 municipalities in order to assess the state and scope of people's participation in the UP and municipality budgeting.⁷ The survey revealed that most of the female respondents (above 85 percent) do not possess basic knowledge regarding participatory budgeting, while a significant number of male respondents (roughly 75 percent) have some knowledge on such an important issue.

The respondents also asserted that under the existing system there was hardly any scope of participation of beneficiaries and other stakeholders in the budget-making process of the LGIs. It has been found that people did not know who the decision-makers were in budget preparation of their UP/municipality. Only around 40 percent of the total sample respondents had some idea about who actually prepared the annual budget of the UP/municipality. They did not know as well whether it was prepared by the LGI alone or with the participation of the local people. Besides, more than 55 percent of the respondents reported that views of the local people were not taken into consideration, while preparing the annual budget for the UP/municipality. There are various ways through which local people were informed about the annual budget, such as notice circulation, advertisement, announcement, social gathering, and it has been reported that no unique method was followed to inform local people about preparation of the budget. Moreover, a significant number of respondents did not have any idea about the status of the budget after it has been passed.

⁷ See details in Rahman (2005) at www.shamunnay.org.

Figure 1
Proportion of the Respondents Having Some Knowledge on Participatory Budgeting



Source: Rahman, 2005.

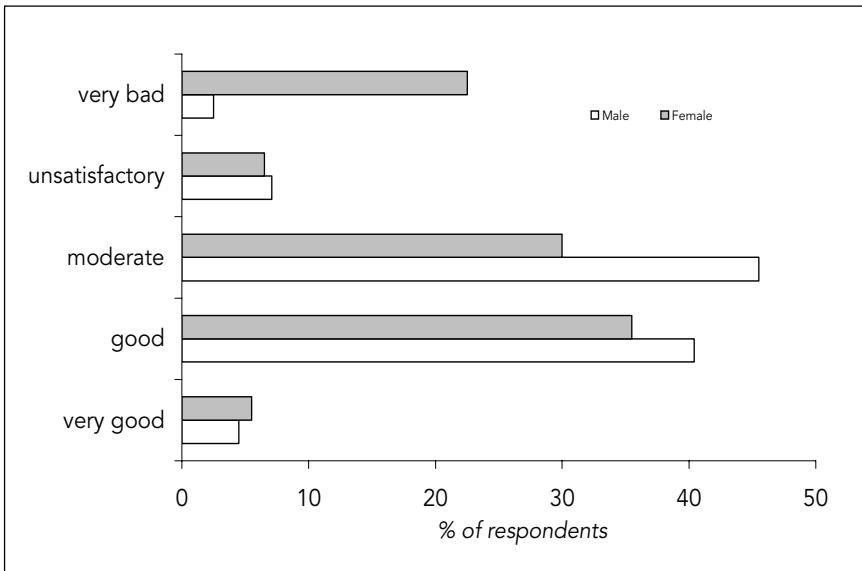
In addition to the preparatory stage, community participation is also essential during the implementation period of the budget. Indeed, the question of implementation is more crucial. A sizeable percentage of respondents (around 80 percent) considered mid-term review as a very important tool to have understanding on the progress of the budget though most of the people do not even know whether there is a provision for the same during implementation stage of the budget. However, 36.5 percent of said sample focused on the consultation between local people and local government representatives for a good budget. Moreover, 18.3 percent ensured participation of the local people in the budget-making process in order to have a good budget.

The successes of the activities of the UPs/municipalities mainly depend on the identification of the appropriate development projects from the perspective of the demand of the local people. Under the conventional system prevailing in the UPs/municipalities, the selection of the development projects is done in a top-down manner. There is a very limited scope for local people to express their views to identify the development projects as the respective chairman and members make the

selection. It has been observed that only around ten percent of the respondents think that the local government representatives select development projects after discussing with the local people, while most of the respondents think that the local MP/Minister makes decisions through the chairman. Again, it has been found that the evaluation of the quality of development projects is done mostly by Upazila Engineer after discussion with local government representatives (around 65 percent), and consequently, there is limited scope for the local people to be involved in the implementation of the development projects (35 percent).

Roughly 40 percent of the respondents considered the quality of the development project work as good, while only five percent as very good. By and large, slightly lower than 50 percent respondents found the project work as of moderate quality. In addition, around 60 percent of the respondents thought that there was no provision of accountability of the project implementers to the local people after completing the development work.

Figure 2
Perception of the Respondents About Quality of Project Work



Source: Rahman, 2005.

Needless to say, the question of quality comes due to absence of people's participation in the LGI budgeting at the surveyed areas. The experience of Sirajganj Project, however, reveals that the quality of development schemes at the UPs was good due to participatory pre-budget participatory development plan and post-budget participatory monitoring of the implementation of the schemes.

Bangladesh Innovations in People's Budgeting

National Budget

The scope for people's direct participation in preparation of budget-making in Bangladesh is almost non-existent. Budget formulation is under the authority of civil servants; whereas both approval and enactment are under the Ministry of Finance (MOF) and the Parliament. Similarly, only a very little participation of people is noticed to the extent that government bodies meet, with representatives of certain interest groups—e.g., trade unions, business associates (chambers)—before finalizing the budget proposals. The extent of acceptance of the proposals, however, is also quite low.

A number of pre-budget and post-budget consultations both by the government and NGOs, however, have become active in enhancing people's participation in prioritizing their needs and aspirations in the national budget. The National Board of Revenue (NBR) has been arranging separate meetings with various chambers to incorporate their demands, suggestions, and proposals in the preparation of revenue budget. The meeting between NBR and various chambers has been known as the 'consultative meeting'. Since early 1990s, there have been provisions for bilateral meetings between the NBR and particular representative body before the culmination of the consultative meeting involving the NBR and various chambers and representative bodies. The bilateral interactions allow the board to have a closer and comprehensive review of the proposals, interchange their views, logic, and rationale at a much smaller forum compared to the consultative meeting.

The major features of the consultative meeting are:

- a) It is an institutional arrangement to provide an opportunity for participation in the budget-making process;
- b) The forum is dominated by a small section of the economic agents who are very powerful; and

Map 1
Location of the Participatory Budgeting at UPs and Municipality



- c) The purview of the forum is also narrow and limited only to tax-related aspects of the budget.

That, in a sense is a forum which apparently tries to protect the interest of the trading and producing groups of the society. It normally does not listen to the problems of the groups like rural and urban consumers, small traders and small-scale producers, farmers, NGOs, CBOs, and traders and producers involved in informal activities.

Of course, over the last ten years, there have been tremendous changes in the regime of people's perception and participation in the budget affairs. Ordinary people, though who cannot participate formally in the national budget-making process, now participate effectively in various pre- and post-budget seminars, dialogues, and workshops organized by different CSOs, and thus can create some influence on policy changes.

Over the last ten years, Shamunnay has been organizing both pre- and post-budget national seminars and roundtables and advocating for pro-poor, women-focused, child- and environment-friendly, and pro-MDG budgeting. Cross-section of institutions and people of the society including print and electronic media, academia, representatives of CSOs, women, children, physically challenged, and ethnic minorities have been effectively participating in these events. Recently, Shamunnay organized a number of radio and TV programs on how to make budget pro-poor, agriculture-friendly, and MDG-oriented with active participation of marginalized groups of the society. All these have resulted in fostering some important changes in the policy of the government including, *inter alia*, increased subsidy in agriculture, higher women and child budget, undertaking programs for enhancing livelihood options of the marginalized and vulnerable groups, transferring direct block grant to 2,000 UPs, etc. Shamunnay has also initiated a process of demystifying budget procedures and issues through a press briefing within a couple of days of the budget announcement and the publication of a user-friendly booklet titled *Budget Made Easy*. This document is distributed among the MPs, journalists, advocacy groups, and students. Shamunnay has also taken other initiatives to further unbundle budget concerns through another publication titled *Budget Made Easier* for better understanding of the school children, farmers, laborers, housewives, street vendors, etc. The presentation is simple, using a lot of graphics and pictures.

Unlike national budget, there is an absence of nationwide movement towards people's participation in local level budgeting except few experimentations mentioned above. Such programs are, however, mainly the UP-centric in nature. While such initiatives are traditionally about increasing capacity, transparency, and accountability of the UPs, Shamunnay has recently initiated some innovative programs of participatory budgeting at the UP and municipality, two important LGs of Bangladesh which incorporate, *inter alia*, extensive budget hearing and formation of MDGs Network at the community level for indigenizing and contextualizing MDGs. Civic monitoring of MDGs is the major component of this initiative.

Participatory Union Parishad and Municipality Budgeting

In 2004, Shamunnay initiated a nationwide local level participatory budgeting movement through its program titled "Development for the People." Under this program, participatory training and workshops have been arranged for a number of interested UP and municipality leaders of Bangladesh. The programs provided intensive training and motivated them to introduce participatory budgeting at their respective LGIs incorporating the targets of the MDGs. Later, five UPs and one municipality have associated themselves with Shamunnay as partners and formed the MDGs Monitoring Committees at their localities presided by the elected chairmen. Beside this, three important committees, e.g., Women's Committee, Education Committee, and Environment Committee have been formed at every ward of the UPs and municipalities comprising teacher, student, locally respected person, NGO worker, educated housewife/woman, educated young man, farmer, health worker, trained midwife, school management committee member, etc. Recently, the partner LGIs organized open budget sessions under active cooperation, guidance, and supervision of Shamunnay. The following are the cases of these innovative initiatives.

Purnimagati Union Parishad. Purnimagati is a union of Sirajganj district, located on the bank of Jamuna, one of the biggest rivers of Bangladesh. On 31 May 2005, it organized an open budget session at UP premise in front of about 1,000 ordinary citizens. The UP Chairman Gazi M. Khorshed Alam is a veteran and popular UP leader elected in the three consecutive terms. But since UP budget is an area of interest of the ordinary people, they did not provide any room for excusing the Chairman in terms of some outstanding problems persisting at the union. The Chairman committed to the people that UP would try its utmost to solve these problems and said that the inhabitants of the union are the owners of the UP budget. Therefore, they have to pay taxes, monitor development works, and oversee where the tax money goes. He expressed that participation of the ordinary citizens in activities of the UP would surely reduce their miseries and make the UP effective and efficient in delivering good quality services. This particular UP has already raised taxes amounting more than half a million Taka, realizing 95 percent of the target. People pay taxes mainly because they have direct access to facilities where their money is spent. The UP has achieved 100 percent sanitation by the end of 2004 and made a green belt influenced by the environment committee of the union formed under the MDG committee.

Gacha Union Parishad. Gacha is a union of Gazipur district. It is located very close to the capital city Dhaka. On 15 June 2005, it organized a daylong open budget session where about 2,000 cross section of

“Earlier I used to hesitate paying a UP tax of Tk 300. Now I happily pay the enhanced tax of Tk 500 because I can check how it is going to be spent.”

*-- Aminur Rahman (50)
Assistant Headmaster, Folia High School, Purnimagati*

people participated. After budget speech of the Chairman, a number of issues were raised from the audience, which was usually ignored in the previous budgets of the UP. The most important ones were:

- a) Sanitation system of the union is not satisfactory at all. Population of the locality has been increasing day by day, but the UP does not have proper human settlement plan. This is the high time to formulate a master plan of sanitation and housing. In addition, the UP should provide sanitary latrine to the poor households with price subsidy or free of cost;
- b) The union does not have a common graveyard, which creates significant misery for the households whose family member dies during rainy season and flooding;
- c) The poor educated youths should be provided with training and self-employment support. Cultural and sports activities should also be promoted to make the young generation positively motivated and creative; and
- d) Little rainfall creates water logging and temporary flooding at the locality, which seriously hamper daily life activities of the ordinary people. Dredging of the canals is urgently needed so as to address this problem. Again, water pollution of the existing canals should be protected by formulating a participatory water management plan at the union.

The ordinary citizens did not have this type of opportunity to raise outstanding developmental problems of the union due to the absence of participatory nature of budget presentation. The UP Chairman promised to address the issues and assured them of a more interactive budget-making in the future.

Auliapur Union Parishad. Aulipur is a union of Patuakhali, one of the southernmost districts of Bangladesh located close to Bay of Bengal.

The UP arranged an open budget session on 29 June 2005, despite heavy rainfall all over the country. But the natural calamity could not constrain overwhelming participation of the ordinary citizens of the union. The UP premise and connecting road was full of cross-section of people including women, children, elderly people, teachers, community leaders, etc.

UP Chairman Humayun Kabir presented the budget for the fiscal year 2005/2006. The Chairman is a young educated local leader. He was one of the trainees of the participatory training workshop for the UP leaders organized by Shamunnay in 2004. He formulated the budget keeping in mind the locally achievable MDG targets.

After the budget presentation, participants of the open discussions clarified some issues related with budget:

- a) Reform of open water bodies should get priority in order to increase income of the UP through leasing. The budget could provide subsidy on fishery development;
- b) Emergency measures should get higher allocation, as the union is a disaster-prone area; and
- c) Tube well and road reconstruction and maintenance should get higher allocation.

"I walked three kilometers to see what's happening at the UP premise braving this heavy rainfall. I wish our chairman would arrange this type of open budget program every year. This will surely develop our union. Everybody should pay tax, because it increases financial solvency of the UP. However, we should also monitor where the tax money goes."

*- Abdus Salam Mridha (62)
Former Primary School Teacher, Auliapur*

"We've tried to make this year's budget MDG-oriented. It's impossible to meet people's unlimited demand, but it is completely new experience in motivating them towards preparing a budget for their long-term development."

*- Ganesh Chandra Sheel (42)
Assistant Teacher of Auliapur High School and UP
Member.*

The Chairman promised to fulfill their demands subject to availability of extra funds through taxing and other incomes.

Mirpur Municipality. Mirpur Municipality is located at Mirpur Upazila at Kustia, one of the westernmost districts of Bangladesh. This municipality has been established in 1997. Open budget session at this municipality held on 6 July 2005 at Mirpur Upazila auditorium. Municipality Chairman Saiful Haque Khan Chowdhury arranged this session in order to seek feedback on the proposed budget and to confirm if it really reflects the needs and aspirations of the inhabitants of the municipality.

After the budget speech a number of issues were raised from the audience comprising of community leaders, government officers, NGO representatives, teachers, journalists, and ordinary people. Some of these were:

- a) It is a municipality only in name. In reality it provides very little urban advantages compared to other municipalities. Therefore, the inhabitants are not interested in paying municipality tax.
- b) The municipality does not have proper waste management system, which must be established immediately. There is a need for reconstruction/maintenance of the existing roads.
- c) Sanitation and sewerage system is very poor. Local students do not get quality education from schools and colleges of the municipality. There is a need for community, monitoring of the educational institutions.
- d) Load shading of electricity is a curse on the people. Immediate steps should be taken to solve this problem.
- e) Tax imposed on the inhabitants should be tolerable and rational. No taxes should be imposed without providing services.

Mirpur is a municipality only in name. Actually, what urban advantages and services we get is quite inadequate. We are, therefore, not enthusiastic about paying taxes."

*- Shafique Ahmad (40)
Businessman, Mirpur*

The demands and suggestions that came from the audience were no doubt realistic and rational. But the Chairman argued that the municipality is a new one and it will take some time to improve urban amenities and municipality services. If everyone pays taxes and works hard, it is quite possible to make the municipality a role model for others. For that to happen, people must remain united for the cause of improving the municipality.

Chithalia Union Parishad. Chithalia is a union of Mirpur Upazila of Kustia district. On 7 July 2005, UP Chairman Moazzem Hossain arranged an open budget session at the local primary school hall. About 500 people comprising cross-section of local citizens participated in the event. After the budget speech of the Chairman, the participants raised a number of issues which were not covered in the budget speech. These included improvement of roads, agricultural subsidy, quality of education and health services, construction of culverts, water logging, sanitation, women's empowerment, and excess unnecessary expenditure of the UP Chairman. The participants argued that the local economy will not be improved until farmers do get their due assistance like subsidy, marketing facility, and fair price. The Chairman and his colleagues promised to incorporate changes in the proposed budget in the light of the suggestion of the participants.

"I'm a small farmer. I produce rice for you, but remain hungry with my family because I do not get just price for my produce. Union Parishad does not provide subsidy on my cost of production. Our Chairman does not come to my house, to my farm on his motorbike. But he is showing that he spent huge money for buying fuel for his bike. Where does he go spending our money?"

*- Afaz Uddin (42)
Baria, Chithalia Union, Mirpur*

Lessons Learnt

A number of lessons can be learnt from the open budget sessions completed so far:

- a) People's participation in local budgeting increases transparency and accountability of the LGIs. They become more responsive to the people's needs and aspirations.

- b) It is the local people who can really understand the developmental problems of a community. Therefore, suggestions from them should be incorporated properly in order to make development people-oriented.
- c) Budget prepared and implemented mechanically without people's participation cannot necessary ensure sustainable development.
- d) Tax should not be imposed without providing services. It can create people's discontent against the LGs, which would ultimately constrain the pace of development.
- e) People's participation in local level priority setting can facilitate participatory democracy at the grassroots, which leads to people's empowerment and foster social harmony.
- f) People, if motivated properly, can be utilized in achieving targets of the MDGs through forming people's committees at the grassroots and formulating MDG-oriented budgets at local level.

Conclusion

Despite constitutional pledge of ownership of the Republic by citizens of the country, the decision-making power has always been outside the domain of the common people. The rules and procedures have not been reformed in the light of this citizen proprietorship. Therefore, hopes and aspirations of citizens get hardly reflected in the development agenda of the government, both national and local. The PRSPs of Bangladesh have given sufficient emphasis on participatory approach in the prioritization of the issues for poverty reduction, but on the ground this emphasis has hardly been translated into doable actions. The annual budget of national and local governments is the most important fiscal tool for enhancing the pace of economic growth and poverty reduction. But the existing process of budget preparation in Bangladesh is not at all simplified, efficient, transparent let alone a vehicle for effective participation of the poor, women, vulnerable, and voiceless. In order to make LGs truly capable of alleviating poverty to achieve targets of the MDGs, their budgeting needs to be more pro-poor and participatory.

The LGs in Bangladesh remained weak and perpetually dependent on central government through various means of political and

administrative control. Engagement of community and CBOs, NGOs, and ordinary local people with the LGs, particularly on prioritization of public spending has been gradually emerging as an effective tool of deepening democracy. The participatory budgeting initiatives of Sirajganj Project, Hunger Project, Capacity BUILD Project of CARE-Bangladesh, and Agragati Sangstha, were UP-centric and capacity building oriented. Shamunnay recently has initiated some innovative programs of participatory budgeting at the UP and municipality, two important LGs of Bangladesh which incorporate, *inter alia*, public hearing of the budget and formation of MDGs networks, which proved effective in making the UPs and municipalities transparent and accountable to the people in priority setting. This has started facilitating involvement of ordinary citizens in achieving targets of MDGs at local level.

These types of innovative initiatives may be widely replicated in the similar countries of the world for accelerated poverty reduction and inclusive development. The MDGs have to be contextualized and owned locally. The LGs are potentially capable vehicles for indigenizing MDGs. The LGs should take up this challenge by bringing other CBOs like local clubs, educational institutions, different professional groups, NGOs together and monitor the progress of MDGs from below. Poverty—the ugliest curse of civilization—may be alleviated and ended only if citizens are motivated to exert individual and collective efforts to arrest it. The LGs can do a great job in bringing people and institutions together perhaps through public action like participatory budgeting, which indeed can be a very good cementing factor.

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Participatory Budgeting in Decentralized Indonesia: What Do Local People Expect?

BAMBANG P.S BRODJONEGORO*

After four years of the implementation of decentralization in Indonesia, followed recently by direct local election, most of local residents are still questioning the real benefit of having decentralized government, instead of centralized system in the past. Public discussion on decentralization is still concentrated on the issues of intergovernmental fiscal transfer, local taxes and charges, local executive vs. legislative power, and local direct election. Intensive discussion on the quality of local public services after decentralization and the improvement of local people welfare in general was rather few. Local budget as an instrument for local government intervention in development seemed to be exclusively "pure government budget" rather than "people" budget. The idea of pro-poor budgeting now becomes an emerging issue to make local budget more effective in promoting local development and hence, improving local welfare. Planning and budgeting process is the key to implement pro-poor budgeting. Logically, to make a local budget closer to local people needs, then they have to actively participate in budgeting process. The process called participatory planning and budgeting has been practiced in Indonesia for quite sometime, even before decentralization. However, the process is still top-down rather than bottom-up so the final budget is often disappointing. After decentralization and democratization, some local governments in Indonesia tried to implement better participatory budgeting process by for example, involving more local stakeholders in the process. The question is whether the participatory budgeting process is a guaranteed way to implement pro-poor budgeting and hence, improve local welfare. Interestingly, some local governments proved that pro-poor budgeting did not have to be defined through participatory budgeting. Strong leadership with good governance principles could be an alternate in making local budget effective for poverty alleviation. To make participatory budgeting a useful instrument, there needs to be clear indicators and guidance on how local participation could lead to real pro-poor local budget.

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Introduction

According to the United Nations Development Programme (UNDP), participatory budgeting is a multi-faceted process. It is a range of initiatives that is evolving and changing viewed on four dimensions: participatory; budgetary; normative-legal; and territorial/physical. It is a mechanism or process through which the population decides on, or contributes to decisions made on, the destination of all part of the available public resources. Participatory budgeting, however, does not have specific and precise definition because it differs greatly from one place to others.

Despite its differences, participatory budgeting is a process regulated by time (usually in annual cycles), by physical territory (normally the city limits), and in which the main actors are local governments and civil society.

Participatory budgeting has not been implemented for a long time. Formally, it was first introduced in a few Brazilian cities, such as Porto Alegre. Since there was rapid expansion of the process, it is difficult to monitor all the experiences. Outside Brazil, it expanded to Montevideo, Uruguay. History noted three large expansion phases of participatory budgeting: (a) from 1989 to 1997, by experimentation in a limited number of cities; (b) from 1997 to 2000, by consolidation in Brazil, during which over 130 cities adopted participatory budgeting; and (c) from 2000 onwards, by expansion and diversification, outside Brazil.

The idea behind participatory budgeting is that citizens themselves have the best understanding of their own living situation, and they are thus best able to determine on what projects to spend the available resources, with what priorities, and in what exact form. Thereby, participatory budgeting is an important instrument to deepen democracy and give a voice to otherwise under-represented groups of the population. Involving citizens in the allocation of government resources also increases their incentive to monitor these projects, which makes government officials more accountable, and hence renders corruption more difficult. The right to information is complementary to participatory budgeting, since it greatly enhances citizens' ability to monitor the implementation of their budgeting decisions. Participatory budgeting has been used very successfully to combat corruption in Brazil and Venezuela. Some participation by citizens might even be desirable in decisions that are made on a national scale.

In recent years, Indonesia faced social, economic, as well as political problems simultaneously. Problems include increasing number of the poor

and unemployment, lower production activities and productivity of business people, lower public service quality due to lower government revenue (including local revenue), lower quality of security, and also low public trust in bureaucracy for public services.

The government seeks to solve the problems. One way is by analyzing the problem of local financial system. This includes the aspect of budget system. Budget is important since it relates to money. Budgeting in a government is very important. It is a process of using limited available resources to transform into the activities and services that is most effective to public.

Development Planning

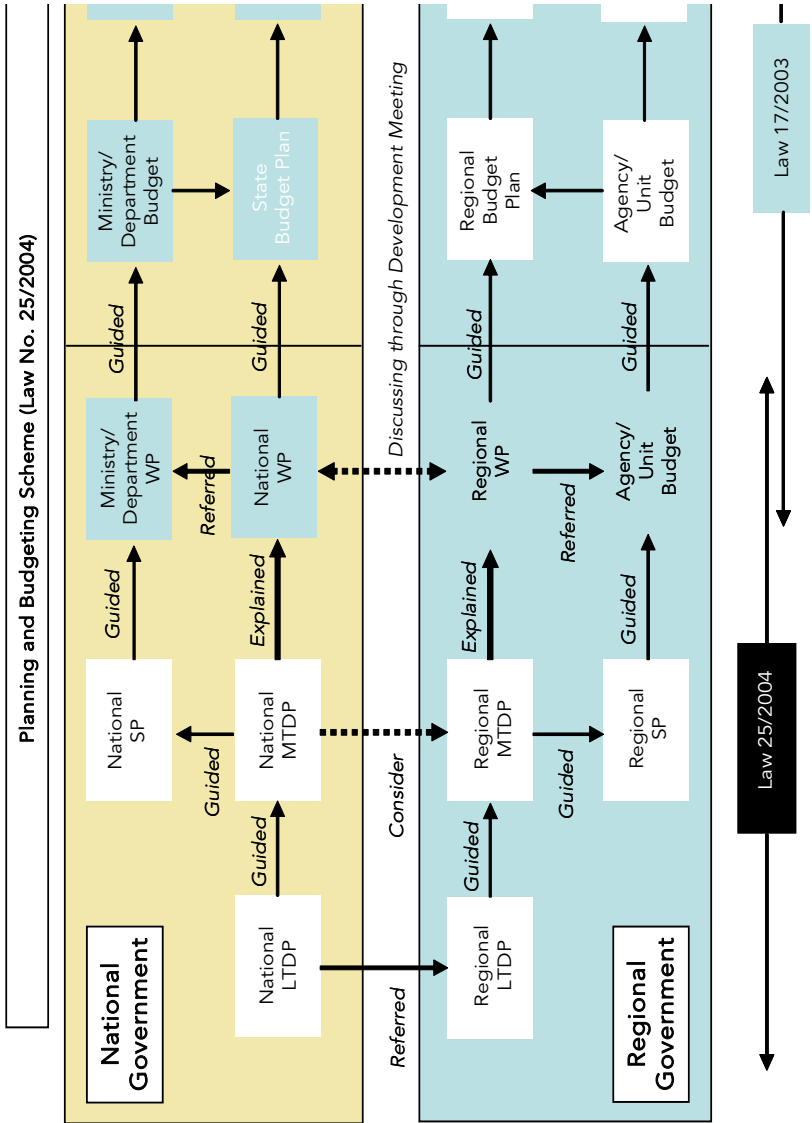
The national development planning system consists of annual, medium term, and long-term plan, executed by governments, central and local, as well as general public. Those plans have to be supported by ministerial/agency strategic plan, government work plan, and ministerial/agency work plan. This also applies at local level (see Table 1 and Figure 1).

Table 1. Scope of Planning

<i>National</i>	<i>Local</i>
National Long-Term Development Planning (20 yrs)	Local Long-Term Development Planning (20 yrs)
National Medium-Term Development Planning (5 yrs)	Local Medium-Term Development Planning (5 yrs)
Ministerial and National Agency Strategic Plan	Local Government Unit Strategic Plan
National Work Plan	Local Work Plan
Ministerial and National Agency Work Plan	Local Government Unit Work Plan

The long-term development planning should explicitly state the vision, mission, and the direction of national/local development strategy. The medium-term plan should translate the vision, mission, and programs of elected president at national level or elected governor/bupati/mayor at local level. The medium-term plan should refer to the long-term plan. At the central level, the medium-term plan includes the following: (a) national development strategy; (b) general policy; and (c) macro-In

Figure 1. Planning and Budgeting Scheme



economic, regulation, and budgeting frameworks. At the local level, the plan covers (a) local development strategy; (b) general and local financial policies; and (c) regulation and budgeting frameworks (see Table 2).

The strategic plan consists of vision and mission, goals, strategies, policies, programs, and indicative activities of respective agencies. The government work plan should feature national/local development priorities, macroeconomic framework, fiscal policy direction, regulation and budget frameworks. The agency or unit work-plan basically contains policies and programs (see Table 2).

Table 2. Contents of Development Plans at the National and Regional Levels

Long-Term Development Planning (LTDP)	
National LTDP	Regional LTDP
Description of National Goals into: <ul style="list-style-type: none"> ▪ Vision ▪ Mission ▪ Direction of National Development 	Refer to National LTDP and consist of: <ul style="list-style-type: none"> ▪ Vision ▪ Mission ▪ Direction of Regional Development
Medium-Term Development Planning (MTDP)	
National MTDP	Regional MTDP
<ul style="list-style-type: none"> ▪ Description of Vision, Mission, and Program of Elected President; ▪ Refer to National LTDP 	<ul style="list-style-type: none"> ▪ Description of Vision, Mission, and Program of Elected President; ▪ Refer to National LTDP
Contents: <ol style="list-style-type: none"> 1. National Development Strategy 2. General Policy 3. Macroeconomic Framework 4. The Ministry or Department Work Plan: <ul style="list-style-type: none"> • Regulation Framework • Budgeting Framework 	Contents: <ol style="list-style-type: none"> 1. National Development Strategy 2. General Policy 3. Local Financial Framework 4. The Agency or Unit Work Plan: <ul style="list-style-type: none"> • Regulation Framework • Budgeting Framework
National and Regional Strategic Plan	
National Strategic Plan (NSP)	Regional Strategic Plan (NSP)
<ul style="list-style-type: none"> • Refer to National MTDP 	<ul style="list-style-type: none"> • Refer to Regional MTDP
Contents: <ol style="list-style-type: none"> 1. Vision and Mission 2. Goals, Strategies and Policies 3. Programs 4. Indicative activities of respective Departments 	Contents: <ol style="list-style-type: none"> 1. Vision and Mission 2. Goals, Strategies and Policies 3. Programs 4. Indicative activities of respective Agencies

Table 2 (continued)

National and Regional Work Plan	
National Work Plan (NWP) <ul style="list-style-type: none"> • Description of National MTDP 	Regional Work Plan (RWP) <ul style="list-style-type: none"> • Description of Regional MTDP • Refer to NWP
Contents: <ol style="list-style-type: none"> 1. National Development Priorities 2. Macroeconomic Framework Plan 3. Fiscal Policy Direction 4. Ministry or Department Work Plan: <ul style="list-style-type: none"> • Regulatory Framework • Budget Framework 	Contents: <ol style="list-style-type: none"> 1. Regional Development Priorities 2. Regional Macroeconomic Framework Plan 3. Local Fiscal Policy Direction 4. Agency or Unit Work Plan: <ul style="list-style-type: none"> • Regulatory Framework • Budget Framework
Department and Unit Work Plan	
Ministry or Department Work Plan (M/DWP) <ul style="list-style-type: none"> • Description of National Strategic Plan 	Agency or Unit Work Plan (A/UWP) <ul style="list-style-type: none"> • Description of Regional Strategic Plan
Contents: <ol style="list-style-type: none"> 1. Ministry or Department Policies 2. Programs and Development Activities <ul style="list-style-type: none"> • Provided by Government • Encourage Local Participation 	Contents: <ol style="list-style-type: none"> 1. Agency or Unit Policies 2. Programs and Development Activities <ul style="list-style-type: none"> • Provided by Government • Encourage Local Participation

Policy Formulations and Planning

The state finance law (Law 7/2003) does not mention the planning process as part of budgeting process. Ministries and agencies should make their own work plans, discuss them with the Parliament, and finally clear them with the Ministry of Finance (MOF) before everything is finalized as the approved national budget. It is contrary to the role of Bappenas (National Planning Agency) in the past that shared the responsibility of formulating the development budget with line ministries and the MOF.

The Bappenas is currently assuming its role as the agency to formulate the five-year plan (2004-2009) based on the vision, mission, and programs of the newly elected president. The detail of the five-year plan should be available at the final report since the plan is still a draft before it becomes a Presidential Decree.

Implementation of Plan

The direct election of governors, bupati, and mayors, as implementation of Law 32/2004, will start in 2005 with more than 200 local governments having this election for the first time. As a result, the new national development planning law will not take into effect until the newly elected head of local governments come into their offices. The Bappeda (Local Planning Agency) will certainly be very influential in translating the vision, mission, and program into the medium-term, five-year plan.

Previously, the local government did something similar in terms of local planning through the formulation of Poldas (*Pola Dasar* - Basic Pattern, similar to long-term plan), Propeda (*Program Perencanaan Daerah* - Local Planning Program, similar to medium-term plan), and Renstrada (*Rencana Strategik Daerah* - Local Strategic Plan). As also occurring in the past, however, those documents were still full of "wish list" that was hard to achieve and as a result, the documents remain the documents that is hardly implemented. The rivalry between Ministry of Home Affairs (MOHA) and the Bappenas in formulating the local planning process also disrupted the good planning procedure in the past. With the new planning law in place (Law 25/2004), this rivalry should have been settled and local governments need not be confused with various planning concepts.

Monitoring and Evaluation

In the past, due to the strong centralized system, local government's development implementation had been monitored and evaluated by the center, especially the MOHA and Bappenas. During this decentralization era, however, the roles of local parliament (DPRD) have been very significantly increased. In fact, they were very influential since they have the power to topple the head of the regions. (This situation would change when direct elections have taken place).

As a consequence, a good monitoring and evaluation system is still non-existence. Therefore, a massive capacity building (for more than 400 local authorities people) in monitoring development should be conducted. These could handle many issues such as public opinion vs. local government decision; wish list vs. economic reality; short-term vs. long-term planning; etc.

For any monitoring and evaluation system developed, there has to be a mechanism on how the system should react if there is any violation

against the planning procedures. Legal basis at the local level should be clear and firm (which is not the case as yet). The monitoring system itself should include not only the DPRD, but also community representatives.

A more specific capacity building will be needed urgently for the DPRD members who have the right to evaluate (but not to fire) annually the head of regions.

Local Development Planning

The guidance in planning process after decentralization is the Decree of MOHA No. 9/1982 about Guidance of Regional Development Planning. Steps in formulating the Annual Regional Development Planning and Budget (APBD) are as follows:

- a. Village Development Meeting (*Musyawahar Pembangunan Desa - Musbangdes*), directed by Office of Society Village Development (Pembangunan Masyarakat Desa - PMD), formerly known as Bangdes Office. Other than Musbangdes, people in RT and RW level also conduct preliminary discussion.
- b. Workshop in Shop District Level (*Temu Karya LKMD or UDKP - Unit Daerah Kerja Pembangunan*). This meeting is usually held in one day, under coordination of Regional Planning Office (Badan Perencana Daerah - Bappeda) and PMD. Before this workshop, Bappeda has sent the draft of Yearly General Planning to Camat (Head of Kecamatan) as the reference of the discussion.
- c. Coordination Development Meeting (*Rapat Koordinasi Pembangunan - Rakorbang*) at District/City Level. Bappeda District Office directly arranges and supervises this meeting. In this meeting, all Camat present their projects that has been recommended by previous meetings in the form of Yearly Development Planning of Kecamatan (Rencana Pembangunan Tahunan Kecamatan - RPTK) and presentation will be commented by related offices in district/municipal level.
- d. Development of Proposed Project List (*Daftar Usulan Proyek - DUP*) by related offices. After RAKORBANG in District/Kota, Bappeda and Office (Dinas) will hold consultations to respond to the proposal from Kecamatan/UDKP, then compile the DUP based on the funding planning. The Bappeda has a very important role since it approves (or disapproves) projects. The

result from the consultation will be used as input for Bappeda to hold Rakorbang at Province level.

- e. Rakorbang at Province Level. This is the follow-up of “bottom-up” development planning process. As mentioned, this Rakorbang at province level is based on the proposal by District and Kecamatan, including the technical details and administrations.
- f. Budget Preparation of Regional Income and Expenditure (*Rencana Anggaran Pendapatan dan Belanja Daerah - RAPBD*). Budget estimations proposed in the DUP are used to prepare the RAPBD. In this process, Bappeda will cooperate with Bureau of Finance at Local Secretary Office (Sekretaris Daerah - Sekda). In this budget preparation process, the Bappeda still plays a major role, especially in discussions with the legislative unit.
- g. Completion of Working Paper (Lembar Kerja - LK), List of Regional Projects (*Daftar Isian Proyek Daerah - DIPDA*) and Operational Guidance (*Petunjuk Operasional - SOP/PO*). The DIPDA is regarded biased from the planning documents. Therefore, to approve the DIPDA, the LK should be approved by the Bappeda. In this process, there are needs of details of implementation in the PO, technical arrangement, proposal of performance indicator, evaluation process to be part of the planning process.
- h. Control and Evaluation. These activities are performed once in every three months under coordination of the Bappeda. Usually, in this process, physical evaluation is the main focus, not evaluation in objective and the benefit of projects.

Budgeting System Reform

According to Constitutional Law, in order to implement good governance, the management of state budget should be professional, open, and responsible. Based on the mandatory of Constitutional Law in the Article of 23c, Law No.17/2003 is about the regulation of state budget. This main regulation could be explained into some general principles that have been used for long, such as annual principle, universalities, integrity, and specialty. Besides, there are some new principles that reflect best practices (good implementation) in state budget management. The new principles are: (1) accountability and result

orientation; (2) professionalism; (3) proportionality; (4) transparency; and (5) independent check and balance, monitoring institution.

Those general principles need to be implemented in order to guarantee the execution of regional finance principles. The finance principles are comprehensive in Chapter VI of the 1945 Constitutional Law. It is also used for basic principles of state budget management reform and to strengthen the basic of decentralization and regional autonomy.

State/regional budget arrangement reform in Law No.17/2003 about State Budget includes strengthening of goal and function of government budget, the role of the DPR/DPRD and government in budget arrangement and decision, integrating accountability criteria system in budgeting system, budget classification improvement, integration of budget, and medium-term budget aspect.

In order to adjust the goals, the regulation of the DPR/DPRD and government roles in budget establishment and setting is very important. Budget is a tool of accountability, management, and economic policy. As the instrument of economic policy, budget functions are to realize the goals of state, growth and stability, and equality of income. Law No.17/2003 stated the organizational unit, program, activities, and type of expenditure that detailed the state/regional budget. It implies that shifting of budget among organizational units, activities, and expenditure types should be approved by the DPR/DPRD.

Other budget reform is the effort of budgeting process effort in public sector. It is mentioned in the MOHA Decree No.29/2002, that budgeting process improvement is performance-based budgeting. The performance-based budgeting needs some criterions to evaluate performance and evaluation. It avoids duplication of work plan and budget of state ministries/institutions/unit policies. It needs an integration of performance accountability system in budgeting. It introduces integrated work plan system of state ministries/institutions/ unit policies. By implementing this, the requirements of performance accountability measure are fulfilled.

In harmony with the UN implementation in public sector, standardization of international budget classification is also needed. The change in government transaction categorization is aimed to ease the implementation of the UN, to describe objective and proportional government activities, to maintain the consistency with public sector accounting standard, and to ease setting and to increase the statistic credibility of government finance.

For a long time now, government expenditure has been categorized into routine expenditure and development expenditure. In the beginning, this classification was aimed to encourage and stress the importance of development and its implementation. On the other hand, it has created an opportunity for duplication, accumulation, and deviation. Moreover, development planning of a five-year national plan is considered unrealistic and inappropriate in executing governance in the globalization era. The same holds true in developed countries: Dynamic change in governance execution needs a fiscal system based on yearly planning. This annual plan is executed on the Medium-Term Expenditure Framework (MTEF).

One concrete effort to realize transparency and accountability of state budget management is by publishing the government finance report. The government finance is based on right time principle and composed in a standardized government accounting that is generally accepted. In Law No.17/2003, it is defined that responsibility report of state/regional budget consisted of at least, budget realization, balance sheet, cash flow, and audit of government finance based on government accounting standard. Both central and local government financial reports have to be audited by Badan Pemeriksa Keuangan (BPK/Supreme Audit). The audit report must be submitted to the DPR/DPRD, six months after end of the fiscal year, at the latest.

Local Budget Management and Expenditure Allocation

Local budget data reveals that majority of local governments in Indonesia spend their budget on routine activities, mainly for the salary of government employees. It is still impossible for local governments to be efficient in their routine part of the budget considering that two million civil servants have been transferred from the central government, and there is no "hire and fire" mechanism. It leaves the development expenditure of the budget at relatively small amount that, in most of the cases, is not enough just to maintain the existing infrastructures. As a result, there is no major development of infrastructure, except the ones financed by central government through de-concentration function. Hence, the local infrastructure is deteriorating and it certainly hinders the local economic growth.

In managing the relatively large amount of money, the local governments are surprisingly still using the traditional or old ways. The bookkeeping and accounting reports are still done by non-accountant. One provincial government in Sulawesi, for example, has only two accountants to handle the whole provincial budget. Other staffs have the

qualification in management, social science, and administration. Modernizing the local government accounting system is really a must since the state internal auditor cannot do audit any longer at the local level after decentralization. Having a good accounting system will promote better transparency and accountability of local executive to local legislative and the local voters. There have been many attempts to modernize the accounting system at the local level. Both central government agencies and donor communities have been active in this local budget management improvement. The problem is that everyone is trying to promote their system so local governments are really confused which system should be adopted.

The MOHA has issued the Ministerial Decree No.29/2002 that is trying to introduce the performance budgeting as the basic system of local budget management. The United States Agency for International Development (USAID) has promoted that system for quite some time at some local governments. Despite the difference of concepts between the MOHA and USAID, the idea of introducing the performance budgeting itself is still questionable. Even in much more sophisticated local government financial systems like in the US, performance budgeting is rarely used due to its complexity. It is certainly worrisome if the less sophisticated local governments in Indonesia have to adopt that system and be monitored by central government. There is a need to find a more feasible system.

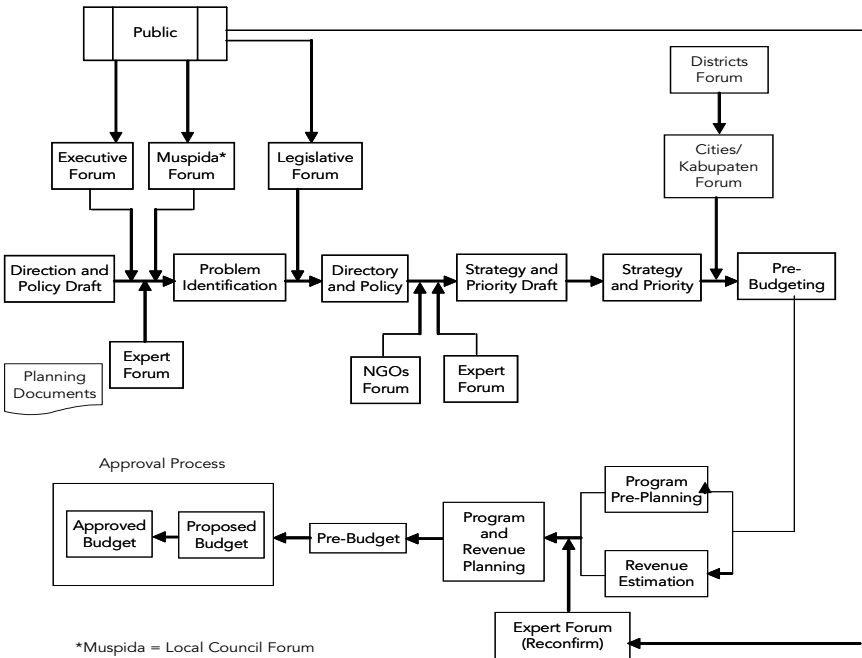
In addition to the lack of qualified accountants at the local level, most local governments in Indonesia still observe local monopoly and subsequently, local protection. Alleged monopoly practices are done by the provincial government-owned bank (used to be called BPD). As part of local budget management, local government regulates that all transactions related with local budget has to go through the BPD. All local government employee salaries are transferred from that bank. Even the contractors working for the local government have to open the account with the BPD in order to receive payment from the local government. In short, the BPD enjoys the captive market provided by both provincial government (as the owner) and all respective districts and municipalities.

Local budgeting process itself is not a simple one and the local financial staffs spend almost a full year to deal with the process. The fiscal year in Indonesia is similar to calendar year, starting on 1 January and ending on 31 December. The preparation for the next fiscal year budget already starts around April and continues until August. After August, the proposed budget by the local executive is sent to the local legislative to be reviewed. At the same time, the local executive has to prepare the

current budget adjustment during September and it has to be approved by the local parliament. The approval of next fiscal year budget by parliament is usually in November, while the local executive has to calculate the current budget realization after the end of fiscal year. In some local governments, this sequence is not as smooth as predicted since there is delay at either the local executive or legislative. As a result, they just have the budget on the second or fourth month of the fiscal year rather than the first month.

What sometimes causes a long delay in the budgeting process is the expenditure allocation process, particularly development expenditure. The current mechanism is that every unit in the local government proposes its own budget, and the Bappeda is responsible in consolidating all proposals. There is no clear guidance and explanation on how each unit comes up with the figures and the Bappeda with the final allocation. The rule of thumb is that each expenditure item or each unit budget should not be less than the previous year or hold-harmless provision like in the general allocation fund (DAU) case. It is not clear if the budget allocation will have an effect on the local economic growth since the local government is clearly careless about that issue.

Figure 2. Chart of Local Budgeting Process



Expenditure (1) Budget Preparation With a Focus on MTEF

MTEF is basically a transparent planning of budget formulation process in which all departments/ministries and central agencies are bound to a contract with public in allocating public resources to strategic priorities, whilst at the same time ensuring the overall fiscal discipline. The formulation process has two important goals, i.e., to determine the fiscal objectives, and to allocate budget on strategic priorities.

The key characteristics of MTEF are:

- The President and his cabinet should decide the fiscal policy and submit to the Parliament in the form of Fiscal Policy Statement as a basis for the budget (APBN) preparation.
- The President and his cabinet should decide on the government strategic priorities and assign spending ceilings to individual ministries in the form of a Budget Circulating Letter.
- The MOF should prepare the economic and fiscal outlook (including all the estimates/projection). This in turn will be treated as a basis for formulating the above fiscal policies, strategic priorities, and expenditures ceiling.
- Each line ministries and central agencies should submit their strategic policies to the President and the Parliament along with the strategic plans and budget proposals.

Expenditure (2) Budget execution including Financial Management, Accounting, and Procurement

Financial Management and Accounting. T The MOHA Decree No. 29/2002 governs financial management and accounting of local governments. Many local governments, however, are still learning the details and therefore have not implemented all rules in this regulation yet. The current development suggests that there are attempts to revise the decree.

The decree was released in July 2002, providing new guidelines for local financial managements including budgeting approach in the decentralized context, as requested by Government Regulation No.105/2002. For local budgeting, the decree outlines three key features:

- a. Change from the traditional routine and development budget approach to a program or activity-based approach (unified budgeting);
- b. New budget structure consisting of revenue, expenditure, and financing components; and
- c. Inclusion of clearer budget estimates based on line item budgeting.

The decree outlines the structure of regional budget, budget preparation and approval process including budgeting calendar, process of budget revisions, financial management and accounting principles, reporting, and accountability issues. A major change introduced is a switch from the traditional budget distinguishing between routine and development budgets into a unified budget with double-entry accounts (see Table 3). The MOHA Decree No.29/2002 is also introduced.

Table 3-A. New Systems for Regional Financial Management

Old System (MOHA Regional Financial Administration Manual 1980)	New System (Government Regulation 105/2002 and MOHA Decree 29/2002)
Traditional budgeting (single entry)	Performance budgeting (double entry)
Balance and dynamic budgeting system	Deficit budgeting system
Regional budget consists of revenue and expenditure	Regional budget consists of revenue, expenditure and financing
Expenditure divides into routine expenditure and development expenditure	Expenditure divides into general administration expenditure, operational and maintenance expenditure, and capital expenditure
Undivided between apparatus and public expenditure	Divided between apparatus and public expenditure
Debt as revenue component	Debt as financing component
Regional cash authorized	Regional General Treasurer
Routine and Development Treasurer	Cash Manager

Other issues in the MOHA Decree No. 29/2002 include the following:

- a) Introduce standardize account code based on Government Financial Statistics;

- b) Introduce performance budgeting with active community involvement;
- c) Double entry account;
- d) Accounting with cash modified;
- e) Integrate capital and goods management;
- f) Local financial management with transparency and efficiency;
- g) Introduce depreciation for economic of assets and liability;
- h) State accounting policies;
- i) Regional budget structure consists of revenue, expenditure, and financing;
- j) Introduce regional general treasurer as manager for managing regional capital and regional assets; and
- k) Introduce cash managing unit for replacing routine and development treasurer.

Table 3-B. New Local Budgeting Schedules (MOHA No. 29/2002)

No.	Activities	Responsible Unit	Sources	Documents	Month
1	Documenting General Direction and Policy of APBD	Pemda & DPRD	Strategic Plan, People Aspirations, DPRD Main Ideas, Financial Policy	Agreement between DPRD and Local Government	May June July
2	Documenting Strategy and Priority of APBD	Pemda	General Direction and Policy of APBD	Agreement between DPRD and Local Government	July Aug.
3	Preparation of Unit Organization Budget	Executive Budget Team	Local Law (Perda) on Financial Management, General Direction, and Policy of APBD, Strategy and Priority of APBD, Minimum Standard, performance Level, Cost Standard	Letter from Head of Local Government (Bupati/Walikota) on Guideline on Unit Organization Budget	Aug. Sep.
4	Vision and Mission Statement, Main Role and Function, Target and Direction of Unit	Unit Organization	Local Law on Organization Structure and Rule of Conduct	Budget Statement	Sep. Oct.

Table 3-B (continued)

No.	Activities	Responsible Unit	Sources	Documents	Month
5	Planning Unit Organization Program	Unit Organization	Target and Direction of Unit	Budget Statement	Sep. Oct.
6	Planning Unit Organization Activities	Unit Organization	Unit Organization Program	Budget Statement	Sep. Oct.
7	Planning Unit Organization Budget	Unit Organization	Unit Organization Activities	Budget Statement	Sep. Oct.
8	Evaluation on Proposed Budget of Units Based on Feasibilities and Costs	Executive Budget Team	General Direction and Policy of APBD, Strategy and Priority of APBD, Letter from Bupati on Guideline, Budget Statement	RAPBD	Sep. Oct.
9	Documenting RAPBD	Executive Budget Team	General Direction and Policy of APBD, Strategy and Priority of APBD, Budget Statement	Draft Perda on APBD	Oct. Nov.
10	Sending RAPBD to DPRD	Pemda	RAPBD	Draft Perda on APBD	Nov.
11	Discussion on RAPBD	Executive Budget Team and Legislative (DPRD)	Draft Perda on APBD	Perda on APBD	Nov. Dec.

Procurement. The latest regulation on procurement in Indonesia was in effect in November 2003 through the issuance of Presidential Decree No. 80/2003. This regulation applied both to central government and local government. This regulation overruled the previous presidential decree on Procurement No. 18/2000 and Presidential Decree No. 6/1999 on the APBN budget. Basically, when the government's units/agencies plan to buy goods/services, they have to make announcement and invite companies to bid.

Additional regulation on procurement that is still in effect includes Government Regulation No. 29/2000 on construction services and MOF Decree No. 304/2002 on bidding procedures.

If government should form a partnership with the private sector to provide public services, procedures ought to be subscribed to Presidential Decree No. 7/1999 on public-private partnership.

The spirit of this new procurement regulation is the maximum use of local production and the preference to small-scale business entities to fill the needs of government. The regulation made it explicit that the government must make the procurement in a small package so that small business entities would benefit without sacrificing the principles of efficiency, fair competition, quality, and the technical ability of the small business entities. Basic principles of this new procurement regulation are efficiency, effectiveness, competitiveness, transparency, non-discriminative, and last, accountable. The principles of good governance, especially transparency, have been the soul of this presidential decree.

Having said that, this regulation favors small business entities. For all business contracts below 50 billion rupiahs, all business entities registered in Indonesia could apply. Foreign business could also bid for projects over 50 billion rupiahs, or goods worth more than 10 billion rupiahs, or for consultation services beyond five billion rupiahs. In addition, foreign business, if awarded according to one of the clauses above, must form a partnership with a local company (e.g., joint cooperation, sub-contract, or other form of cooperation).

This regulation demands that all transactions above 50 million rupiahs should be done through a public tendering. Exception applies when it is believed that the supplier is limited or for complex work, or public tendering uneconomical, or when facing a certain situation that public tendering could not be undertaken.

Expenditure (3) Budget Reporting and Audit

After the implementation of decentralization laws, the central government audit agency (BPKP) does not have any authority to undertake internal audit at local governments. Instead, the local internal audit agency (Bawasda) is in charge and audit results are reported to the head of local governments. Supreme audit agency (BPK) still has authority to do audit at local level, but could not be as intensive as the BPKP, since they have limited manpower.

The absolute power of the DPRD making the monitoring ineffective and local community, through local civil society and NGO, replaced the parliament position as a "watchdog." Currently, many local parliament members and executives are having problem with corruption allegation raised by local judicial agencies (attorney, judges).

Stakeholders Participation

Real participation in planning is a scarcity in Indonesia. It has been more than 30 years that government executes regulations and policy by bottom-up strategies. It also happened in five-year plan that dominated central and local government planning process. It was a one-man policy that proved that no one could analyze strength and weaknesses in a region only.

After the end of centralized government system, the local government initiates increase of public participation in the planning process. From two short-run periods of transition and understanding of democracy, participation in the planning process is still minimal. There is no critic about lack of public participation in the process of planning.

Most of local governments use public participation, such as Musyawarah Pembangunan Kelurahan, to begin public participation. In the past, this kind of process was a formal planning process that did not involve public opinion. Today, they seek to increase the planning process by allowing the public to express and deliberate their opinions.

From the participants' point of view, it is a problem because most participants tend to be passive during the forum. On the opposite, some of NGOs are active to intent their ideas. It shows that public in general, is not familiar with new paradigm. Another difficulty is in choosing public representatives. It is hard for the local government to do this because public is not accustomed do this. As a result, there is still domination of local government employees that dominate public forum.

Furthermore, there is also an internal local government problem. It is not accustomed to public opinion; whereas the public expects attention to their input. In some cases, however, the local government thinks that participants have a minor role in the planning process. As a result, participants perceive that the local government does not appreciate their involvement. Hence, it creates public frustration. This condition is worsened with the Parliament claiming their role as representatives of the public. On the contrary, it is not.

There is high priority to encourage the government to understand the principle and benefits of planning; and knowing how to build planning processes involving public participation. At the same time, both the local community and the local government must realize that this process is part of the democratic process. There should be building capacity needs, local government learning of planning process, and rationale. Identifying representatives among local residents for a public forum (and making it work) is then a mutual responsibility.

Capacity-building process also needs to cover the degree of public expectation in planning documents. When local community is involved in planning process, it has high expectation that the documents are presenting their opinion. It means that the local government should understand public interest and realize the disability to capture all opinions in its documents.

In fact, the public issue is very sensitive and political integration is very difficult. The local parliament must focus on regional budget planning document. It also must know that it takes a risk of blame by policy inconsistency.

Budget transparency and public participation in budgeting process have yet to be fully realized. It is not easy for local residents to gather information about their local government budget, especially the more detailed information. Public participation is still considered ineffective and, so far, still only a formality procedure that results in no drastic changes in the budget pattern.

Pro-Poor Budget

There are many strategies, policies, and programs of poverty alleviation formulated by local government and allocated in the local budget. The realization of those efforts depends on the availability and mechanism of local budget. The poverty alleviation effort will not be optimal if it is not supported by pro-poor budget policy. It is the process of composing and implementing policy in budget unit that considering the poor voice and interest. Based on this definition, there are three aspects of budgeting composition processes:

Budget Composition Process

This process is considered as participatory budget mechanism system or poor-oriented budget. This system is accomplished by opening

political access in policy decision-making process to the poor. By direct involvement of the poor in dialogue and consultation with different community classes, local government knows what the poor needs.

Local Revenue Aspect

Accommodating the poor in Local Own Revenue (LOR) means that the poor should not be burdened by all types of local revenue. It is in accordance with the source of LOR that directly related to the poor, such as taxes and user charges. The characteristics of pro poor budget are:

- a) Local government does not levy tax and retribution that directly burden the poor. For example, medical cost in Puskesmas (local medical unit), identity card is free of charge;
- b) Activities in agriculture, fishery, household industry, and small industry that are related to the poor should have tax holiday or tax cut, and/or no charges at all; and
- c) The LOR designs a progressive local taxes and charges, mainly lower rate of tax and charge to the poor.

Local Expenditure Aspect

Using limited regional development budget, pro-poor development expenditure is aimed to their basic facilities, such as elementary education, health, sanitation, clean water, infrastructure, etc. The allocation of budget is in line with the number of the poor or weight of poverty problem in the region.

The study of public spending analysis by the World Bank (1993) for Indonesia, defines public expenditure effectiveness as the proportion of benefit received by the poor. The proxy is relative poverty-based on expenditure/revenue aspect. It is 20 percent of the poorest society. In the analysis, it is compared between the benefits received by 20 percent of the poorest society with 20 percent of the richest society in certain district/city based on their revenue/expenditure.

Public expenditure in sectors related to poverty is progressive if the poor receives higher benefit proportion than the rich, relative to revenue/expenditure distribution. On the opposite, public expenditure is regressive if the poor does not receive higher benefit proportion than the rich. Public expenditure is neutral if the benefit proportion for both classes is relatively equal.

A study of the LPEM-FEUI (2002), using the World Bank definitions, resulted on some interesting findings. By dividing 21 sectors of local development expenditure in local budget into some sectors, programs, and projects, there were some identified sectors that were expected related to poverty alleviation program. By factor determinant analysis about condition of the poor, it was expected that sectors related to development expenditure to poverty alleviation are:

- a) Agriculture and forestry;
- b) Transportation;
- c) Education, national culture, religion, youth, and sports;
- d) Health, social welfare, role of women, children, and adult;
- e) Housing and residences;
- f) Industry;
- g) Water resources and irrigation;
- h) Trade, local business development, regional finance, and cooperation;
- i) Regional development and residences; and
- j) Demography and family welfare.

The study found that generally, the rural areas had higher poverty index than urban areas. First, from infrastructure sides, rural areas reflected the condition of the poor more than urban areas. Second, analysis to factors determining poverty condition from household and existing local infrastructure condition directed to factors affecting poverty condition. They were human resource, mainly education and composition of family member; physical owned resource, mainly landowner and the quality of residence. The condition of infrastructure also affected poverty condition, such as facilities of transportation, irrigation, health care, education, and residences. The facilities of residences are the availability of water for drinking, washing and bathing, waste reservoir, dustbin, and toilet. From development side, agriculture was the most important sector because most of the poor, mainly in rural areas, were farmers. The incentive system in agriculture sector was expected to give significant impact to poverty alleviation.

Therefore, the pro-poor programs and strategies of local government were regarded to sectors related to agriculture, education, health, transportation, housing, residences, and local development. On average, the highest development expenditure was for transportation (26 percent). It was followed by education (12 percent) and housing (10 percent). Meanwhile, the proportion of expenditure for education and health was small, each was five percent.

In general, the local government of the agriculture-based regions allocated higher proportion of expenditure to agriculture than the non-agriculture based regions. The local government outside Java allocated higher development expenditure related to infrastructure development than inside Java. It was because the infrastructure development—such as transportation and housing—and its supported facilities outside Java was less than inside Java. It was not, however, found whether the poor receive higher benefits from the development expenditure. Therefore, the study used the incidence analysis to see the benefits.

Incidence analysis is a measurement whether the rich or the poor enjoy sectors expenditure. The study only analyzed five sectors. The analysis resulted higher benefit of development expenditure in agriculture, education, and housing enjoyed by 20 percent of the poorest. For example, 25 percent of agriculture development expenditure was enjoyed by 20 percent of the poorest and 14 percent by the richest. It was in line with the profile of the poor that most of them work in agriculture. While for transportation and education, the benefit enjoyed by 20 percent of the poorest and richest was relatively equal. For example, 19 percent of the expenditure in this sector was enjoyed by the poorest and 21 percent of it was enjoyed by the richest.

The conclusion of this incidence analysis was that, on average, development expenditure for transportation and health was regressive—neutral. It did not tend to be pro-poor; while on average, development expenditure for agriculture, education, and housing was progressive. It tended to be pro-poor.

A Case Study: District of Jembrana, Bali

Despite the slow progress of implementing participatory planning and budgeting process, there have been few “best practices” among local governments in Indonesia that demonstrated that the local government is for local people, instead of local elites exclusively. District of Jembrana, Bali, is one of them and currently, their experience is cited as an example of good local governance by various parties and agencies in Indonesia. Jembrana is located in the western tip of famous Bali island with the population of 221,616 and an area of 84,180 square kilometers. Unlike the more well-known districts in Bali (Badung and Gianyar), Jembrana’s economy is driven by non-tourism activities, especially agriculture related activities. Their local government budget is relatively small compared to average Indonesia local budget, at around 200 billion rupiahs. The local own revenue (local taxes and charges) only contributes around three percent of total local government budget. Hence, their

APBD depends on the transfer from central government, especially the DAU.

With the above figure, generally the local governments in Indonesia will have a lot of difficulties in providing decent basic public services, such as education, health, and basic infrastructures. Most of them will claim that they are poor regions that need much more help from central government in the form of transferring more money. They will also claim that with the limited amount of budget, it is almost impossible to do poverty alleviation at local level, and as a result the number of local poor people is not decreasing. The Jembrana case, however, proves that receiving more transfer from central government is not the only solution.

The local government of Jembrana, under the leadership of Bupati Winasa, emphasizes on the efficiency of local budget management. The government involves the local community participation in executing local programs in education through the distribution of block grant to the community for managing the schools. The local community then developed their respective schools based on their needs, rather than local government plan. The result is significant budget saving for education. The saving is then allocated for subsidizing elementary and secondary schools. Nowadays, the Jembrana people can enjoy free education from elementary to high school, as long as they study at state-owned schools. For private school students, the local government also provided the scholarship for selected students, based on their income. The ultimate result is obvious that the number of students completing their studies up to high school level increased from 7,400 students in 2001 to almost 8,000 in 2003. More significantly, the percentage of elementary school students who do not complete their study declined from 18.4 percent in 2001 to 0.11 percent in 2003.

Aside from budget efficiency in education, the Jembrana government basically managed their local budget based on efficiency and good governance. It also affected the health services where the Jembrana people do not have to pay anything for medical services. The government used the health insurance scheme as the replacement for traditional health services transaction. The insurance cost was certainly borne by local government. This innovative scheme certainly increased the health quality in Jembrana since poor people now are not afraid to go to hospital or clinics for their health treatment.

The efficiency also helps the empowerment of local economy in Jembrana. The local government developed two schemes called revolving fund and contingency fund. Revolving fund is distributed to a community group in a village for developing their main economic

activities, such as agriculture, fishery, and handcrafting using the revenue sharing scheme. The fund has to be revolved after certain period to other community groups in the same village. To avoid non-performing loan, the government utilized the influence of "adat" (cultural) group. Nowadays, there have been 38 percent of community groups in Jembrana that benefited from the revolving fund. The contingency fund is useful to stabilize the price of some agricultural commodities, such as paddy and clove. With that fund, the local farmers will be protected from commodity price fluctuation during the harvest period.

There are three fundamental policies on how Jembrana can significantly improve local welfare with such limited local budget. First, is the concept of pro-poor budget. It is obvious from previous examples that the main theme of Jembrana APBD is for poverty alleviation through the improvement of basic sectors, such as education and health. Bupati Winasa also monitors the budget expenditure quite closely to avoid any waste of resources. Second, is good governance by minimizing the corruption and budget efficiency. The corruption minimization was done through direct grant to community and the existence of independent team in monitoring all procurement process. Third, is the involvement of local people in formulating and executing development programs. The involvement was done through participation of cultural group, school board, local education council, teachers union, association of medical doctors, etc. Their involvement will create the sense of belonging to the program, hence, the responsibility is shared between government and those groups of people.

It is quite conclusive that participatory budgeting has created positive and significant effects for Jembrana people. The Jembrana APBD could be considered as pro-poor budget with proven results. It should be noted, however, that Bupati Winasa only had thorough discussion with certain groups in community, not with local people in general. It might not be perfect from participatory budgeting point of view, but at least the result is encouraging. The leadership of Bupati Winasa and local bureaucracy commitment are the key factors for the success in Jembrana since they seriously take into account the community voice in the budgeting framework, and do not focus on their own interests. The survey in Jembrana (FISIP UI, 2004) revealed that only 50 percent of respondents involved in budgeting and planning process, while 90 percent involved in program executing process. It meant that local people feel that the government program fits with their needs although they may not have a chance to tell directly those needs to local government officials.

Concluding Remarks

The local government economic program should focus on creating higher economic output, more jobs opportunity, and higher personal income for local residents. Those are the things that matter to local people who will ask the local government to deliver that kind of performance. Participatory planning and budgeting may be an important tool to achieve the target. However, Indonesia is just in the beginning of decentralization era with local people empowerment. Lack of local community capacity is there, and hence, the public participation still follows the old way that is rather top-down than bottom-up. The need of capacity building is there for promoting better public participation aside from direct local general election that has begun in 2005. In the transition period, the best practice from Jembrana could be the alternative way in which public participation is carried out selectively, focusing on certain influential local community group with high degree of representation. The basic requirement is clear for this alternative way, the strong and full committed leadership from head of district or mayor supported by strong local bureaucracy. In short, during the transition period of decentralized Indonesia, participatory budgeting is a necessary condition, but it needs a complement of strong and committed leadership as a sufficient condition.

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Participatory Budgeting: The Philippine Experience

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The paper reviews documented experiences so far in the Philippines that touch on aspects of participatory budgeting. Naga City's case provides a case of formally mandated participation in the governance process and its impact on participatory budgeting. The case of the Governance for Development (GOFORDEV) Index features the operationalization of a tool for measuring good governance and its indirect usefulness as a tool for budget advocacy. The experience of Development Through Active Women Networking (DAWN) Foundation in analyzing a city's gender budget provides an example of civil society participation in budget review and analysis; while that of the Consortium for the Advancement of People's Participation Through Sustainable Integrated Area Development (CAPP-SIAD) touches on budget advocacy and formulation.

Experiences from the above cases suggest that participatory governance leading to more responsive budgeting can be pursued through the various local special bodies mandated under the 1991 Local Government Code, through the various departments pursuing the programs and projects of the city, and through the legislative council. Barangays are potential entry points for participatory budgeting.

Building capacities to manage engagement and partnerships appears to be an important feature of the cases. When capacities and skills are built into both the non-governmental organization (NGO) and the community, they can effectively claim the space for local governance and engage the local government towards directing its resources to pro-poor initiatives. The cases also show that a political commitment on the part of local government to engage civil society and to be pro-poor, rather than party orientation, can also impact on pro-poor budgeting process.

Reflecting on the experiences, a number of questions were also raised by the paper. Is a formal mandate for participatory budgeting

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needed to direct stakeholders, particularly local governments, towards implementing it? Should the formal legal framework for local governance, the 1991 Local Government Code, mandate participatory budgeting? In the cases mentioned, NGOs have performed mobilizing, mediating, facilitating, coordinating, and catalytic roles. But to what extent should NGOs be performing these roles, especially in a context where the NGOs involved are external to the community and are working with the locally-based people's organizations (POs) or community-based organizations (CBOs)? What are the implications to the outcomes of participatory budgeting if this is exercised without any involvement of donor or development institutions? Can favorable results be expected for participatory budgeting in situations where donor preferences mandate it, but where local governments appear less committed?

Introduction

Public spending is essential to poverty reduction, and in the light of the Millennium Development Goals (MDGs), there is an increasing pressure on governments to ensure that the budget as a policy document reflects the goals of poverty reduction and social development. Public policy is often translated into action via the budget. However, conventional modes of priority setting, resource allocation and use can be ineffective (Wagle and Shah, 2002), and may be subject to elite capture or to clientelist politics. Participatory budgeting is a necessary process to influence governmental priorities and actions at both national and sub-national levels towards poverty reduction. As pointed out by Khan (2005), for the budget to become pro-poor, the poor themselves must participate in its formulation, implementation, and monitoring.

Civic engagement in sub-national budgeting is a logical extension of participation in planning and program/project implementation. It plays an important public education function by developing budget literacy among citizens, interest groups and local government officials, and informing public debate on how limited public resources should be allocated to competing preferences and why. It enables independent critical analysis that can help articulate priorities and table them in the budget decision-making. Collecting, analyzing, and disseminating budget information help both the budget advocates and decision-makers to make informed choices, and to better align provision of public services with the needs and interests articulated by the community, particularly the poor (Brautigam, 2004; Krafchik, 2004).

This paper reviews documented experiences so far in the Philippines that touch on the participatory budgeting process. Participation has been one of the hallmarks of the decentralization reform efforts carried out in

the Philippines primarily through the 1991 Local Government Code. That Code provided ample provisions for people participation in local governance, particularly in development planning. However, despite almost 13 years of implementing decentralized local governance, much ground needs to be covered in improving the match between the articulation of development needs and the provision of fiscal resources to meet those needs. In 1999, The Institute for Popular Democracy wrote that, "the budget process in many local governments across the Philippines remains prone to patronage, corruption, and abuse of power, being highly dependent on informal processes and power relations within and outside the municipal building halls" (Tomas, 1999). The last Rapid Field Appraisal of Decentralization made three years ago contained an interesting observation that "many community folks, even people's organizations are not aware of the budgeting process nor do they believe that they are supposed to participate in the process" (Balangay, 2002).

Participatory budgeting can occur in the various phases of the public expenditure cycle, such as in budget formulation, budget analysis and review, budget expenditure tracking, and performance monitoring. It is considered to be a constitutive component of the concept, "engaged governance" (Khan, 2005).

The short cases reviewed in this paper show incidences of participatory budgeting as an offshoot of local development efforts. Naga City's case provides a case of formally mandated participation in the governance process and its impact on participatory budgeting. The case of GOFORDEV Index features the operationalization of a tool for measuring good governance and its indirect usefulness as a tool for budget advocacy. Experience in analyzing a city's gender budget provides an example of civil society participation in budget review and analysis; while that of sustainable integrated area development indirectly touches on budget advocacy and formulation.

Naga City and the Empowerment Ordinance

Naga City, a medium-sized city in the Philippines, has been well-documented as an example of effective governance. In the late 1980s, Naga City faced the twin problems of economic and social stagnation. The local economy was sluggish, unemployment was high, and the quality of public services delivery has deteriorated. It is within this context that the Naga City government under a new mayor took on "a policy of engagement or partnership with the private sector, including NGOs and POs" (Naga City Government, 2004). Together with the NGOs operating

in the city since 1986 and nine urban poor associations, the city government undertook its flagship program for the poor called the Kaantabay sa Kauswagan (Partners in Development) Program. The program was a response to the land tenurial problems besetting the city's urban poor. The city government provided the funds, while the civil society organizations (CSOs) administered the process in providing security of tenure. Until now, the program continues to be the mechanism for addressing problems besetting the urban poor in the city.

The experience gained with this initial program and other programs, combined with the growth of the civil society movement within the city as a result of the continuing partnership engagements led to institutionalization of civic participation through the Empowerment Ordinance. Enacted in 1995, the ordinance expressly declared the city government's willingness to partner with duly accredited NGOs and POs, laid out a clear process of accreditation, provided for their organization into an autonomous council and gave this council the right to representation in the different bodies within the city government, including those that may be created in the future.

While the Empowerment Ordinance does not directly address the concern of participatory budgeting, it nonetheless has significant bearing to the process. The Ordinance enables the representatives of the Naga City People's Council (NCPC) to sit as regular members of various city governmental bodies. Thus, they can:

- Observe, vote, and participate in the design, implementation and evaluation of programs, projects, and activities of the city government.
- Propose legislation, participate, and vote at the committee level of the Sangguniang Panlungsod or the City Legislative Council.
- Act as the people's representative in the exercise of their constitutional rights to information on matters of public concern and of access to official records and documents.

Thus, representatives of the NCPC can sit at the City Development Council (CDC) that is tasked to formulate the city development and land use plans, annual investment plan, and annual budget. They can also articulate the civil society concerns on the city's budget within the Appropriations Committee, or propose improvements and amendments

to departmental programs and projects through the various sectoral committees of the CDC.

One tangible result of the people's involvement in the city legislative committees is the provision of regular funding for pro-poor programs and services. Under Ordinance No. 98-033 (An Ordinance Providing for a Comprehensive and Continuing Development Program for the Urban Poor Sector and Appropriating Funds for the Purpose), the city government is mandated to allocate to the various components of the *Kaantabay sa Kauswagan* (Partners in Development) Program at least ten percent of the annual budget, net of personal services.

The experience of Naga City suggests that successful civil society participation in the planning and budgeting process is neither a short-term nor a one-off engagement. That builds on previous experiences, that could either be positive or not. Despite the achievements so far in influencing legislative and allocative decisions, both the city government and NCPC recognize that more work needs to be done. There is a pending plan to activate the sectoral committees in the CDC. As envisioned by the city government, the sectoral committees shall serve as the mechanisms for formulating the annual programs and budgets of the various city government departments or offices.

Civil society participation in local governance appears to have been accepted and embedded in the executive and legislative spheres of Naga City. Has this reduced the space for critical engagement and oversight by civil society of local government actions? Wampler (2000) pointed out the possibility of participation being used "to legitimize policy choices of the government." In the case of Naga City, the engagement between the city government and NCPC has been both constructive and critical. For example, in 1998, NCPC opposed the planned golf course development in one of the agricultural barangays of the city. As proposed, the course will be situated at the foot of a mountain that serves as the city's source of water. NCPC has succeeded in staying the decision, thus, until now, no golf course has been developed in the city. In 2001, during one of its regular meetings, the Barangay People's Council (BPC) Presidents passed a resolution questioning the passage of seven barangay budgets even when said budgets were approved without the participation of the people as mandated under the Code. As a result, the City Mayor issued an order that the City Budget Office will not accept budgets from the barangays without the signature of the BPC representatives (Bercasio, 2004).

Budget Advocacy: Governance for Development Project

The main objective of the project was the development, use, and institutionalization of a set of local governance indicators known as the GOFORDEV Index. The Index is an average of three sub-indices: a Development Needs Index (DNI); Development Orientation Index (DOI); and Participatory Development Index (PDI). DNI reflects the people's assessment of the responsiveness of the local government to public service needs, DOI indicates the expenditure priorities of the local government, and PDI measures the consultative efforts of the local government and the degree of citizen participation in local planning. The score of each sub-index ranges from 1 to 100. The scores were generated from the results of household survey conducted along with the information obtained from public documents (PCPS, 2004).

The Index was first introduced in 12 pilot areas in two provinces in 2001. The two provinces, Bulacan in Central Luzon and Davao del Norte in Mindanao, were randomly selected based on fiscal revenue and socio-economic development. Local governments and CSOs were enlisted as area partners to carry out the collection and dissemination of the survey and its results. Information activities were held to coincide with the budget preparation period (July to September) as part of the Project's objectives to influence local budget processes and decisions. Local area partners carried out public presentations and other information campaigns on the concerns, issues, and recommendations of the people to validate the survey results (PCPS, 2004).

Two years later, the Index was used in February 2003 in Eastern Visayas. Malitbog, a fifth-class municipality in Southern Leyte, was one of 13 local governments that took part in the process. Following the design, a survey of 300 households in the municipality was conducted. Results of the survey and the review of public documents were put together in a report card containing the final GOFORDEV Index. These results were later presented in three public presentations, in which the outputs of the presentations were action plans drafted by the participants. The action plans contained the perceived top five pressing problems in the municipality, the participants' recommendations to address the problems, and the office or officials who should address them. A fourth public presentation was made before the municipal government officials, where the Index, results of the survey, and results of the previous three action plans were presented for consideration of the officials (PCPS, 2004).

What were the initial results of the use of the Index? In the first set of pilot cases, a local area partner of the project (the local planning and

development officer of the Municipality of Guiguinto) was able to push for the reclassification of certain budget items to better reflect the spending for social and economic services. The Index was also used by the Municipal Legislative Council in its budget hearings and as a basis for the formulation of the municipality's Annual Investment Plan for 2002.¹ In another pilot city (Panabo, Davao del Norte), the Index was used as input in the formulation of a City Development Strategy (CDS).

In the case of Malitbog, Southern Leyte, the municipal government committed to allocate more money for the acquisition of medicines and include the rehabilitation of a farm-to-market road in one of its barangays in the 2004 budget; and provide an additional water pump to a barangay that needed it most.

In the areas where the local partners for the project were the local governments themselves, the engagement of the local government from the collection of data to the presentation of results has created a sense of ownership and a readiness to make perceptible changes on budget priorities. However, more evidence is needed to conclude that the index has directly influenced the way local fiscal resources are allocated (Capuno, et al., 2004).

The experience also raises an interesting question on whether the use of a methodical tool for assessing needs and local government priorities, or the process of engagement in the process, or both, have contributed to the initial outcomes. There are indications that the Index, while not primarily a tool for budget advocacy has made an impression on those who participated in its use.

Analysis and Review: Dawn and the Gender Budget

The case of the DAWN Foundation provides useful insights on the challenges of budget analysis and review as part of the participatory budgeting process. DAWN agreed to participate in a research that focused on the budget of the city where it has been operating. The purpose of the research was to inquire into the utilization of the five percent Gender and Development (GAD) budget for two fiscal years and to look into how the five percent allocated for GAD has influenced the spending decisions for the rest of the budget in terms of GAD mainstreaming. As mandated by law, all national agencies and local

¹ The Annual Investment Plan identifies the major programs to be carried out by a local government in the next budget year.

governments are mandated to allocate five percent of their total budgets for gender and development programs, projects, and activities.

To prepare for the research, DAWN, along with other NGOs involved in the project, participated in workshops conducted by the facilitators and with a South African gender budget expert to understand “how people in certain positions of power, with certain perspectives, sensitivities and agendas, make policy decisions which create programmes, and decide how resources are utilized” (Flor and Lizares-Si, 2002).

DAWN’s research yielded a number of interesting observations. For example, instead of the city allocating five percent of its total budget for GAD, the percentage allocation was based only on the budget for operating expenses. While the city government had allotted funds to various programs and projects that it considered as GAD-related activities, the study observed that certain items were difficult to justify as GAD-related activities, such as the funding for war veteran’s welfare, assistance to Boy Scouts, and funding for sports development where the city had no sports program for women. Moreover, there was no GAD Plan as a basis for GAD budgeting.

The researchers also found out in their analysis that one-third of the total city budget is allocated with the City Mayor’s Office; that the decreases in the budgets of the departments performing social services and economic functions were due to the transfer of the salaries of temporary employees assigned in these departments to the City Mayor’s Office; and that the bulk of the increase in general services functions can be traced to the increase in the budget of the City Mayor’s Office, which falls under the general services classification.

It was also found out that programs and projects run by departments could be funded outside of the departmental allocations. For example, 64 percent of the total non-office expenditures (outside of salaries and operating expenses) in year 2000 were allocated to the City Mayor’s Office, which then passed on the funds to the various departments.

The study also found out that some work programs already approved could not be implemented due to the lack of funds, which occurs, according to some department heads, when budget items are reverted to the general fund by the Budget Office without consultation with the department heads.

Examining the budget of the city government (Bacolod City) through a “gender lens” provided the NGO with invaluable insight into

workings of the city and local governments in general. It enabled DAWN to work with key local government personnel and to create a core group of supportive allies and advocates for GAD within the local government. The process of research also honed the NGO's skills in budget review and analysis. Results of the analysis were also fed back into more intensive advocacy for GAD planning and budgeting.

Doing the GAD budget analysis also created space for further engagement with the government, and for the wider consideration of gender and development issues. As explained by Flor and Lizares-Si, "the focus group discussions among the cities' local finance committees, members of the council, and some chief executives became an entry point for these local government units (LGUs) to consider seriously the implementation of the GAD budget policy and GAD planning in their respective bureaucracies and constituencies." The provincial government has since sought the assistance of DAWN in formulating the province's GAD Plan and Budget. As a result of its research, DAWN was also asked by the city government to coordinate GAD planning in the city in preparation for the next year's budget. Where before, there was no GAD Plan to serve as a basis for budgeting, an expected output was the first GAD Plan, which will become part of the City Land Use Plan and Development Plan (Flor and Lizares-Si, 2002).

Influencing the Barangay Budget: The CAPP-SIAD Program

The CAPP-SIAD Program was a US\$900,000 three-year integrated area development program that ran from 1 August 1999 to 31 July 2002. The program involved four key components: livelihood support; land tenure improvement; participation in local governance; and, advocacy and research. Its activities were centered in three main locations in the Philippines: Northern Mindanao (Misamis Oriental and Surigao del Norte Provinces); Western Visayas (Negros Occidental Province); and Eastern Visayas (Leyte Province). The program was implemented by four key partner CSOs who collaborated and coordinated under the umbrella of the Consortium.

CAPP-SIAD activities were focused at the barangay (village or village cluster) level, rather than at the municipal or provincial level. It was committed to working in 55 barangays in the four provinces.

The program worked this way: consortium members link with institutions in the program barangays, through POs, multi-purpose cooperatives, and women's groups. The consortium members also

established direct links with the BPC. Consortium members worked with the partner PO to build its capacity through training and to help operate sub-projects. In other cases, the consortium members helped establish project management committees (PMCs) with representatives from the barangay council and active PO. The consortium member and its partner POs worked with the BPC to stimulate and mobilize the Barangay Development Council (BDC). Once a BDC is active, the consortium member supports a participatory process in which the Barangay Development Plan (BDP) is prepared.

Consortium members also helped their PO members to run for elected office, or serve as Barangay Kagawads (Barangay Council members) or as members of BDC, and participate in the preparation and implementation of BDPs. A parallel objective was to help farmers and their families to achieve secure tenure over their farmland. The aim was to build viable POs at barangay level by helping them manage livelihood support programs which deliver tangible benefits to the community.

While the project did not directly address participatory budgeting, its strategic objectives and implementation process model require linking active membership in barangay level institutions with responsive planning and budgeting outcomes. Through the help of consortium members, POs were expected to become actively involved in barangay decision-making processes and operational management of projects, which utilize the Internal Revenue Allotment (IRA) for development and women's initiatives. Another expected output of the project in terms of participatory governance was the publication of barangay budgets and accounts for greater transparency and accountability.

The end-of-term evaluation of CAPP-SIAD reported that it was able to organize roughly 15 percent of households in the bulk of the program barangays who actively participate in POs, in PMCs and/or BDCs. While still a small percentage, the evaluation nonetheless recognized the potential of the 15 percent to influence the rest of the barangay households and to serve as second-line facilitators/advocates once the program gets extended into its second phase (Clarke and de la Torre, 2002).

In the 22 barangays covered in Northern Mindanao, all the barangays provided IRA counterpart for infrastructure projects, while 30 percent provided barangay counterpart for livelihood projects. It was also reported that 90 percent of the BDC members in all the barangays participated in the barangay budgeting process. In the 25 barangays of Negros Occidental, 87 percent of the IRA was allocated to priority development projects, while in Southern Leyte, all ten barangays

provided counterpart funding from their IRA (Clarke and de la Torre, 2002).

For the program in general, at least 96 percent of the major sectors are represented in barangay local structures: 24 out of 55 barangays conducted semestral barangay assemblies; and all the target barangays conducted annual community assemblies. Moreover, 38 barangays installed community data boards publishing barangay budget and other information (Clarke and de la Torre, 2002).

Lessons from the Cases

The experiences cited in this paper are diverse and few to support generalizations. However, they offer interesting insights and observations that serve as future areas for exploration in more detailed studies.

Khan (2005) has pointed out that the concept of “engaged governance” requires the creation of a legal space to enable the concept to take root. As a practical application of engaged governance, participatory budgeting requires the creation of institutional space or spaces through which both civil society and the government can constructively engage each other in determining and deciding how public resources should be allocated. The 1991 Local Government Code has provided the initial legal space for participatory governance. What is needed is to broaden and widen the space, and deepen the institutional foundations to enable participatory budgeting as a logical extension of participatory governance to take its roots.

Naga City’s experience shows that participatory governance leading to more responsive budgeting can be pursued through the various local special bodies mandated under the Code, through the various departments pursuing the programs and projects of the city, and through the legislative council. The path that had evolved in the Naga City experience saw civil society actively engaging the executive offices as well as the legislative council, thus strengthening the established institutions of governance and avoiding the risk of weakening the institutions of representational democracy. CAPP-SIAD’s experience illustrates the potential of barangay government through its legislative council and development council as an effective space for influencing local budgeting.

Khan (2005) also raised the issue of managing participation as a paramount concern. He argued that government needs to build up its competence and skills in valuing and managing participation, and in

identifying workable entry points of engagement. CSOs, on the other hand, need to hone up the skills in broad-based consultations and in distilling the outcomes of those consultations.

Building capacities to manage engagement and partnerships appears to be an important feature of the cases. In the case of NCPC in Naga City, it conducted orientation sessions on people's participation in governance, and a series of training and seminars that focused on leadership, legislative agenda formulation and lobbying, and negotiation skills for its sectoral leaders and representatives (Bercasio, 2004). Focused training was also employed in CAPP-SIAD and in DAWN's gender budget analysis, and in GOFORDEV's implementation. This is standard fare for CSOs. However, what seems significant is that capacities were also built in the process of engagement with the concerned local government institutions. DAWN researchers, for example, learned about the nuances and intricacies of local budgeting from their interaction with the department heads in the city government. For local governments, it appears that capacities were built experientially, learning from the process of engagement with civil society.

The Porto Alegre experience, along with that of Bele Horizonte, also in Brazil, has led to an interesting observation that more often than not, left of center political parties seem to introduce a range of pro-poor institutional reforms and policies, including people budgeting practice and political commitment along with ownership and credibility (Khan 2005, citing Brautigam 2004). In the absence of a mature party system at the local level, it is quite difficult to assess whether this holds true in the Philippine case. However, the cases of Naga City and Malitbog, Southern Leyte tend to show that a political commitment on the part of local government to engage civil society and to be pro-poor, rather than party orientation, can also impact on pro-poor budgeting process.

CAPP-SIAD's experience shows that barangays are potential entry points for participatory budgeting. When capacities and skills are built into the community organization, it can effectively claim the space for local governance and engage the local government towards directing its resources to pro-poor initiatives. The barangay has distinctive features that can promote participatory budgeting: (i) as the lowest level of local government, the community can relate to it in a much easier way compared to higher organs of local government; and (ii) the issues to be discussed and prioritized and their immediacy or urgency are easier to visualize given the barangay's smaller spatial focus.

Other Issues Raised by the Cases

The cases discussed above also raise several questions. For example, is a formal mandate for participatory budgeting needed to direct stakeholders, particularly local governments, towards implementing it? Should the formal legal framework for local governance, the 1991 Local Government Code, mandate participatory budgeting? It is interesting to note that while the Code has plenty of legal provisions supporting people and civil society participation in local governance, it did not touch on participation in the budgeting process. What can be gathered from reading the provisions on local budgeting in the Code is that it is a formally mandated process done within government. Functions are delineated between the executive and legislative branches of the local government, and between levels of local government and related national government agencies.

Does the absence of a clear legal mandate in the Code impede participatory budgeting? The answer is yes and no. There are stakeholders who believe that it would help if the policy and legal framework recognize civic participation in local budgeting, as this would make it imperative for local government to involve civil society and the community in the formal budgeting process. On the other hand, while there are a number of provisions in the Code mandating civic participation through local special bodies, the experience so far is mixed, and that in some instances, non-mandated modes of participation have been found to be more successful and effective.

The absence of provisions for participatory budgeting in the Code should not be seen as an impediment to its promotion and eventual acceptance. However, in the future, at least a statement of principle on civic participation in resource planning and allocation should be part of the proposed amendments to the Code.

The cases also highlighted the role of CSOs, in this instance, NGOs, in the participatory budgeting process. In the cases mentioned, NGOs have performed mobilizing, mediating, facilitating, coordinating, and catalytic roles. But to what extent should NGOs be performing these roles, especially in a context where the NGOs involved are external to the community and are working with the locally-based POs or CBOs?

Except for the case of Naga City, the projects, on which the cases were based, were supported by donor organizations. The programs and projects had other objectives, and participatory budgeting was not explicitly stated, but implicitly expected as part of participatory

governance. It would be interesting to find out the outcomes of projects in which participatory budgeting is the direct focus and process of intervention.² What are the implications to the outcomes of participatory budgeting if this is exercised without any involvement of donor or development institutions? In the case of Naga City or of Malitbog, Southern Leyte, the outcomes of participation and advocacy had been favorable so far to the poor, and this is explained by the political commitment of the local government towards pro-poor initiatives and both the local government and civil society commitment towards constructive engagement and partnership. Can favorable results be expected for participatory budgeting in situations donor preferences mandate it, but where local governments appear less committed?

Conclusion

This paper reviewed available experiences in the Philippines that touched on participatory budgeting. As the experiences have shown, there are available spaces and entry points for participatory budgeting to take root at the sub-national level—through the local special bodies, development councils, local councils, and through the various organs of the local executive department. However, it requires both local governments and their civil society partners to engage each other and build their capacities through formal, programmed interventions, as well as experientially through the exercise of partnerships. The cases show that the experience in participatory planning and budgeting should be valued for its contribution to active citizenship and to good governance. The challenge is to extend the possibilities of participatory budgeting and really make it the logical extension of participatory development planning and management.

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Improving Local Governance and Service Delivery: Lessons From Some Asian Countries on Institutional Reforms and Engagement of Non-State Actors

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Introduction

Decentralization has increasingly focused attention on sub-national governments as key institutions responsible for managing development and addressing inequities at the local level. Alongside decentralization, the process of democratization has opened opportunities for citizens to articulate their needs and engage themselves in the management of societal affairs. Worldwide experiences on decentralization and democratization have generated uneven results and it is necessary to draw lessons on what went well, what did not work, and why for practical and academic reasons. Local governments enjoy the advantage of being the closest level of government to the people. Yet, their proximity to their constituents does not automatically ensure that responsive, equitable, and affordable services reach the poor and the marginalized.

Some local governments under decentralized structures still lack the capacity to perform its functions and are weighed down by institutional rigidities and traditional practices that tend to adhere to systems that

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This paper synthesizes the key lessons on local governance and partnerships with non-state actors based on the case studies of selected Asian countries developed for the *Regional Seminar and Learning Event on Local Governance and Pro-Poor Service* held in Manila, from 10-13 February 2004, which was jointly sponsored by the Asian Development Bank, the Asian Development Bank Institute, and the United Nations Capital Development Fund. The author is grateful to the leadership of Ms. Asha Newsum, Principal Governance Specialist of the Asian Development Bank in the development of the case studies and organization of the learning event. The author also wishes to thank the co-sponsors, researchers, case writers, and staff of the learning event who have made the researches and case studies possible. For inquiries and comments, email: jvmangahas@up.edu.ph or joel.mangahas@gmail.com.

are inward-looking, input-oriented, and ineffective as opposed to being client-focused, results-oriented, and responsive. There are also tensions between national and sub-national levels of governments as well as problems related to inter-governmental coordination. In addition, local public administrative systems can be dominated by elitist interests and be remotely accountable to the citizens, particularly the marginalized and disadvantaged groups. Meanwhile, many local governments have achieved significant gains in promoting good governance, engaging and working with citizens, and improving services—consequently raising quality of life. Also notable is the growing strength of civil society in many countries which has broadened opportunities for citizens, including the poor, to hold their governments to account, exert influence in decision-making and resource allocation, and generate the desired outcomes.

This paper discusses leading practices in local governance reforms and citizens engagement by some Asian municipalities in Bangladesh, Cambodia, India, Nepal, Philippines, and Sri Lanka. It particularly draws learning themes around three key areas of interest:

1. What are the development challenges that usually confront local governments and communities and how can they be effectively addressed?
2. What types of institutional arrangements and organizational processes are likely to generate better results for the citizens especially the poor, sustain initiatives, and, if and when appropriate, replicate exemplary practices?
3. How can and do citizens or civil societies bring their interests to bear on the agenda and programs of local governance?

Addressing Local Development Challenges

Deepening poverty confronts many localities of developing Asian countries. Living conditions are generally poor with large sections of the population having limited access to quality and affordable basic services such as health, education, water, and sanitation. Fiscal sustainability of many local governments is problematic. Public policymaking and management of societal affairs hardly engage non-state actors. User feedback and public critique may not always be welcomed by public authorities. Some governments are likely to have poor sense of social contracts and citizens are almost powerless in holding public authorities to account. Corruption is a nagging problem. In a comparative study of

ten cities¹ on urban governance and poverty, it is noted that most cities face the problem of inadequacy of available information on poverty and livelihoods of the poor, on environmental conditions, and even on service levels and deficiencies (Devas, 2001). These are the some issues that confronted the cities and municipalities discussed in this paper, but efforts towards local governance reforms and citizens' engagement resulted in improved delivery of basic services, reduced poverty levels, and more satisfied constituents.

Bangalore City of India at the turn of the century had one million urban poor, representing close to 20 percent of the total city's population. Although Bangalore rose to prominence being the Asian equivalent of Silicon Valley, but its ability to provide basic public infrastructure and to manage the service delivery system for its citizens lagged behind—which reinforces the adage that while economic growth is essential it is insufficient (Srihari, 2004). Prior to the 1990s, there was no institutional mechanism for assessing and advocating improvements of services, thus they are almost bound to deteriorate (Balakrishnan, 2004). Citizens rarely participated in establishing planning priorities or in monitoring services.

In Colombo City, Sri Lanka, 51 percent of the population lives in under-served settlements that are faced with problems such as social exclusion and poor access to basic services. The Colombo City Corporation launched a number of poverty alleviation programs, but they fell short of meeting the desired objectives due to the absence of reliable poverty profiles and weak public consultations. Naga City in the late 1980s needed to face the twin problems of economic and social stagnation (Mendoza, 2004). The government's tight financial position impacted negatively on service delivery, especially to the poor particularly on health, shelter and education. In the late 1980s, the number of informal settlers doubled from 1980.

Poverty is also a huge problem in Bangladesh, Cambodia, and Nepal, particularly in the rural areas (Upadhyay, 2004; Alam and Siddique 2004; Setha, 2004). Compared to urban cities, poverty incidence in rural municipalities is twice as high, and the absolute number of poor is far greater in the rural areas in these countries.

Priorities of the poor are practically the same everywhere. They all essentially want better living conditions and happier lives. They need

¹ The study covers Recife (Brazil), Santiago (Chile), Kumasi (Ghana), Ahmedabad, Bangalore, and Visakhapatnam (India), Mombasa (Kenya), Cebu (Philippines), Johannesburg (South Africa), and Colombo (Sri Lanka).

higher incomes, more sustainable means of livelihood, improved housing situations, and affordable and accessible basic services, particularly health and education (Devas, 2001). The prevailing circumstances that impinge on governance systems and processes somehow prevent them from realizing their needs. The major challenge is how to provide the enabling environment and how to effectively manage change and development to make a turnaround.

Experiences of Three Urban Municipalities

Good Governance is Good Politics

Institutional reforms and service delivery improvements as experienced by the cities of Bangalore (India), Naga (Philippines) and Colombo (Sri Lanka) show positive results and encouraging outcomes. These cities faced enormous development challenges, which had been exacerbated by lack of transparency, accountability, and stakeholders' engagement in city administration and delivery of public goods and services. Reforms have not only enabled city governments to more effectively identify the needs of the poor, but they also found better ways to address them. Experiences of these three cities indicate that change is possible through a range of interventions and that to generate the desired ends, the government, private sector, and civil society must cooperate with each.

Bangalore Mahanagara Palike² (BMP): User Feedback and Action. Rising to the challenge of targeting the poor and responding to their needs, BMP used the benchmarking and continuous improvement techniques to systematically analyze, make comparisons, and prioritize services for improvement. Results of their needs assessment revealed that the 2,000 kilometer-long footpaths in the city were in deplorable conditions posing safety hazards to pedestrians—80 percent of them were the urban poor (Srihari, 2004). If not for the mindshift to look after the needs of the poor and process of analysis, the identification and rehabilitation of a basic public good such as footpaths may not have been possible. BMP was enabled to take stock and sensitize itself as to what the public really needs. Careful analysis has also led to quality design of the project on footpaths, which helped secure the required finances for implementation. With 50 percent of the rehabilitation work completed, utilization rate of footpaths has remarkably increased from nine percent in 2002 to 93 percent in 2004.

² Part of the local government institutions responsible for the delivery of municipal services in the Bangalore Urban Agglomeration.

Needs analysis also identified the improvement and construction of community toilets as top priority in view of the common practice of open defecation and lack of clean public toilets in the city. Contrary to popular belief, the survey revealed that 80 percent of the urban poor were willing to pay for the services and welcomed the “pay and use” toilets (Srihari, 2004). BMP’s rational approach in addressing hygiene and sanitation concerns led to a viable and attractive business model for outsourcing the services to non-governmental organizations (NGOs) and business groups. More importantly, operations research—as opposed to incoherent planning and hasty decision-making, which have become so common in many governments—paved the way for adopting an affordable pricing policy for users, while ensuring the sustainability of maintaining and expanding the facilities. Slum residents now have access to some 100 well-maintained “pay and use” toilets run by NGOs and private groups (Srihari, 2004). Studies show that the initiative benefits more than 90 percent of residents in the slum areas and clients in busy commercial districts.

Benchmarking and continuous improvement techniques were likewise applied by BMP to empower the women and adolescent girls by implementing a series of vocational training programs in tailoring. About 4,000 urban poor residents benefited from the program. Reports show that over 60 percent are either self-employed or employed full-time by garment industries, while about 32 percent work part-time.

The BMP experience on service delivery improvements underscores the following learning points:

1. Benchmarking and continuous improvement techniques are helpful in: (a) identifying service priorities; (b) setting minimum service standards; and (c) measuring performance.
2. User feedback is important in monitoring and improving services.
3. Well targeted economic empowerment programs for the poor based on demand for vocational skills in the local areas lead to gainful employment opportunities.

Colombo Municipal Council (CMC): Information and Partnerships. Like its BMP counterpart, CMC did not fully appreciate the nature and extent of poverty in the city. There was no systematic approach to identify needs of the poor, prioritize programs, and assess the quality of services delivered. Decisions tended to be subjective and politicized, thus the urban poor—particularly the poorest 20—remain under-served. Poverty

was addressed in an ad hoc manner. The situation was aggravated by the lack of mechanisms and opportunities for citizens to articulate their demands and to hold the state to account.

CMC collaborated with Sevanatha Urban Resource Center³ (SURC), a local NGO, in undertaking a poverty assessment, which led to the development of a credible profile of poverty that subsequently became the basis for crafting the city's poverty reduction strategy. The partnership enabled both CMC and *Sevanatha* to appreciate their collective strengths, educate and learn from each other, and value the importance of working together. CMC, thereafter, experienced the benefits of planning services based on priorities determined through sound analysis and participatory processes involving the citizens.

Benchmarking and continuous improvement techniques were also utilized by CMC in analyzing its service delivery problems and to enhance overall performance by upgrading internal procedures and practices. CMC takes pride on their innovative approach to solid waste collection and the effective response to the Dengue epidemic in 1999 as concrete examples of how local governments and civil society can successfully implement changes to improve services to its poor constituencies.

CMC's experience highlights the following learning points:

1. Partnerships with the citizens contribute in making basic municipal services more responsive.
2. Poverty profile is important in identifying and targeting the needs of the poor.
3. Citizens' participation is key to assessing poverty and in evolving strategies to address poverty issues.

Naga City Government (NCG): Policy Enablers and Empowerment. Policy instruments, institutional reforms, and stakeholders' engagement are the hallmarks of the city's dramatic turnaround to gain national and international prominence in leadership and governance. NCG complemented the Local Government Code of 1991, which sets the national policy framework for decentralization with its own set of policy mechanisms, such as the Empowerment Ordinance to broaden the space for citizens' participation and engagement in city administration. The Ordinance paved the way for the collaboration of NCG with the Naga

³ Established in 1989.

City People's Council (NCPC), a federation of local NGOs, to inventory the various services rendered by the city, identify the processes involved including the persons responsible for each service, analyze if the process can still be improved or needs to be changed, and identify the standards with which to measure service delivery performance.

The partnership further led to the development of the Naga City Citizens Charter, which identifies the step-by-step procedure for availing each of the city's more than 150 frontline services, the documents they require, the response time for delivery, and the officers and staff responsible for the service. The Charter also contains location maps of the offices delivering the required services. A detachable customer feedback form was included to generate readers' feedback on the quality of service delivered. The Charter has been printed and made available to the constituencies. It has also been made available in official website of NCG.

Through the Charter, the citizens, particularly the poor, are well-informed of the services being rendered, the performance standards they could expect, and the persons responsible for the delivery of those services. The Charter facilitated the availment of city services and established a system of accountabilities among civil servants. The Charter made employees strive to improve their performance or at least meet the minimum standards.

The NGC experience provides underscores the following learning themes:

1. Policy instruments open avenues for people to have more meaningful participation in making decisions and taking actions that affect their welfare.
2. Citizens representation in formal government bodies enhance opportunities for citizens voice to be articulated and promote pro-poor services.
3. Public disclosure of service standards is critical in influencing the city government to continuously improve its services.

Potential Influence of Civil Society on Change and Development

Public Affairs Center (PAC): Strengthening Citizens' Voice. Part of the core responsibilities of governments is the delivery of public goods

and services to the citizens and in doing so they are vested with power and authority to allocate and use resources. The delivery and quality of public goods and services, however, may not always function well and meet the needs and expectations of the citizens (Balakrishnan, 2004). There can also be instances of under-performing or corrupt public officials. As these things unfold, public trust is betrayed and citizens are disadvantaged, but ironically there could be not enough mechanisms for demanding better results and ensuring public accountability.

Long before public service agencies in Bangalore started its active cooperation with the civil society and reform initiatives to make it more efficient and effective, services had been very poor and unable to cope with the rapid growth of the city. Service agencies did not readily heed to public criticisms and the citizens became increasingly indignant and frustrated (Balakrishnan, 2004). It is this context of deplorable state of service delivery and public apathy that a small group of residents initiated the process of preparing citizens report cards (CRCs) in 1993. The exercise systematically gathered feedback on service delivery from a representative sample of service users. Users' feedback revealed very poor ratings of services—more than 90 percent of the residents surveyed were dissatisfied with the services that they received. The results were presented as “voice” of the residents to the city government. The feedback was not generally well received by the city government, but three of its agencies sought more inputs to improve services (Balakrishnan, 2004).

The CRC generated much interest from many development agencies across India, which led to the creation PAC in 1994. PAC replicated the process in other cities and led the efforts to strengthening the civil society network in Bangalore. PAC conducted its second round of CRCs in Bangalore in 1999, which went beyond information gathering and dissemination to include active engagement with the city governments and its different service agencies in analysis and undertaking actual improvements of services. Results of the second CRC indicate that while there was general improvement of services, incidence of corruption increased. PAC used the CRC findings to engage the public service providers into a series of dialogues with civil society that resulted in concrete positive actions. The third CRC was conducted in 2003 and the results show that most services obtained more than 70 percent satisfaction ratings from the citizens.

Cognizant of its potential impact in empowering citizens and improving services, other countries has adopted the CRC method such as Ethiopia, Philippines, Tanzania, Uganda, Ukraine, and Vietnam. The distinctive strength of CRC is the articulation of citizens' “voice”

concerning the quality of services being delivered to them through the help of a systematic survey of a representative sample of users. Survey results provide the basis for local governments and communities to “engage in dialogue and partnership action to improve the delivery of public services” (PAC, 2005).

The success of CRCs is premised on the suitability of the local conditions to launch and effectively use the results to generate the desired reforms in service delivery. A credible CSO or any stakeholder group can lead and manage the process, but service agencies must be prepared and committed to listen to criticisms, work with people, and implement required changes. The civil society must likewise be fully engaged. PAC’s experience on the application of CRC has the following learning points:

1. Credible and systematic citizens feedback is a potent tool that can be used to get service providers to initiate service delivery reform.
2. CRC methodology is easily replicable and adaptable under various situations, but commitment of stakeholders must be secured.
3. Non-partisan and credible institutions need to conduct the CRC to positively influence service providers and make significant improvements.

SURC: Poverty Reduction Strategy. One of the major highlights of the Colombo experience is the cooperation between CMC and SURC that resulted in a reliable poverty profile through the report card method⁴ and a well-focused poverty reduction strategy for the city of about 640,000 residents. SURC in collaboration with other CSOs surveyed a cross-section of residents based on 20 variables and 80 indicators of poverty (Jayaratne, 2004). The survey categorized poverty in under-served settlements into four groups (Jayaratne, 2004):

1. Very poor settlements constitute about ten percent of all settlements surveyed and need immediate attention for improvement.
2. Poor settlements account for 40 percent, that still need considerable improvements.

⁴ Developed by the Urban Governance Initiative supported by the United Nations Development Programme.

3. Good settlements comprise 40 percent, which are already upgraded settlements and do not need major improvements.
4. Very good (fully-upgraded) settlements are about ten percent, which do not need any further assistance.

Due to the lack of information on the location and extent of poverty, public services, and packages of assistance had hardly reached the neediest. The poverty profile, therefore, served as a very useful tool in targeting and prioritizing services for the under-served settlements. Local governance reforms and service delivery were likewise enabled with adequate representation of citizens in formal decision-making bodies. Some of the important learning points of SURC's experience are:

1. CSOs can work closely and effectively with the city government in assessing and improving basic services, particularly to the poor and marginalized.
2. Adequate civil society representation in government decision-making bodies can generate positive outcomes for the people.
3. Adaptation and use of report card method can provide useful information inputs to poverty reduction strategy.

NCPC: Co-operating with the Government and Citizens. Alongside the responsible leadership of its city mayor, work ethic, and innovative systems that have introduced in city administration, Naga's civil society performed a critical role in the dramatic turnaround of the city and be recognized as one of the leading examples of good governance in Asia. The partnership between NCG and CSOs dates back to the late 1980s, which sought to address broad range of pressing concerns such as massive numbers of informal settlers, deteriorating peace and order situation, poverty, lack of economic opportunities, and weak financial standing of the city government. The partnership was strengthened and formalized with the passage of the national legislation on decentralization (i.e., Local Government Code of 1991), and subsequently, the Empowerment Ordinance issued by the City Council in 1995.

Through the NCPC,⁵ the civil society has been given formal and adequate representation in the management of societal affairs. Over the

⁵ Composed of 105 organizations that are grouped into 13 different sectors, namely: Children, Persons with Disability, Senior Citizens (Elderly), Women, Youth; Business, Cooperative, Labor, Peasant, Transport, Urban Poor; Barangay (Village), People's Councils, and NGOs. The 105 organizations consist of 87 people's organization, four business groups, networks of community-based organization, and 18 NGOs.

years, NCPC articulated the voice of the citizens in the public agenda while maintaining its good working relationship with the government. NCPC has stood its ground against proposals of the city administration when it believes that the welfare of citizens could be compromised. NCPC performs active role in direction and priority setting; policy formulation; resource allocation; program and project development and administration; and promoting transparency and accountability (Bercasio, 2004).

One of NCPC's major contributions is the institutionalization of governance processes in the city. It has also improved the capacities of civil society to effectively engage and work with the government. In addition, NCPC has helped its government counterparts as well as other stakeholder groups to appreciate the merits of partnerships. More importantly, NCPC has helped improved access to and quality of basic services, particularly to the poor.

The learning points from the NCPC experience are as follows:

1. Both the citizens and city government need to be capacitated to effectively engage with each other and forge successful partnerships.
2. CSOs need to sustain relevance and credibility to both people and city government.
3. Political leadership is crucial in providing and nurturing the democratic space for meaningful citizens participation.

Experiences of Three Rural Municipalities

Building Rural Capacities. The experiences on institutional reforms and service delivery improvement of Bangladesh, Cambodia, and Nepal as discussed in this paper are within a rural context and are founded on three assumptions (Shotton, 2004):

1. Poverty in Asia is more acute and pervasive in rural areas.
2. Rural local governments have a key role to play in basic infrastructure and service delivery required in effective poverty reduction.
3. Challenges for improving basic infrastructure and service delivery through rural local governments are qualitatively much greater than through urban local governments.

Experiences of these three countries illustrate applications of innovations within the framework of the Local Development Programmes (LDPs) that are jointly supported by the United Nations Capital Development Fund (UNCDF) and the Department for International Development (DFID). The framework couples innovations in the funding of infrastructure and service delivery with other innovations for capacity building to support improved planning, budgeting, implementation and overall accountability. The dynamics of central-local government relations is a common theme of these experiences. Although not primarily the main focus of the case studies, central-local government relations provide a useful explanation on why the innovations have worked to a certain extent, and how both decentralization and central government involvement are necessary.

Bangladesh

The local government system in Bangladesh is weak particularly in the rural areas (Alam and Siddique, 2004). The delivery of basic services is generally managed directly by the central government. The Union Parishads (UPs)—which represent the lowest tier of government—have very limited resource, little revenue-raising authority, and have influence on resource allocation decisions by the central government. The implementation of LDP in Bangladesh demonstrates the potential benefits of decentralizing fund management to UPs.

LDP seeks to promote local governance processes that emphasize participatory planning and capacity building of local governments and other stakeholders. LDP provides block grants directly to UPs and in process built the capacities of the UPs to introduce governance initiatives. One of the central features of LDP is the formulation of the Annual Development Plan, which required participatory and consultative processes involving 120 to 200 stakeholders over a two-day event (Alam and Siddique, 2004). This was a breakthrough since there was no prevailing culture of participation within UPs.

Improving accountability underpinned LDP initiatives, which were closely linked to participatory processes. Stakeholders and beneficiaries had better knowledge and appreciation of decisions that affect themselves, hence became more engaged and vigilant. Other related innovations included annual performance review through public report cards, activation of oversight committees, and dissemination of public information such as use notice boards.

The grant approach produced a number of beneficial outcomes. Greater predictability in fund allocation (in terms of amount and timing of releases) facilitated the formulation of more coherent and forward looking plans that are linked to budgets. There was also greater transparency on the use of public funds. Planning was also more demand-driven. Quality of outputs was significantly enhanced. Key learning themes from the Bangladesh experience with LDPs are as follows:

- Allowing local governments the opportunity to take service delivery planning and implementation decisions builds overall local confidence and capacities.
- Decentralized funding arrangements can lead to better targeted, more cost-effective, and better quality services by local government to the community.
- Performance-linked funding can promote better local government management, transparency, and accountability.

Cambodia

Decentralization reforms in Cambodia have only started in 2002 and the system of decentralized planning and financing local development is still in its early stages (Setha, 2004). The LDP contributed in the achievement of the following gains of the Communes:

- Devolved authority to allocate and use public resources through the Commune/Sangkat Development Fund (CSF).
- Fiscal transfers facility supported by domestic and external sources.
- Adoption of a statutory process of Commune Development Planning (CDP).
- Access to program resources supported by international development agencies, provincial departments, and NGOs.
- Harmonized process of local-level and provincial sector planning.

For the past two years, the use of CSF has given preference on small-scale economic infrastructure such as rural transport projects, construction and rehabilitation of canals, and other irrigation. Based on

sample surveys, users expressed general satisfaction with the services. Studies also show that costs of Commune projects are generally lower than the references prices based on average market costs.

Areas for improvement in the delivery of services by the Commune include: (a) determining needs and priority setting; (b) enhancing allocative efficiency in order to emphasize attention to maintenance, thus ensuring sustainability of public assets; and (c) ensuring quality of construction projects. Efficient and responsive service delivery at the local level is constrained by the following (Setha, 2004):

- Deficiencies in the regulatory framework on local financial management.
- Lack of understanding and experience of Commune chiefs on contracts administration.
- Weak inter-governmental coordination and partnerships among Communes to address common development issues.
- Weak accountability systems.
- Social auditing by users groups is sporadic and not well established.

In sum, the creation of Commune Councils needs to be matched with fiscal and administrative reforms in order to strengthen local government capacity to deliver services and address poverty. Some lessons learned from the fledgling experience on decentralization of Cambodia include:

- Newly elected authorities require a minimum level of funding for their flexible use in service delivery if they are to learn-by-doing, to break the vicious circle of “no capacity-no responsibilities-no resources.”
- Sector de-concentration reforms are critical for the development of local government capacity to deliver services, to allow the co-provision arrangements that are necessary for the delivery of many basic services.
- Investment of the State in de-concentrated structures to support and supervise local authorities is essential to realize the potential role of Commune-management in service delivery.

Nepal

Participating local governments in Nepal similarly used LDP to finance micro-projects identified through a participatory planning process. The micro-projects are championed by socially mobilized community-based organizations (CBOs), endorsed by their respective Village Development Councils (VDCs) and then evaluated, prioritized, and decided upon by the next level of administration which is the District Development Councils (DDCs). District level projects were made not to exceed 40 percent of the total DFID grant allocation, thus ensuring a fairly good proportion of the budget for community-based projects. DFID is conditional upon matching financial and in-kind contributions by DDCs and VDCs, respectively.

Significant outcomes in Nepal have likewise been gained from LDP innovation in terms of strengthening participatory planning processes and improving accountability mechanisms. More importantly, basic services have become more responsive to the needs of the citizens, particularly the poor. Key learning points from the Nepalese experience are as follows:

- Participatory and technical planning must complement each other.
- Compliance with social audit enhances community awareness, increases ownership and inclusion.
- Inclusion requires specific affirmative action measures.
- Private sector input is key in ensuring technical efficiency and quality of public goods and services.

Securing Benefits From Innovations, Reforms, and Partnerships

Improving services involves continuous process and cycle of analysis, measurement, comparing, learning, and implementing reforms. It requires understanding the services being delivered in relation to needs of the community, identifying gaps and performance deficiencies, setting priorities, planning and designing interventions, and monitoring and evaluation results and outcomes.

Most initiatives in Bangalore, Colombo, and Naga did not emerge because of centrally-driven or top-down policy guidance. The deplorable conditions in their localities have triggered city leaders to reflect on their

experiences and implement incremental improvements in their services. Through analysis, experimentation, and learning-by-doing, successes have been achieved. Over time, the cities formalized gains on service delivery improvements by crafting and adopting new policies. In the process, decentralized arrangements attuned to the local context and conditions evolved.

Decentralized arrangements that mainstream citizens' participation paved the way for institutional and behavioral changes among local politicians and service providers—which provide an enabling environment for service improvement and pro-poor services. A significant and laudable change is the transformation of a service delivery system from being input-oriented and supply-driven to one that is determined based on user needs and feedback. Local governments increasingly see the citizens and civil society as partners and part of the solution—not as adversaries and part of the problem.

Information is an invaluable resource to service improvement. More local governments are also recognizing the need for correct and timely information for decision-making. Benchmarking and continuous improvement techniques, report cards, and stakeholder participation are just some of the powerful methods for obtaining useful information to address service delivery and poverty issues.

Tracking and reporting performance using objectively verifiable service standards are important if local governments are to move to demand-driven, outcome-oriented, and client-centered approach to service delivery. Service improvements can only be realized if local governments take performance management seriously and share management of performance with the citizens—who are the principal users of the services.

Citizens participation in performance management coupled with access to accurate and reliable information have also helped in de-politicization of service delivery—where resources for services have been commonly allocated by politicians or government officials on the basis of personal gain or party affiliations rather than the needs of the people in their constituency.

Service improvement techniques must be applied on a particular service in order to achieve significant results and impact. Service improvement must have a very narrow focus on a specific service and have a concentrated effort on improving it. It is impossible to improve all services across the board. Since capacities and resources are invariably limited, priorities need to be established and objectives have to be very realistic.

Application of techniques is not sufficient. It must be matched with building effective partnerships. Many service improvements came about as a result of working in partnership with stakeholders outside the government. Experiences of the three urban municipalities as discussed above show that local governments can do more and achieve more by working closely with civil society, citizens, and private sector. Their experiences also highlight the importance of citizens' participation and involvement in the entire cycle of service improvement. Politicians and service providers may not have the correct information about their people and development issues. For example, it would not have been possible for BMP to ever know that 80 percent of the urban poor were willing to pay for the use of public toilets unless the community was consulted, asked them their opinion, and inquired about their capacity to pay.

Cooperation among service providers, elected officials, and policy-makers is also critical in achieving results. Partnership and teamwork are essential in making services affordable, accessible, responsive, efficient, and effective. Partnerships and teamwork, however, need to be nurtured over time. Building trust and confidence between and among partners are cornerstones for success. Reform initiatives must evolve and take root in the organizational culture. For it to happen, the entire organization must be committed in doing it. It is something that must be held by every member of the service organization. Benchmarking and continuous improvement is bone out of a passion wanting to serve the community better. Developing a culture of excellence must also be supported by a system of incentives (i.e., rewards and recognition).

Rural experiences demonstrate that decentralized financing arrangements that are flexible and linked to performance are seen to promote local government learning, transparency, and accountability. In Cambodia's case, flexible financing for service delivery was necessary to enable local governments to learn-by-doing. Decentralized and performance linked to funding in Bangladesh was essential in developing cost-effective and better quality services and pro-poor investments, as well as in improving overall local confidence and capacities. In Nepal and the rest of the cases discussed in this paper indicate that private sector participation and participatory planning processes are crucial in increasing ownership and inclusion.

While decentralized arrangements are considered important, the cases also stress the importance of state support and involvement in local infrastructure and service delivery improvement. It was noted in the case of Cambodia that State investment in decentralizing structures is essential to support and supervise local governments.

Effectiveness is realized in a dynamic relationship with higher levels of sub-national government and with the central government. Local governments cannot be fully autonomous and prosper without an enabling policy and institutional environment. The active support and effective monitoring by the central government and higher sub-national governments are necessary, to ensure that local government have access to technical support and fiscal transfers, to coordinate planning and budgeting, and to articulate upwards the demand for services.

In summary, the experiences discussed in this paper demonstrate that entrusting local governments with responsibilities and funds can actually lead to pro-poor outcomes and address poverty more effectively. It must be however emphasized that local governments cannot make things happen by themselves. There must be co-operation and partnerships with communities, other local governments, higher levels of governments, and the private sector. Effective policy mechanisms for inter-agency coordination and facilitative institutional arrangement for making networks and partnerships work are critical for successful local and regional development.

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India: Social Audit through Civil Society Organizations

INDUREKHA PRAKASH*

Despite the unprecedented economic growth the world has an increasing number of poor. India is home to the largest number of the poor in the world. The formal state as well as the market institutions, with their pro-poor policies have had limited success in poverty reduction. The decentralized efforts in India have led to a large number of local level institutions known as the Panchayati Raj Institutions (PRIs)—empowering the poor for a larger say in their governance. The civil society organizations (CSOs) have emerged as development partners, and they have demonstrated some capability in promoting the outreach of services. It is the interaction and support of the three—state, market, and CSOs, which can prove an effective bulwark for public service delivery. Social audit can be seen as a platform enabling interaction among development agencies. It is a modality for supporting this process, and evaluating outcomes effectively. Given the diversity and the scale of poverty in India, a careful adaptation of solutions to new situations, and provision of adequate information is needed. Social audit includes stakeholders including the marginalized and poor. The two major impediments of local conflicts and petty corruption need to be overcome at the local level so that public services and finances for them can be planned and provided well. These issues can not be negotiated by a command structure, but could be weakened appreciably through a participatory social audit. Some Indian social audit case illustrations have been reviewed in the paper and one notes that the progress is in the right direction albeit a bit slow.

Introduction

Despite the unprecedented economic growth, the world has an increasing number of poor. Poverty reduction strategies are constantly struggling to develop new approaches appropriate for reaching out to them. India, home to the largest number of poor in the world, is no exception to this process. The formal state institutions and their policies for pro-poor development over decades have had limited success. They

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now face resistance to delivering services to the remaining core poor. Although with growth in the private sector, state efforts are being increasingly supplemented by markets, even then the progress is slow in reaching out to the poor and vulnerable in remote and backward regions.

All over the world, decentralization and devolution are being institutionalized to promote development outreach. At the global level, one of the most publicized initiative of this type is the Millennium Development Goals (MDGs) that, among other things, seeks to deliver basic service to the poor, women, and children through a more decentralized and community-based participatory system. Community driven development (CDD) initiatives are being promoted as effective mechanism for poverty reduction and “complements government and private sector efforts by achieving immediate and lasting results at the grassroot level.”

In India, Mahatma Gandhi even before the independence (1947) had emphasized community development approach, especially its effective role in delivery of services to the poor. The first five-year plan of the country (1951-55) had also emphasized it, but the strategy proved ahead of its time! It was not until 1992 that the concept became institutionalized as a formal reality in the form of PRI¹ in the country. However, the progress has been halting and uneven. It is still to take off and attain its full potential.

The paper is divided into five sections. After the introductory observations in the first section, the role of CSOs and the emphasis that different development agencies give to them is discussed in section two. The third section deals with the Indian local governance system known as PRIs, including their financial arrangements. In section four application of social audit in India is illustrated. The concluding observations have been made in section five.

Role of Civil Society Organizations

The formal state development institutions have had limited success and have been slow to deliver public services to those in need—the poor in developing countries. Government organizations as well as market

¹ The term “panchayat” literally means a group of five decision-makers who are asked to arbitrate on any issue. Historically, the institution has been in operation for centuries. Mahatma Gandhi revived the concept for social reconstruction and removing poverty.

institutions by themselves seem to have been inadequate to bring about this change. World Health Organization (WHO) observes:

... civil society embraces the general public at large, representing the social domain that is not a part of the State or the market. Lacking the coercive or regulatory power of the State and the economic power of market actors, civil society provides the social power of its networks of people. Its ideas, information, services, and expertise are used to advance the interests of people by seeking to influence the State and the market. It is a sphere where people combine for their collective interests to engage in its activities with public consequence (WHO, 2002: 3).

It is in this context that the CSOs have emerged as a possible instrument for better economic, political, and social governance. The expectation is that with the emergence of the civil society as a development partner, there is greater chance for improving the outreach of development process. With CSO's bottoms-up approach, their flexibility and ease to sprout anywhere, they are seen as an important ally in the struggle against poverty and are becoming the focus for delivering services to the poor. In relation to market and state, CSOs are sometimes known as the "third sector." In many instances, CSOs have made visible impact all around-governments, international organizations, donor organizations, and the corporate sector from the global stage to the local level.

India being the largest democracy with a diverse polity and cultures has an equally diverse and thriving number of CSOs (more than 100,000 according to some). This in turn reflects in the multiplicity of approaches, processes, and methods in implementing the development strategies in the country. The characteristics of these CSOs are neither fully known nor fully understood by all; and it does not help the matter a bit that they are so heterogeneous with varying capabilities. Many multilateral and bilateral development agencies are engaged in capacity building of CSOs and helping them to become more effective partners in the development process.

Emphases of Different Development Agencies

During the last decade many initiatives have been introduced to harness the potential of CSOs in delivering the services to the poor. The World Bank (WB) has been a leading agency in this endeavor and has helped in creating a favorable ground for CSO's participation. It is observed, "social accountability mechanisms are demand-driven, operate from the bottom-up, and aim to promote development effectiveness, empowerment, and good governance." Going beyond the simple

participation and service delivery, the WB through their participatory budgetary process has encouraged CSOs to play an important role in budget formulation, review, and public expenditure and evaluation of publicly funded programs. In the year 2000, WB launched a civil society budget initiative under the title Strengthening Civic Engagement in Public Expenditure Management, to promote accountability and transparency in public expenditure management by involving civil society groups in budgetary processes. This was in addition to the engagement of civil society under the Poverty Reduction Strategy Papers (PRSP), which has since then become the major rallying point of development agencies all over the world. PRSP identifies areas for civil society engagement in bringing about transparency and accountability in the use of public funds, and pro-poor public policies. The role of CSOs and their approaches to participatory public expenditure management is spelt out with case studies and specific applications like citizens' report cards etc. (WB, 2003).

The workshop recommendations of the Copenhagen paper titled "Social Integration and Local Power" address social audit with specific recommendation for civil society and the government. CSOs are urged to promote social audit processes, social participation, define empowerment as the access to rights, and promote citizens' education and media use. They are exhorted to promote decentralization of resources and develop capacity among local people through participation in medium- and long-term programs with appropriate institutionalized participation. For the governments, the recommendations are to: 1) modernize administrative structures; 2) generate public forums at national, local levels; 3) define municipal jurisdiction and strengthen democracy, and 4) develop and implement programs specifically geared toward fighting all forms of discrimination. Lastly, it is recommended to promote the improvement and institutionalization of systems and mechanisms for developing participatory budgets and social audit processes.

The document of the United States Department of Policy and Strategic Issues highlights the importance of the social accountability as a move to strengthen the links between governments and CSOs. The relationship helps to foster transparency, access to information, reform, and monitor public expenditures. In addition to the empowerment of the citizens whether at government or CSO level, the Department's policy adds flexibility, and the increase in innovation and experimentation of strategies as an important method of development. As far as the United States Agency for International Development (USAID) is concerned, the approach towards social accountability has been in terms of strengthening the advocacy skills and the coalition building of the CSOs. Therefore, relationship building, capacity building, institutional development, and citizen's empowerment are their focus.

Likewise, many Asian governments have also elucidated the role of CSOs. An important example from the region includes budget and expenditure tracking under which the Philippine Governance Forum (PGF) launched a Government Watch program. Under the program, college students closely monitored government education, health, and roads projects to guard against mismanagement and fraud. In India, likewise performance monitoring is carried out by the Association for the Empowerment of Workers and Farmers (locally known as the Majdoor Kissan Shakti Sangh or MKSS). This organization teams up with local non-governmental organizations NGOs to carry out “social audits” and holds the officials and functionaries accountable for not just public expenditures, but also in fighting corruption.

CSO themselves, especially at the top level have also been engaged in capacity building of CSOs in the area of public expenditure at the lower level. For example, Oxfam’s activities include implementation of pro-poor policies and programs, especially the process and mechanisms for the participatory public expenditure management and budget. Katherine Cash (2003) critiquing the PRSP strategy papers also outlines pertinent recommendations for correcting the measures, which the partnering organizations for development have experienced. The strategies are developed with broad-based participation from civil society. Lack of appropriate framework for participation and the poor quality of the process of participation were the major findings that were highlighted. The government’s will and capacity to participate along with CSOs are the factors that weaken the objectives of the PRSP in targeting poverty reduction and not just any kind of economic growth.

The report on Human Development in South Asia (Haq) describes that under the framework of Human Rights the freedom to self organize is a fundamental concern. CSOs must make efforts at constructing good civic governance. Haq points out that the basic human rights get shortchanged because in South Asia the structures of governance are mainly centralized in nature. Despite the decentralization and its institutional structures for which an elaborate mechanism has been developed, it is often the local government that becomes a target for social accountability and audit. The diverse interests of people in old society like India have always been a challenge to accommodate, and they are served not only by the local government, but by the CSOs as well. The international donors have added to the capacities and resources of the CSOs since the 1970s. In India, the organizations that deliver public services to the poor and are expected to maintain and conduct social accounting and audits are the local governments along with CSOs. Collectively, this is known as PRI. Even though it is part of the overall Constitution of India, the precise configuration and functioning of the PRIs varies from state to state.

Indian Local Governance: The Panchayati Raj Institutions

The growing emphasis on decentralization as a tool for political, social, and economic governance saw the institutionalization of PRIs through the 73rd Amendment to the Indian Constitution in 1992. The Directive of State Policy reads “The state shall take steps to organize village Panchayats and endow them with such powers and authority as may be necessary to enable them to function as units of self-government.” These PRIs are the grass root level local self governments and they are expected to deliver essential basic services. Over the years, several high-level commissions and committees had studied and examined the feasibility of PRIs and made recommendations. The notable among these were: Balwantrai Mehta Committee in 1957; the Santhanam Committee in 1963; the Ashok Mehta Committee in 1978; the GVK Rao Committee in 1985; and the LM Singhvi Committee in 1986. It was, however, only in 1992 that there was a definitive formal move towards decentralization in the true sense at PRI level.

The 73rd Constitutional Amendment introduced new legislative measures for devolution of powers in terms of responsibilities for economic development and social justice, financial allocations for Panchayats through tax assignments and grants and setting up of a State Finance Commission every five years. Selected features of PRIs are:

- To provide three-tier system of Panchayati Raj for all States having population of over two million. The three-tier structure consists of the Village Panchayat at the lowest level; Panchayat Samiti at intermediate level Panchayat; and Zilla Parishad or Panchayat at the district level.
- To hold Panchayat elections regularly every five years. To provide reservation of seats for scheduled castes, scheduled tribes² and women (not less than 33 percent).
- To appoint State Finance Commissions to make recommendations as regards the financial powers of the Panchayats.

² Scheduled castes and scheduled tribes refer to the listing of the socially and economically backward classes referred to in the Constitution of India. Affirmative actions facilitating their access to services like education and jobs are undertaken for these groups. Some states have further widened the scope of these activities by enlarging the lists and including other backward classes under the scope.

- To constitute District Planning Committees to prepare draft development plan for the district as a whole.

The powers of PRIs have been institutionalized for more than a decade now. Some states (e.g., Karnataka and Kerala) have extended tremendous support to the process of decentralization and have undertaken special efforts to support PRIs' work. At the same time, there are states that are still lagging behind, including many where poverty is high and the need for reforms is perhaps the greatest. A WB study on the fiscal decentralization in the context of Panchayats in states of Karnataka and Kerala are briefly discussed later in the paper.

Even though the responsibilities assigned to the Panchayats vary in powers from state to state, certain essential services such as provision of safe drinking water, rural sanitation, lighting of public places, preventive health care, and primary education have come to be accepted as the legitimate and core functions of the government at the local level, in this case PRIs. However, a new schedule (known as the Eleventh Schedule to the Constitution of India) has been appended to streamline the PRI functions. It lists out 29 functions including agricultural extension, minor irrigation, drinking water, minor forest produce, khadi (hand-spun cotton yarn and cloth woven with it), village and cottage industries, rural housing, fuel and fodder, education, health, public distribution system etc. However, there is a considerable gap in the provision of these services across states and there are several outstanding issues, including fiscal arrangements that require to be addressed before decentralization can become fully effective.

The Financial Powers of the PRI

In order to deliver the services the funding requirements of PRIs are large. According to the Article 243-H of the Constitution, state legislatures have been empowered to enact the following laws;

- To authorize Panchayats to levy, collect and appropriate certain taxes, duties, tolls and fees.
- To assign certain taxes to Panchayats including some duties, tolls levied and collected by the State Government.
- To provide grants-in-aid to the Panchayats from the Consolidated Fund of the State.

- To make provision for Panchayats to receive funds and also withdraw and use them.

In 1997, a review of issues concerning devolution of powers at PRI level was undertaken on a national scale with a firm resolve towards realizing the vision of Mahatma Gandhi of every village becoming a republic through the three-tier system of PRIs. Currently, there are more than 230,000 Gram Panchayats at village level; more than 6,000 Panchayats at intermediate level and 537 Panchayats at district level. These PRIs have about three million elected representatives serving them, in absolute terms the broadest representative base that exists in any country. The details have been provided in Table 1.

Table 1. Number of Panchayati Raj Institutions

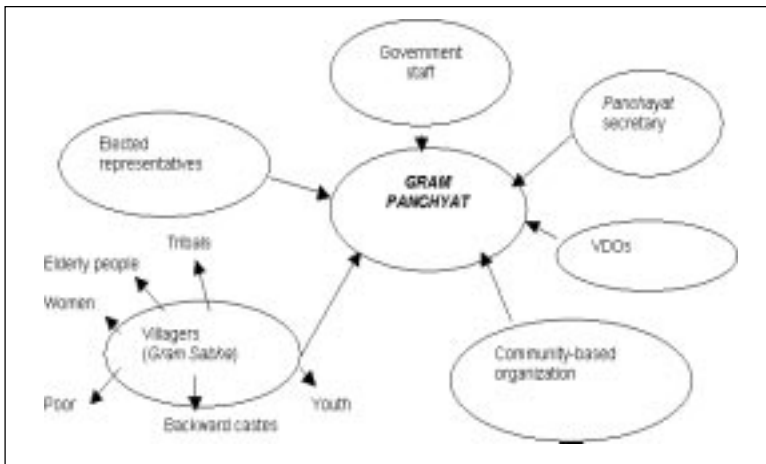
State/UT	Gram Panchayat	Intermediate Panchayat	District Panchayat	Total
Andhra Pradesh	21,913	1,095	22	23,030
Arunachal Pradesh	1,747	150	15	1,912
Assam	2,489	203	20	2,712
Bihar	8,471	531	38	9,040
Chhattisgarh	9,139	146	16	9,301
Goa	190	0	2	192
Gujarat	13,819	225	25	14,069
Haryana	6,034	114	19	6,169
Himachal Pradesh	3,037	75	12	3,124
Jharkhand	3,746	211	22	3,979
Jammu & Kashmir	2,683	0	0	2,683
Karnataka	5,659	175	27	5,861
Kerala	991	152	14	1,157
Madhya Pradesh	22,029	313	45	22,387
Maharashtra	28,553	349	33	28,935
Manipur	166	0	4	170
Orissa	6,234	314	30	6,578
Punjab	12,445	140	17	12,602
Rajasthan	9,189	237	32	9,458
Sikkim	159	0	4	163
Tamil Nadu	12,618	385	29	13,032
Tripura	537	23	4	564
Uttar Pradesh	52,028	813	71	52,918
Uttaranchal	7,227	95	13	7,335
West Bengal	3,360	333	18	3,711
A&N Islands	67	7	1	75
Chandigarh	17	1	1	19
Dadra & Nagar Haveli	11	0	1	12
Daman & Diu	10	0	1	11
Lakshadweep	10	0	1	11
Pondichery	98	10	0	108
Total	234,676	6,097	537	241,310

Source: National Panchayat Portal, <http://rural.nic.in//panchayat.html>

The financial and budget requirements for such a large number of PRIs and services they provide are indeed an enormous challenge. The resources of PRIs are internal revenue, and resources received from the state. The internal revenue is collected through tax and the state resources are received in form of grants.³ The types of taxes at PRI level are: 1) own taxes—the levy, collection and use of which vests in the Panchayat by statute; 2) assigned taxes—the levy and collection of which vests in state, but its use vests in the Panchayat; and 3) shared taxes—the levy and collection of which vests in the state government, but revenues are shared with local bodies. The non-tax sources for PRIs consists of revenues from license fees, fines, and penalties rents from governmental properties. Most of the States have empowered the Gram Panchayats (the lowest level within PRIs) to levy certain taxes and fees.

In practice though resources at PRI level are not only scarce, but PRIs also do not have the capability to raise additional revenues and use the available resources effectively. Capacity building and empowerment at this level is essential so that the local level is encouraged to raise resources to deliver services to the poor. The CSOs can play a significant role in synergizing the efforts of PRIs through appropriately carried out social audits out for the benefit of the poor.

Figure 1. A Conceptual View of Gram Sabha (Village Council)



Source: Jain and Polman, 2003.

³ Given the federal provincial structure of the government, the following usage is followed for the three-tiers of administration in the country. The term 'center' refers to the federal or union government at the national level, 'state' refers to the provincial governments in the country, and PRIs operate at the district level and below.

Social Audit – The Evolving Concept

The dictionary (Miriam Webster) meaning of the term audit—a methodical examination and review, indicates the potentially wide use to which the term can be subjected, especially in the context of local level institutions. Financial professionals both in the public and private sector have used the term audit for a long time, but in an extremely narrow sense of the term. In contrast, social audit emphasizes wider connotation in the development literatures and has tended to include organization auditing.

Between these two extreme formulations, the term has been interpreted varyingly by different users. First used in the 1950s—much of the social audit was done to assess the impact of large corporations on their workforce, consumers, and the wider community. It continued to be the management tool for the evaluation and control of corporate management. In the 1990s, however, a new phase of social auditing in the forms of accountability and transparency.

Since the early 1990s, there has been a growth in the understanding and application of social audit mostly in connection with, and for, organizations. In a study conducted in Scotland, social auditing is defined as a method of determining impact (Graham Boyd, Alana Albee Consultants and Associates, 1998). According to the study, social auditing provides an assessment of the impact of an organization's non-financial objectives through systematically and regularly monitoring its performance and the views of its stakeholders.

Sometimes, social auditing is also seen as a process that enables an organization to assess and demonstrate its social, economic, and environmental benefits and limitations. It is a way of measuring the extent to which an organization lives up to the shared values and objectives it has committed itself to. The stakeholders within the organization are extensively involved in the exercise. In an organizational setting, stakeholders would include the employees, clients, volunteers, donors, as well as the local residents interested in the organization. Stakeholders can also include other organizations that may have a stake in the positive outcomes of a population. From an organizational point of view, "Social Audit is a method for organizations to plan, manage and measure non-financial activities and to monitor both the internal and external consequences of the organization's social and commercial operations."

The essence of social accounting and audit is "accounting for what we do and listening to what others have to say so that future performance can be more effectively targeted at achieving the chosen objectives." The

varied usage of social audit over the years have been consolidated and synthesized into AA1000 Framework and Assurance Standard developed by the Institute of Social and Ethical Accountability in Canada. AA1000 is an internationally accepted voluntary standard for the process of social accounting, auditing and reporting and should meet the three key principles of materiality, completeness, and responsiveness.

Sometimes social audit is used almost as a synonym for social accounting, e.g., WB. However, as a technique, social audit has acquired a greater emphasis on a wider dialogue with stakeholders. The multi-faceted perspectives, comprehensiveness, comparative evaluation, regular verification, and disclosure became the key principles of social audit. The evolution of social audit has “shifted from the early reporting, disclosure, and measurement focus to an open dialogue and participatory approach. Social audit has extended from corporate sector in the early stage to all types of organizations.” Social audit is based on the principle that democratic local governance should be carried out, as far as possible, with the consent and understanding of all concerned. It is thus a process and a technique, but not an event.

Another term called social development monitoring (SDM) is also a social audit process and it is a “periodic observation activity by socially disadvantaged groups as local citizens who are project participants or target beneficiaries. It could also take the form of action intended to enhance participation, ensure inclusiveness, articulation of accountability, responsiveness and transparency by implementing agencies or local institutions, with a declared purpose of making an impact on their socio-economic status” (WB).

According to the Action Aid project: “A social audit is a process in which details of their sources, both financial and non-financial, used by public agencies for development initiatives are shared with the people, often through a public platform. Social audits allow people to enforce accountability and transparency, providing the ultimate users of services and projects with an opportunity to scrutinize development initiatives. It is a form of citizen advocacy based on the power of knowledge and is grounded in the right to information.”

Application in India

Social audit even though used from 1950s has taken root in India with more definite results only from the last decade especially to understand, measure, verify and report on the progress in the provisions of social services. It includes stakeholders and the marginalized poor

groups whose voices need to be heard to bring about relevant changes in the pattern of development. Social auditing is taken up for the purpose of enhancing local governance, particularly for strengthening accountability and transparency in local bodies. The objectives, advantages, steps required in conducting a social audit, the success factors, enhancing local capacities and the formation of social audit committees have all been developed as a training module in the Indian context.

The erosion of the state organizations during the recent decades and its general inability to implement development programs and deliver services effectively at the local level has drawn the attention to improve the governance in India, especially among the poorer states. Of the many things needed to be tackled for poverty reduction and the provision of social services, social audit is one of the important interventions capable of providing relief and succor. Left to themselves, the local institutions do not function in a way that these services would necessarily reach the poor. Even when there is a budgetary allocation and resources are available, a "substantial part of the funds allocated for anti-poverty programs in the annual budget ...remains unutilized or is diverted by state governments and local authorities to meet other revenue expenditure. ... all field studies as well as casual observation suggest that leakages in government- funded and anti-poverty programs are very high. In the late 1980s, leakages in these programs were as high as 85 percent" ... and it is expected that ..." (Jalan, 2005: 94). The author conjectures that "since then the position is likely to have become worse rather than better because of political corruption and administrative ineptitude" (Jalan, 2005: 94).

Corruption and conflicts are a reality at almost all levels in India, however, at the local level it can become a nightmare and a debilitating challenge for the poor to overcome these impediments. The political system and the administrative machinery is committed to reforms, but the reality on the ground can be out of step and not necessarily viewing poverty reduction measures kindly (also because of rather narrow differences between the poor and near-poor generally). Under the PRI framework, several administrative and legal measures have been undertaken to address the problems of conflict and corruption. Gram Sabha (village level council) is the most important player for conducting social audits and these have been established as per the Constitutional provision. But a lot depends upon how these audits get actually conducted. And whether the chronic apathy of the local bureaucrats can be overcome is an important issue.

Conceptually, social audit is capable of serving as a platform for bringing out into the open the problems of local conflict and corruption, and thus, increase chances of mitigating the resistance and possible harm to the poor. Social audit can highlight publicly the grievances of the beneficiaries. In the case of the report cards, it was noted that the poor had to bribe officials more than the middle classes to get the same services. Given their lack of education and their say in the political process, the poor are often more vulnerable and easy target for corrupt practices. By bringing some of these issues out, social audit can help to address the concerns somewhat.

The process of social audit is inherently capable of being so dynamic and participatory that it can motivate organizations and people to coordinate their efforts creatively. Social audit can be used by communities whether urban or rural to first assess and then objectively review the services programs and projects so that it forms a valuable knowledge reservoir. In this process, social audit can resolve problems of conflict and corruption in a manner which is open, informed, and mature.

The heterogeneity of the communities in India is also an important impediment in delivery of services. The territories are vastly spread with many of these unreachable during bad seasons. Natural disasters occur often and populations are exposed to high risk. Conducting social audit at the community and local level is one of the best methods to help people help themselves. A broad-based service outreach can become a feasible proposition if social audit can become a resource to innovative methods for better service delivery.

Social audit could be a method to help and give confidence to those who are engaged in service delivery. It brings to light the issues that impede outreach of services. The beneficiaries, providers, and implementers all can be better informed of the problems at hand, and be able to tackle and seek appropriate help to remedy the situation. Appreciation of the problems and ease of each institution of their capabilities and powers can be synergized through social audit.

In India as a majority of beneficiaries are either illiterate or are barely educated, they are not able to access and utilize much information about the programs and their performance. In the face of ignorance, and limited availability of the quantity and quality of these services, the beneficiaries are often reticent and silent and accept passively whatever the services may offer them. This does not only blunts potential participation and monitoring on the part of stakeholders, but also lowers

appetite of the program managers in sharing information about the services enthusiastically. This has two kinds of impacts on the ground. On the one side, it tends to lower the exchange of information among different parties, but on the other hand, it scales up the possible benefits from the social audit type of exercise as it emerges as a uniquely valuable opportunity for sharing information.

Some Illustrations from India

Social audit exercises have been conducted in many places within India and overtime an information base is gradually building up. For our present discussion here, we have selected five illustrative studies that are briefly introduced in this section. Two cases have been selected from the urban areas, another two are from rural areas. There is one WB study of two of the most progressive states of Karnataka and Kerala. The latter have been stalwarts in implementing the PRI system, and have made several innovations to augment their capacity for delivering services to their poor population.

The MKSS work on Jan Sunwaayi (i.e., public hearing) at Lasani, Rajasthan:

- Action Aid India, Bolangir Team (2002). *Samajik Samikhya: a social audit process in a panchayat in Orissa.*
- Urban Audit in Delhi.
- Civic Engagement in Public Expenditure Management a case study on Report Card on Public Services in Bangalore.
- A WB study on Karnataka and Kerala on the Fiscal Decentralization to Rural Governments.

Rajasthan. The Rajasthan rural social audit was conducted by the government over four to five days. It was facilitated by the MKSS. The audit was conducted for the finances and actual physical outlays from money spent for the last five years. MKSS had to first bolster the courage of the villagers about being able to talk about "their money." The style of the government officials conducting the audit ("the superior attitude" and "not letting the villagers speak on the microphone," and making fun of those who tried) was not helpful in achieving the objectives of social audit save the fact that, at least, there was an opportunity of having such an activity of a social audit.

In rural areas, the MKSS as a CSO has been strong and has had strong linkages with government for a number of years. The staff at CSOs (Ms. Arun Roy—a well known professional in the sector and an awardee of many international recognitions) are well versed with the workings of the government, and hence, know the weaknesses and were able to zero in on audit more effectively. As such, the leadership of CSOs had a definite role in conducting social audit, providing information and leadership to the beneficiaries. This case illustrated that the clout of CSO was an important concern and factor to be reckoned with in terms of imparting leadership to the social audit process.

Orissa. The social audit in Jhamipalli (Orissa) was the first opportunity the community there ever had. The MKSS, the local CSO (Gayatri Club), plus a network of 19 NGOs and volunteers, together with the cooperation of the district administration were able to undertake social audit for events, outcomes, accounts, public workers, and services for the last three years. The exercise was able to bring several groups of organizations together and create a confidence amongst the citizens to voice their concerns and do something more concrete about the corruption they had been earlier trying to combat for several years.

Delhi. The urban audit in Delhi related to workers in five sectors: 1) local administration; 2) local politicians; 3) people of the area; 4) the local contractors; and 5) Delhi Administration. Of the 68 public works audited, it was found that in 64 works there had been incidence of misappropriation of funds. The CSO (MKSS) made several recommendations to the Delhi administration to reduce corruption. The MKSS again played an important role and brought home the point that public awareness was an important factor in fighting corruption. Citizens should know about the development works of the government and the social audit process was able to draw people's attention to the activity of government and hold public officials accountable to public scrutiny. The entire process of a social audit in this case ran for a number of months and it was not always very smooth. Eventually, the audit process prevailed as it banked on the tremendous public support. There were sharp debates including: 1) mudslinging of leaders and organizations in public; 2) meetings had to be cancelled and reset frequently; 3) a lot of verbal cooperation, but seldom carried through in reality; and 4) resorting to legislative action were some of the instances that this social audit had to face.

Bangalore. The other urban case is the Citizen Report Card in Bangalore. Because of the deteriorating standards of the public services, a group developed the report card in 1993. A random sample of 480

household from the middle and upper income groups and 330 households were slum dwellers were selected to report about their perception of the quality of service rendered. The feedback of respondents who actually experienced the service quality and access were interviewed on five basic services such as drinking water, education, health food distribution, and road transport. Another set of report cards were initiated after five years, however, the overall citizen satisfaction remained low. Investigators were trained and one finds that the methodology in terms of skills required to conduct the survey was expensive. Simpler ways to indigenize the card have been suggested and the operational link between the information sought through the card and the implementation of action thereafter is still a challenge for the CSOs to undertake.

Karnataka and Kerala. In the WB study (2004) of the two advanced state Karnataka and Kerala for PRIs it has been observed that local government is not empowered to effectively deliver services. The Gram Sabha has been undermined and is not able to promote local participation adequately. The financial system is inherently complicated and the expenditures from central to local are cluttered with several schemes (about 400). Lack of adequate staffing and data to keep track of the local finances are major problems that need to be addressed. The transfer of funds through the three-tier system is weak. An urban rural divide exists and only four percent of the total transfers reach out to local government. It is the state deficit itself that leads to this reduced transfer. The periodic reviews are done, but mostly at the central levels and not at the lower echelons. The financial arrangements for the three-tier system need to be professionally strengthened. The data system needs to be established to improve the accountability and encourage social audit.

Concluding Observations

- a) As the concept of social audit has evolved over 50 years, it has come to mean many things to different people. The mechanisms of social audit and the form that it might take depend upon the type of audit and the nature of stakeholders. Social audit is a step towards reaching the goals of governance and it should not be taken as an end in itself.
- b) Social audit is capable of achieving its objectives only when the stakeholders themselves are fully involved in the exercise. In its absence, social audit could be seized upon to highlight the achievements of some or to hide those of others. The social audit needs to maintain a certain amount of objectivity to be able to translate the goals into achievements.

- c) Social audit is capable of serving as a unique forum for a diverse number and quality of players to review jointly the objectives and performance of a program. Different interest groups are able to exchange and access the workings of each other. As a tool for facilitating coordination, social audit is at its best.
- d) Participatory expenditure management and other emphases on revenue collection and devolution of resources have imparted social audit a bit of undue importance in the eyes of policy-makers, especially the financial institutions whether domestic or international. However, this should not trick one to forego the essential component of the social audit, i.e., wider participation of the stakeholders and a forum for bringing diverse interest groups together to help achieve the outcomes. Because when it comes to the purely fiscal matters, the governments have a whole range of monitoring arrangements for conducting audits and measuring outputs.
- e) In India, relatively well-governed states like Kerala have done well in social auditing. As opposed to this, the backward regions that are most in need of the social audit, are lagging behind and least prepared for it (Does that make social audit a fair weather friend?). The poor have no capabilities even if in some cases they have shown self help successes and have taken advantages of social audit. Social audit presumes capability to understand and ingest information and a judicious balance in forming opinions. These skills that are required for social audit to bloom, are indeed sophisticated and we find that more capacity building is needed to be done for the poor regions to take advantage of the tool.
- f) Now that PRIs are set up and empowered as per the Constitution of India, they should carry the major share of public financial resources for service delivery at the local level and not the marginal share as the evidence so far indicates. To the maximum extent possible, expenses related to the core social services and assigned functions should be dispensed through PRIs in accordance with the principle of subsidiarity. As an implication of such upscaling, social audit will have to grow manifold over the years as the extent of outstanding development work in economies like India is enormous.
- g) Finally, social audit may be able to supplement economists' perspective and reduce policy-makers sole dependence on competition as a means of development, because it is capable

of bringing in mechanisms for ameliorating heterogeneity, promoting coordination and building on consensus. Such a positive and coordination promoting influence may be particularly precious when resources are few, claimants too many and inter se differences infinite-a situation not different from the ground realities of India. We conclude by quoting Bowles (2004: 499):

The problem ... is not to find a way to induce a homogenous population of self-regarding individuals to implement a socially desirable outcome. Rather, it is to devise rules such that in cases in which cooperation is socially desirable, individuals with other-regarding preferences will have opportunities to express their pro-sociality in ways that induce all or most to cooperate, ... And in situations in which competition rather than cooperation is essential to socially valued outcomes, the task is exactly the opposite.

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People's Participation in the Monitoring and Audit of Government Programs and Projects: The Case in the Philippines

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The Philippine government has adapted early on to the need to demonstrate accountability for performance in three broad areas of governance—in policymaking and advocacy, in regulatory and law enforcement, in public procurement, and delivery of goods and services. Civil society, people's organizations (POs), community groups, academic and religious institutions, even informal associations at the grassroots have been key participants in undertaking and implementing these governance functions at varying levels of intensity. In the first two governance areas, non-governmental organization (NGO) engagement has been fairly advanced, primarily as a result of the establishment of alternative groups opposed to the government during the Marcos years. Of more recent occurrence has been NGO participation in monitoring and auditing centrally-funded government projects.

The relatively delayed response of POs in exacting accountability for nationally-funded government projects can be traced to the high cost of, and extensive time involved in, evaluating project outcome and impact, and the understandable pre-occupation with monitoring projects funded by sub-national governments. A recent focus on producing more tangible proof of government accomplishment to counter public disgust over selected legislature-initiated projects, a.k.a. pork barrel, brought in more funds from both the donor community and government itself, ensuring greater resources for assessing project results.

NGOs have been most active in monitoring and auditing four aspects of project implementation, namely: (a) procurement of goods and services associated with the project; (b) measuring output with project objectives; (c) establishing impact and long term sustainability; and (d) identifying more efficient alternative delivery mechanisms. In particular, procurement processes have been extensively scrutinized since the enactment of the Government Procurement Reform Law in 2003.

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The benefits of NGO participation in monitoring and evaluating government project accomplishments are clear and can be summarized as follows: (a) existence of passionate advocate for people's interest ensures project desirability and usefulness; (b) close watch over project's progress serves as deterrent against overpricing or sub-standard work and other anomalous practices; (c) NGOs provide a generally objective report on project accomplishments; (d) networking capability widens opportunity for alternative implementation mechanisms; and (e) post-completion monitoring commitment enhances sustainability of project results.

While the benefits are clear, the problems pose challenges. The major problems are: (a) NGOs, except for those with long-term corporate support, remain dependent on intermittent donor or government funds, severely limiting their ability for fast, independent action; (b) time and budget constraints prevent deeper appreciation of project usefulness and viability; (c) partisan involvement of some NGOs create political undertones on NGO motives and erode their credibility; and (d) emergence of professional or business partnerships disguised as NGOs whose primary objective is to capture consultancy contracts, compromise the true NGO spirit of people participation and stakeholder engagement.

Introduction

Citizen participation is now widely accepted as a key ingredient of good governance practices. The benefits of people empowerment and allowing citizens to have an active voice in the policy debate on issues affecting public life are well recognized in the formulation and implementation of public policy. The involvement of citizens either as individuals or in association with other citizens in groups has not only greatly stimulated the debate and enriched the quality of decision-making on many public issues but, more significantly, strengthened ownership and dramatically increased the chances of success of policy during program implementation.

The Philippines is among the countries in Asia that has embraced and adopted people's participation as a basic principle in public management. With martial rule and the widespread stifling of civil liberties for almost two decades during the 1970s and early 1980s, the clamor for citizen's involvement spread like wildfire, culminating in the overthrow of the Marcos government in 1986. Since then, most groups and informal associations that started out as protest movements during the Marcos years have graduated into advocacy groups and NGOs actively involved in many aspects of governance.

Since 1986, people's participation has been enshrined in practically all levels of the public service as a matter of principle. Laws enacted

beginning in 1987 involving the formulation and delivery of public services have incorporated clear provisions on people participation. The Comprehensive Agrarian Reform Law of 1987, the first landmark law enacted under the Aquino administration, for instance, mandated the participation of farmer's representatives in the highest decision-making body tasked with implementing the law. All subsequent laws have built on the empowerment provisions of previous legislative acts, further strengthening the concept of people's participation and involvement in matters of public governance.

Breadth of Participation

The extent of people participation in governance is quite broad in the Philippines, as is the case in many other countries. In general, this may be categorized into three levels: (a) at the policy level; (b) at the implementation level; and (c) at the project completion level.

At the policy-making level, POs/NGOs have actively engaged the Government in policy advocacy and in program and project design. In the National Anti-Poverty Commission (NAPC)¹, for example, representatives of the marginalized sectors sat side by side with government policymakers in formulating anti-poverty strategies. The membership of PO/NGO representatives in consultative and policymaking bodies are mandated in most charters, encompassing social, economic and humanitarian areas, particularly sensitive areas such as agrarian reform, indigenous people's rights, and the environment.

At the implementation level, the involvement of POs/NGOs is even more pronounced particularly in direct assistance programs for the poorest of the poor and in times of calamities. The institutionalization of government organization-NGO partnerships is most evident in the KALAHATI program, the key poverty alleviation program of the Government, where POs/NGOs serve as direct conduits of financial assistance to target beneficiaries with corresponding accountabilities to both beneficiaries and funders alike. Apart from participation in program/project implementation, a more recent development relates to the strengthening of the government procurement process through, among others, the opening up of the process to PO/NGO scrutiny. This will be elaborated on more intensively in the rest of the paper as a major example of government-nongovernment collaboration in good governance.

¹ NAPC is the highest policymaking and coordinating body in the Executive Branch tasked with formulating specific strategies to combat poverty. It is chaired by the President of the Philippines.

Finally, at project completion level, POs/NGOs have made their presence felt as third party evaluators of program/project outcomes, especially in the actual field validation of results among the beneficiaries. For projects with more long-term outcomes, POs/NGOs have been quite effective in tracking the people's sentiments about the more permanent results of government initiatives.

People's Participation in Program/Project Monitoring and Audit

People's participation in program/project monitoring and audit is best exemplified in two specific activities of government, namely, government procurement, and program/project execution. In both fields, the presence of POs/NGOs has strengthened the monitoring and audit environment and has served as an effective deterrent to possible unscrupulous practices.

Government Procurement Reform

Government procurement has been traditionally viewed as an area highly vulnerable to corruption. Along with corruption on the revenue collection side (e.g., tax evasion), corruption in the procurement of goods and services, including contracting of civil works and other projects has been at the forefront of the public's scrutiny.

The Philippine Government, recognizing the need to immediately resolve a critical factor in the anti-corruption agenda, launched a major program to reform the government procurement system. Spearheading the program was the Department of Budget and Management (DBM), the government agency charged with the budgeting and management of public resources. More specifically, the Procurement Service (PS)², an attached agency to DBM, managed the day to day operations of the reform program.

In 1999, the World Bank estimated that some 20 percent of the government budget for civil works, equipment, and supplies are lost to corruption in the Philippines. Along with highly celebrated cases of

² Procurement Service serves as the central government procurement agency for commonly-used goods and supplies. It was established in 1974 to engage in bulk procurement of fast-moving goods commonly used by government agencies, thereby generating cost-savings.

alleged corruption occurring in the contracting of big ticket government-initiated projects, this created an impetus for a serious move to reform the government procurement process by, among others, launching a major initiative to enact a new government procurement law. In January 2003, after almost four years of congressional debate, the Government Procurement Reform Act (GPRA) was enacted.

The GPRA was hailed as a landmark piece of legislation by all sectors, the international creditor community included. It was the most significant anti-corruption measure passed by Congress at the time and was the product of intense collaboration among anti-corruption advocates and government itself. The GPRA overhauled the government procurement process, consolidating 117 different laws into one Act, thereby eliminating the confusion that existed with the existence of many statutes some of which conflicted with each other. It also standardized the procurement process at all levels of government, at central, local as well as in government-owned and -controlled corporations (GOCCs), prescribing uniform procurement rules regardless of political subdivision. It likewise mandated open competitive bidding as the principal procurement mode, opening up the process to greater transparency and public scrutiny. Not least significantly, it institutionalized public involvement through PO/NGO participation in the procurement process.

PO/NGO Participation in Procurement

More specifically, the GPRA mandated the representation of civil society in the highest policy-making body for government procurement, namely, the Government Procurement Policy Board (GPPB). The GPPB is a 13-member body composed of 12 members of the Cabinet, all serving in an ex-officio capacity, and one voting member from the private sector or civil society, duly appointed by the President of the Philippines for a three-year term.

In practice, the lone non-government voting member in the GPPB, while clearly a minority voice in the Board, has exercised great influence on the Board's decisions. He has provided the Board with key information on the impact of policy options on the operations and behavior of suppliers and contractors and, most significantly, on loopholes in the procurement process that are being used by unscrupulous elements to contravene the law. Admittedly, the influence exerted by the non-government representative essentially arose from the fact that he is a well-respected individual in and out of government. He was a former member of the Cabinet, a well recognized professional, multi-awarded in his line of work, and a person of known probity and integrity. He sat on the Board

after the organization he belonged to was chosen as the non-government representative in the GPPB.

In addition to the non-government voting member, other institutions have been invited to sit as observers or resource persons during Board meetings. One is the representative of the Philippine Institute of Certified Public Accountants (PICPA), the national federation of CPA professionals in the Philippines, usually represented by the PICPA President himself. Furthermore, trade or industry associations as well as other professional organizations may be called upon to render expert advice to the Board as the need arises.

At the agency level, the Bids and Awards Committee (BAC) of every agency have invited observers from civil society and other groups that have no known or potential conflict of interest with the procuring agency or its representatives. The observers usually come from trade, professional, or related NGOs. These representatives generally participate in the preparation of the terms of reference for the item to be procured, in the conduct of actual bidding, in the deliberation prior to the award of the contract, and monitoring of the actual delivery of goods or completion of services.

GPRA Implementation: Initial Returns

The initial results of the implementation of the GPRA, strengthened by strong PO/NGO participation, have been more than encouraging. In particular, in key purchases most commonly tracked, the following have been observed:

- a) Substantial reduction in the cost of items purchased;
- b) Notable improvements in the quality of goods purchased; and
- c) Dramatic improvements in the public awareness of government procurement transactions.

The purchase price of three major cost items, namely: (a) textbooks used by public schoolchildren; (b) drugs and medicines bought most frequently by national government-run hospitals; and (c) common use supplies bought through the PS, have significantly fallen without any sacrifice in quality. The average costs of purchase since the new procurement procedures were implemented have been reduced as follows: (a) textbooks, up to 47 percent; (b) drugs and medicines, up to 30 percent; and (c) commonly- used supplies, up to 62 percent.

The better quality of goods purchased can be best illustrated by the significant improvement in the quality of paper used for textbooks. Consequently, textbooks that were good for at most three years of continuous use were pronounced good for at least five years.

More significant perhaps is the greater transparency in areas traditionally far from the public's view, i.e., procurement of goods and services in the uniformed service including the military, police, and fire services. Likewise, procurement in local government units (LGUs) which has been one of the weakest link in the procurement chain has been encompassed under the new law, ensuring greater transparency and better value for money in the process.

Indeed the early experience on the implementation of the GPRA has been quite commendable. Setting aside the usual kinks associated with initial confusion arising from the new rules which are generally overcome over time as implementation progresses, the GPRA experience has demonstrated that constructive collaboration between government, private sector, and civil society do generate mutually beneficial results.

Procurement Watch, Inc.

The involvement of a group of procurement reform advocates which organized themselves into an NGO called Procurement Watch (PW) was critical to the communication strategy for the reform process. The PW was established in 2001 at the height of the campaign for a major reform of the government procurement system. Recognizing the need for a group that will spearhead the campaign from outside the public sector, a group of civic-minded individuals, mostly frustrated former civil servants, organized themselves and advocated exclusively for procurement reform. Specifically, the PW sought to (a) advocate good procurement practices in accordance with the provisions of GPRA and with modern international and business practices; (b) monitor ongoing procurement transactions vulnerable to corruption; and (c) assess potentially questionable procurement undertakings. The PW eventually became the principal partner of government, the DBM-PS in particular, in the overall reform advocacy effort. It actively assisted in the design, preparation, and implementation of the communication strategy to disseminate the benefits of the new procurement system. The PW's role was particularly enhanced after the enactment of the GPRA when an intensified public information campaign was launched to disseminate the provisions of the new law not only to government procurement and finance personnel, but to the general public as well.

- a) It was the principal NGO partner-advocate during the congressional deliberations on the GPRA, literally serving as technical volunteers/experts on procurement matters to the congressional committees working for its passage;
- b) It conducted nationwide trainings and dialogues, with the cooperation of the DBM-PS, on the new procurement policies and procedures;
- c) It helped assess three major procurement transactions (i.e., in defense, transport, and education) to determine their compliance with the new policies and procedures, effectively creating a major deterrent to illegal transactions in the future; and
- d) It established itself as a credible third party expert whose services are sought after by local and international parties interested in government procurement matters.

Program/Project Execution

While procurement has been acknowledged as the critical area for PO/NGO involvement, people participation has, likewise, been strongly evident in program/project execution. As a matter of general policy, all executing agencies in the Government have been required to partner with private sector and/or civil society during program/project implementation, except in instances where such would not redound to the best interests of the public or the state. Major collaborative efforts in the area of land reform and support services; anti-poverty programs, including basic needs delivery in conflict areas, during disasters, or in areas-at-risk; environment and natural resources; indigenous communities; housing and resettlement programs for the poor; assistance to differently-abled individuals; education; and consumer protection have been undertaken in partnership with POs/NGOs with commendable results.

PO/NGO Participation - Department of Education

PO participation in the execution of projects of the Department of Education (DepEd), for example, has been very instructive. Four examples of such collaborative effort are illustrated in Table 1.

Table 1. Department of Education

<i>Project</i>	<i>PO/NGO</i>	<i>Contribution</i>
Construction of school buildings	Parent-Teacher-Community Associations	Volunteer Labor
Repair of schools (Brigada Eskwela)	General public (parents, relatives, friends, community volunteers)	Volunteer labor prior to opening of school year
Delivery/acceptance of newly-delivered textbooks	Civic/religious/charitable organizations	Count of textbooks actually delivered to schools
Purchase of desks/chairs	Group of differently-abled individuals	Fabrication/assembly of school desks/chairs

In the construction of school buildings, parent-teacher-community associations (PTCAs) were given the opportunity to actually administer the school construction project. In so doing, the PTCA members volunteered their own labor, and even undertook the procurement of construction materials themselves. This resulted in cost reduction by as much as one third of the standard cost; at the same time, better building quality was achieved as the pressure for demonstrating good performance by the PTCA officials and members built up.

In the repair of schools, in a project dubbed Brigada Eskwela or School Brigade, the support of the general public was enlisted several weeks before the beginning of the school year. A national call for volunteers was made encouraging everyone—from teachers to parents to government employees to private sector employees to religious groups to youth—to lend a hand in refurbishing the classrooms prior to the opening of classes. In 2005, this project was hugely successful, with DepEd eventually completing the repair of almost twice the number of school buildings originally targeted for the same cost.

A novel concept in public/NGO collaboration initiated at DepEd involved a project called Textbook Count. The project aimed to ensure that the actual number of textbooks delivered by suppliers are accurate and of desired quality. The project generated tremendous support from civil society groups, which actually undertook the individual count and inspection of the textbooks right in the school where the books will be used. This prevented such practices as under-deliveries or substandard deliveries by textbook suppliers and strongly demonstrated government's resolve to eliminate similar anomalous practices among government suppliers.

Again, in the purchase of desks and chairs, an association of differently-abled persons was tapped to fabricate the required desks and chairs. On the one hand, this generated income for a marginalized group of individuals, at the same time, it provided low cost, good quality school desks and chairs for use in public schools.

PO/NGO Participation - Other Agencies

No less instructive are the experiences in many other agencies as shown in Table 2.

Table 2. PO/NGO Participation in Other Agencies

<i>Agency</i>	<i>Project</i>	<i>PO/NGO</i>	<i>Contribution</i>
Department of Public Works and Highways (DPWH)	Construction of school buildings	Federation of Filipino-Chinese Chamber of Commerce and Industry, Inc.	Zero-profit margin, raw materials priced at acquisition cost, labor cost at actual wages paid to direct-hired labor
National Anti-Poverty Commission (NAPC)/Housing and Urban Development Coordinating Council (HUDCC)	Construction of housing for the very poor	Gawad Kalinga (civic-charitable organization devoted to housing for the poor)	Volunteer labor for the design and actual construction of housing units for the poorest of the poor
Department of Health (DOH)	Responsible parenthood program	Couples for Christ (religious-civic organization of Catholic couples)	Conduct of seminars, dialogues, training, house to house campaigns on responsible parenthood
Department of Social Welfare and Development (DSWD)	KALAHI Program (community-focused delivery of basic services to the poorest of the poor villages)	Various village-level organizations, including formal and informal groups	Volunteer labor (construction of basic facilities; distribution of goods); small donations for purchase of supplies; free use of farm implements; free use of facilities for community meetings, etc.
DSWD	Micro-lending	Various village-level cooperatives	Subsidized micro-lending; support group for members
National Police	Crime prevention	Community self-help groups	Volunteer security forces for the neighborhood

In 2002, the Department of Public Works and Highways (DPWH) entered into a Memorandum of Agreement (MOA) with the Federation of Filipino-Chinese Chamber of Commerce and Industry, Inc. (FFCCII), the largest federation of Filipino-Chinese businesses in the Philippines. Under the MOA, the FFCCII pledged to construct a public school classroom at 50 percent of the standard cost of a classroom used in government estimates. The huge savings were accomplished by the FFCCII members by waiving the profit margin, by costing supplies and materials at acquisition cost, again with no margins, and by costing labor at actual wages paid to the workers hired right from the community. The scheme was hugely successful and was in fact adopted by some legislators in supporting their pet projects. In some instances, the classrooms were built side-by-side a DPWH-built classroom, inevitably initiating a comparison between the structures, with the FFCCII-built structure oftentimes standing out in terms of quality despite the lower cost.

In the construction of housing units for the very poor, a civic-charitable institution called Gawad Kalinga (literally Giving Care) has spearheaded the construction of dwellings for the poorest of the poor by mobilizing volunteer labor to build an ambitious 700,000 dwelling units in seven years. While practically civil society-initiated, the NAPC and the Housing and Urban Development Coordinating Council (HUDCC)³ have strongly supported this private initiative.

In the Department of Health (DOH), the responsible parenthood program, a program severely criticized by the Catholic Church as being unchristian has been implemented with the assistance of the Couples for Christ, a religious organization of Catholic couples. The program involved the education of child-bearing couples on parental responsibility through seminars, house-to-house visits, and public consultations.

The major anti-poverty program of the Department of Social Welfare and Development (DSWD), called KALAHI was designed as a community-initiated and community implemented project. Communities are essentially given block grants and given leeway to identify and implement the project they need most, with only technical assistance from government.

The DSWD has also been running for almost 30 years already a very successful micro-lending program that extends low-interest bearing loans of as low as P5,000 (about US\$100) to families and micro-enterprises.

³ HUDCC is government's principal coordinator of urban and housing policy.

This program has a repayment rate of 98 percent and has helped countless poor families and individuals pursue cottage and micro-enterprises in both rural and urban areas.

In crime prevention, the police has been assisted by neighborhood groups that patrol their neighborhoods on a volunteer basis and report potential trouble areas via quick-dial telephone numbers or through short messaging service (SMS) that are manned 24 hours a day, seven days a week.

There are numerous other fine examples of the benefits of PO/NGO participation in the execution of government programs and projects, including those undertaken at the local government and village level. In the latter case, these essentially consisted of collaboration in social services, primarily education, health, and social welfare programs.

Summary of Contributions of PO/NGO Participation

By and large, the benefits of PO/NGO engagement in many areas of traditional public domain have greatly enhanced governance in the public sector. At the policy level, these contributions can be summarized as follows:

- a) Enrichment of public debate on policy matters, ensuring enhanced appreciation of potentially divergent views and opening up an avenue for early conflict resolution;
- b) Assurance of wider public awareness of public policy issues, enabling better understanding of underlying policy objectives and the consequences of alternative policies;
- c) Improvement of communication and advocacy design, enhancing chances of policy success;
- d) Improvement of program/project design, likewise enhancing chances of program/project success; and
- e) Creation of reserve goodwill from the public in the event of a major policy shift.

At the execution and monitoring stage, the contributions are as follows:

- a) Reduction in the cost of programs and projects;

- b) Improvement of quality of output;
- c) Enhanced community awareness about existing, ongoing, and more important, planned programs in their localities;
- d) Improved transparency/accountability by implementing units;
- e) More timely implementation of programs and projects due to constant monitoring of programs/projects by POs/NGOs; and
- f) Better compliance with program/project design, or better coordination in cases of program/project modifications.

With POs/NGOs effectively serving as official watchdogs, the quality of public governance has, no doubt, been tremendously improved.

Pitfalls of PO/NGO Engagement

The numerous benefits, notwithstanding, pitfalls abound in the process of enlarged PO/NGO involvement in public governance. In the Philippines, these pitfalls pertain to:

- a) Proliferation of “fly-by-night” POs/NGOs;
- b) Emergence of “pork-barrel” POs/NGOs;
- c) General dependence of a significant number of POs/NGOs on Overseas Development Assistance (ODA) and public funds;
- d) Weak PO/NGO accountability; and
- e) Personality-oriented leadership structure.

“Fly-by-night” PO/NGO operations came as a result of the proliferation of civil society groups in the 1980’s, 1990’s, and the early years of the new century. Because of the popularity of civil action movements, some unscrupulous elements took advantage of the goodwill generated by successful civil society organizations to undertake NGO work for fraudulent ends. Stories of NGOs established practically overnight, receiving funding for a specific project and later on absconding with the money, tarnished to a large extent the reputation of civil society movements. The establishment of a self-regulatory accreditation system among civil society organizations in the middle 1990s somewhat redeemed the deteriorating credibility of the PO/NGO community.

Furthermore, government agencies, as well as many international funding agencies became stricter in their procedures for the selection of partner-NGOs, emphasizing track record and the personal credibility of individual organizers in the selection process.

A second problem is the so-called "pork-barrel" NGOs, a more specialized form of POs/NGOs. Essentially, these are foundations directly or indirectly created by legislators or their representatives primarily to implement projects supported by a legislator's "pork-barrel."⁴ While a number of such foundations have earned the respect of their constituencies and generally succeeded in their endeavors, quite a number have folded up particularly when the sponsoring legislator lost in the succeeding election. Technically, government agencies to which funds have been entrusted are accountable for the funds allocated to them. When such agencies, however, partner with not-so-reputable foundations and civil society groups, usually upon the instance of legislators, and the project turns sour, then the government agency becomes liable for the results of the failed partnership with nobody to blame but itself.

A third problem involves the continued general dependence of PO/NGO organizations on government funds and on the ODA from multilateral and bilateral sources. It has been observed that some PO/NGO groups have become so dependent on such financial assistance that they have been accused of practically becoming the agents of the funders themselves. It is important that POs/NGOs establish themselves as independent parties of interest in public governance, else their credibility suffers a major setback, making them ineffective partners of the government. A major factor in establishing their independence is the existence of a wide base of funding support from private individuals and groups.

A fourth problem is the accountability system, particularly in generally weak financial matters because the majority of PO/NGO groups are small or medium scale operations. Deficient public accountability systems directly contravene the fundamental nature of POs/NGOs as public watchdogs as it challenges their capability to render judgments on matters of accountability given that their own accountability mechanisms are themselves questionable. This major dilemma must be confronted directly through simple yet sound accountability procedures

⁴ "Pork barrel" funds are budgetary allocations; the uses of which are based on list of projects identified by a legislator. The funds are released to an implementing government agency which executes the projects in accordance with standard budget rules.

or through a sharing scheme that may be practiced among a group of POs/NGOs.

Finally, a personality-oriented leadership structure oftentimes contributes to problems in the internal administration of POs/NGOs themselves. It is not uncommon for a charismatic leader to be the center of activity of some PO/NGO groups. Where the leader is highly regarded, this enhances the organization's reach and influence. The potential problem on sustainability, however, must be addressed and consciously built into the internal administrative systems to ensure continuity of the organization's operations even after changes in leadership occurs.

Future Challenges

Despite years of experience in PO/NGO engagement in public governance particularly in the execution of public programs and projects, the challenges remain formidable, though not insurmountable.

To the PO/NGO community, these challenges include:

- (a) Expansion of participation in nontraditional areas, such as industry policy, finance, and fiscal policy;
- (b) Transitioning towards a more results-oriented engagement, e.g., conviction of corrupt public and private individuals, beyond mere identification or assistance in the apprehension of corrupt elements in society;
- (c) The strengthening of PO/NGO resource base to wean them away from heavy dependence on public resources directly or indirectly made available to civil society; and
- (d) The strengthening of civil society self-regulation and accreditation mechanisms.

To the public sector, the challenges are basically two-fold. First, it pertains to depoliticizing the selection and engagement of POs/NGOs. This is critical in ensuring equity and accountability in the partnership process and ensures sustainability of the partnerships over the long run. Second, the benchmarking of PO/NGO performance in a more scientific way must be developed to set standards of monitoring and appraisal of PO/NGO work. Such benchmarks must be developed for both local and international purposes, and used widely by government agencies in the selection of PO/NGO partners.

Engaging Communities in the Policy Making and Implementation: Does It Make Any Difference?

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Introduction

It seems that the much heralded idea of “New Public Management” has already been transformed into another new idea of “Community Engagement.” As Hirschman once put it, “individuals create new organizations which they believe will better achieve what they regard as desirable outcomes than existing arrangements. But anticipation turns out to be better than realization. When one set of institutions fails, disillusionment and disappointment take over, and the search begins for new arrangements and institutional innovation” (Hood, 1994: 15).

Since the 1980's, the public administration of most industrially advanced democracies has felt greater pressure for change. No one denies the fact that the expansion of government functions, once considered as a remedy to many social problems, is now seen often undesirable and even detrimental to society. Concepts like efficiency, flexibility, transparency, and accountability have replaced the more familiar concepts of the past: equality, security, safety, and stability.

People are now becoming perceived as consumers who are always seeking better services, public or private, for better price. Public bureaucracies, in turn, are becoming perceived as another service provider, which has to compete with private companies and organizations for more favorable responses from customers (Pierre, 1996: 1-2).

Under this changed image of public administration, public bureaucracies have to come up with a new idea of policy-making and implementation, which would meet the changed mind-sets of local residents. In fact, local residents now ask for more accountability and

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transparency in policy-making and implementation. This has often led local governments in Japan to introduce Public Involvement (PI), a new scheme of policy-making and implementation process, in which their residents supposedly play a more vital role in the process.

In this paper, I will refer to some of these attempts by local governments. And I will argue that although the PI or Community Engagement (CE) may produce policies more commensurate with residents' needs and can make the policy implementation process more efficient and transparent, this arrangement of PI could be a mechanism to tacitly shift various burdens from local governments to their residents. There are always two sides to the coin. We have to be very careful not to be carried away by "new concepts."

A New "Habitat" for Public Management

It seems that we have all forgotten a simple fact that the expansion of governmental functions, which has been under fire for some time, was once perceived as a panacea indeed for many of the social problems 70 years ago. Many of the institutional arrangements that we have tried to dismantle was the very institutional arrangements, by which we tried to overcome the evils of liberal economy and small government: various regulations by agencies, well established social security and welfare systems, unemployment benefits, and etc.

In fact, these institutional arrangements at least until 1970's had been fairly successful solving the old evils of liberal economy and small government: unemployment, poverty, insecurity, and instability of life. This is not to say that the expansion of the governmental functions was not without any problems. As Christopher Hood (2000: 27) pointed out, "Each major organizational way of life is likely to have its own inbuilt Achilles' Heel or characteristic path to collapse. Accordingly, the major type of failure in public management could be expected to consist of these Achilles Heels" (emphasis added in *italic* by the author).

The inbuilt Achilles' Heels of the Big Government strategy are the lack of transparency and accountability in decision-making and implementation, the lack of direct involvement of citizens in the process of policy-making and implementation, the concentration of power in the hands of bureaucrats, and the inefficiency and inflexibility of bureaucratic organization among others. These Achilles' Heels were present from the beginning, but were not perceived by the public as fatal failures until the 1980's when the costs of Big Government seemed to exceed the benefits derived from it. People were no longer sympathetic to the idea

of Big Government, and rather began to perceive it as the evil which had to be remedied at any cost.

By the 1990's, a majority of the people came to believe, right or wrong, that they can not survive the next century without radical reforms in many aspects of life. Concepts like the deregulation, privatization, decentralization, devolution, contracting-out, and etc., all of which emphasize the importance of private sector and/or market mechanism, had become key words of the day. Now we are told that we are entering into a new era of public management by getting communities engaged in the policy-making and implementation process. By so doing, public bureaucracies could secure the public acceptance of policies, and could even mobilize active cooperation from the public on various programs (MLIT, 2003). And ideally, public bureaucracies at the local level, in particular, could form the partnership with their residents to achieve the common objectives shared between them.

This trend towards the CE is in fact no coincidence. By the 1970's, most of the industrially advanced countries had achieved a very mature economy, in which the additional public investment could not produce much ripple effects on gross national products (GNPs) anymore. This has in turn resulted in lower economic growth and lower tax revenue growth for the government. The globalization of economy has further complicated this problem. Many industries are now forced to close down the domestic production, and would shift their production center overseas for survival if they would not withdraw totally.

This has actually created a serious threat to any government in the world. For one thing, in order to keep the capital within the national boundary, the government has to provide favorable conditions for the capital such as lower corporate tax, lower labor cost, deregulation, flexible labor practice, smaller public sector, and etc. (Drache, 1996: 32-4). These efforts by the government, however, do not necessarily lead to the increase of its tax revenue. For another, the government has to meet ever increasing needs from the people in order to keep its legitimacy.

From the point of view of the general public, they now have to secure the security, safety, and stability of their lives as the functions of the government has been reduced. For this reason, they tend to become more concerned with the way their tax money is used by the government, local or national. They are no longer indifferent to what public bureaucracies are doing. They ask the public bureaucracies for more transparency and accountability. Moreover, they now feel entitled to participate in the process of policy-making and implementation, which may eventually affect their lives.

On top of that, many of the local governments in Japan have felt fiscal pressure. As I pointed out elsewhere (Dairokuno, 2000), almost 70 percent of all the local governments can only raise less than 30 percent of their revenues. Many of them, in fact, relied on the national government in a fiscal term. However, the national government itself has been suffering from the constant decline of tax revenue in the past 15 years or so, and relied heavily on the public borrowing in the form of national bonds.

In fact, the long-term debts of the national government, for instance, accumulated to the unprecedented level of JY 414 trillion, while the gross domestic product (GDP) has been hovering around JY 532 trillion a year. When you look at the national budgets in the past 15 years, you will be surprised to find that more than 35 percent of the national budgets have been financed by the heavy borrowing from the public since 1999 (MOF, 2003).

Under this circumstance, the national government has been slashing its spending wherever possible. The Local Allocation Tax (LAT), which has been a major financial resource for most of the local governments, is no exception. Recently the national government and the local governments have agreed to reduce the LAT along with the Categorical Grants of the national ministries and agencies, while the national government promises to shift some of the tax source to the local governments. Furthermore, with the revision of the Local Autonomy Act in 2000, the local governments have been allowed to introduce new local taxes by their own initiative.

This changed “habitat” for public management would require a change in idea of local governance on the part of local governments. First, they have to come up with an idea to provide better public services, while reducing the budget for them whenever possible. In order to achieve this objective, it is imperative for local governments to mobilize residents’ cooperation and acceptance. For this purpose, it may be better to get residents involved in the policy-making and implementation process from its early phase. Second, even if local governments have to ask their residents for tax increase, it would be easier for the local governments to secure its acceptance when the residents participate in the decision-making process.

From the residents’ perspective, faced with the increasing burden on their shoulders, they naturally feel that they should have more say in the way their tax money is used. They want to participate in policy-making and implementation from the very beginning of its formation phase. To their minds, it is ultimately the residents who pay for and are influenced by various policies (Hood, 1994: 5-7).

The concept of resident's self-government in the 1970's has been interestingly revived in the age of small government. It is clear contrast to the present time that the residents' self-government was pursued against the Big Government in the 1970's. It may suggest that although we are now talking about the same concept of residents' self-government of 1970's, the concept is interpreted in a radically different context. We have to keep this in our mind. Otherwise, we would be mistaken about the significance of the current discussion on CE or PI in the policy-making and implementation process (Hood,1998: 173-5).

Community Engagement in Japanese Local Scene

Long before we began talking about the CE, the government, national and local, had tried to get the private sector involved in certain type of public policies. One of the major objectives of this type of private involvement was to reduce the cost of public services, or to introduce the private financial resources into the public sphere.

Contracting-out is one of the simplest ways to achieve this objective. In many municipalities, the service of garbage collection, which used be a purely public service, was contracted-out to private companies. This way, many municipalities succeeded to reduce the cost of garbage collection and the number of public employees. Another example is a much heralded case of what is called the Private Finance Initiative (PFI).

There have been cases that some of the local governments introduced the financial resource from the private sector. For example, the private developer constructs a building on the land owned by the local government. The building is designed to accommodate a wide variety of shops along with a several floors of the local government office. The local government only pays for the cost of their own floors, while keeping the ownership of the land. This way, the local government can reduce the cost of obtaining the office space when compared with the cost of constructing a building by itself.

On the part of the private developer, they do not have to spend a fortune to obtain the land on which they construct a building. Moreover, they can earn a substantial income by renting space to the various shops. The residents, in turn, can complete their business with the local government after shopping at the shops in the same building.

This type of Public/Private Partnership has been frequently used wherever and whenever possible. However, this is only economic and

technical in nature. Now, the emphasis has been shifting from technical to more social and political. As I have already pointed out, most of the local governments are now faced with more complex problems. They have to deal not only with the declining financial resource, but also with the increasing demand for more accountability and transparency in decision-making and implementation (cf. page 4). In this changed "climate" (Hood 1994: 5), public bureaucracies both national and local, have come up with a new idea of CE or PI.

As early as 1999, then Ministry of Construction (the present Ministry of Land, Infrastructure and Transport) released a report titled *Toward the Policy-Making and Implementation through More Communication with the Public* (MOC, 1999). In this report, the Ministry raised the following questions as a starting point to review the policy-making and implementation style of the past. These were: 1) "Was the Ministry prepared to understand and respond to the rapidly changing needs of the people?"; 2) "Did we understand the value conflict over policies among the people?"; 3) "Didn't we lack in the evaluation of policies and programs?"; and 4) "Did we have the understanding that we are serving the people?" (MOC, 1999: Preface).

The Ministry tried to answer these questions by setting the following three objectives to be pursued in future policy-making and implementation. First, they introduced the concept of Customers Satisfaction (CS). "We have to check the consistency of policy needs between the Ministry and the public. By doing so, they always try to increase the Customers Satisfaction." Second, "We have to promote the bilateral communication between the Ministry and the public over policy issues. Through this communication, we try to integrate the wisdom of the public into various policies and programs. By so doing, we believe we can increase the transparency and accountability in the policy-making and implementation process. This is a key to secure the Public Acceptance (PA) of policies and programs. Third, "We have to change our own mind-sets as public employee to be attentive to the needs of the public. And we have to use our expertise through the communication with the public. In this way, we can increase the Employee Satisfaction (ES) as well" (MOC, 1999: Section I).

As you can see, concepts like CS, PA, and ES, which are standard concepts in the private sector, are now frequently used in the talk in the public sector. The rhetoric to describe the public management basically no different from the business management is so evident, whether the public agencies truly believe it or not.

The Ministry of Construction, in their report, enumerates several measures in order to achieve these objectives. One of those is the introduction of what they call the Public Involvement system. In this scheme, the Ministry, through the Internet, provide basic information to the general public on the planning of infrastructure, and get its feedback from the public. They have also introduced the method of Social Experiment, in which they actually try a certain policy in a specific area within a specific period. After having evaluated the merits and demerits of that experiment, they finally decide whether or not, they will actually implement that specific policy. Moreover, they have been forming a partnership with those actors who may be affected by a policy. Included in this partnership are the national government, the local governments concerned, business communities, non-profit organizations (NPOs), and the general public (MOC, 1999: 3).

The second of those measure concerns the accountability and transparency of policy-making and implementation process. A Policy Evaluation or Assessment before and after the actual policy implementation has been introduced to some extent. In this way, the public could have a better idea of whether a specific policy actually pays off, and whether the policy indeed fulfills the policy objective. That would increase the understanding of policies on the part of the public and the legitimacy of ministries and agencies which implement policies. Another measure to increase the transparency of policy implementation is the introduction of competitive bid (sometimes an electronic bid through the Internet) to determine a specific company or companies to undertake the construction of various infrastructure (MOC, 1999: 4).

The third of such measure is the effective use of Information Technology (IT). Accompanied with it is the development of human resources, which can take advantage of the technology. The Ministry has also tried to develop the scheme in which various actors concerned come to contact with the experts equipped with high level of knowledge.

Let's look at some of the concrete cases. Yamato City of Kanagawa Prefecture located northwest of Tokyo, set up what they call the Citizens Forum in order to get various actors engaged in the process of the formation of its City Planning Master Plan (CPMP). Yamato City held the meetings named Meeting the Neighborhoods across the city, in which citizens, business leaders, and the leaders of various private organizations could exchange their views with the city officials on the CPMP. At the same time, the city uploaded a tentative plan of CPMP, both in Japanese and English, on its own website, and asked the residents to give their opinions on it. During the nine-month period of its release, there are more

than 9,000 accesses to the website, and the city got 267 opinions through the electronic mail (MOC, 1999).

In the Setagaya Special Administrative Ward (equivalent to the city) in Tokyo, they have established the Setagaya City Planning Center since 1992. It was created by the ordinance passed by the city council in 1982. The Center is planned to form a partnership between its residents, business communities and the ward itself, and to encourage various private initiatives to make Setagaya a better place to live in. At the same time, the ward has supported these private initiatives financially through the public trust fund called the Ward Planning Fund. The Setagaya City Planning Center has provided the residents with information on the Fund and on various attempts by NPOs to make the ward a better place. The Center in cooperation with the Setagaya Ward has supported the network of those NPOs. Moreover, the Center functions as the coordinator of residents' involvement in the formation of the CPMP. They have also organized various workshops on city planning (MOC, 1999).

In Kamakura City, an old capital of Japan, the city has engaged in one form of Social Experiment. Kamakura City is one of the favorite sightseeing spots both for Japanese and foreign tourists. Because of that, the city has suffered from a chronic traffic jam on its main road running through the city. Faced with this problem, the city organized in 1996 a research group called the Kamakura Transport Planning Research Group in which the residents, shop-owners along the road, companies, police department, transport specialists, and the city officials participated. After having met 16 times within a ten-month period, they came up with a tentative proposal to encourage the use of public transport for tourism instead of automobiles.

Accordingly, the Kamakura City in cooperation with the Research Group decided to experiment the tentative plan proposed by the Research Group. In 1997, they asked the drivers at the entrance of Kamakura City to park their cars at parking lots close to the train stations, and to take the train from there. More than 160 citizens voluntarily participated in this experiment. During the two-day period of experiment, they saw 737 automobiles parked, and 1811 people used the train for their sightseeing. Many of the people who actually parked their cars and used the train responded favorably to this Park and Ride System. Encouraged by this result, the city and the group engaged in another social experiment, which tourists coming in Kamakura by automobiles can buy a special transfer ticket by which they can use any public transportation within the city boundary for a set price. During the 16-day period of this experiment, 3,795 people actually bought this ticket.

How Far Can Community Engagement Go?

In the preceding section, we have seen some of the cases of CE in Japanese local scene. In these cases, public bureaucracies at the local level tried to form a partnership between the local government, its residents, business communities, NPOs, etc. in order to increase the understanding of its policies and programs. It also hopes to secure the PA by getting major actors involved into the policy-making and implementation process. This type of CE may increase the transparency and accountability on the part of the local government in the policy-making and implementation process as well.

However, how far can this type of CE go? Is it a panacea for the problems of contemporary public management? Before answering this question, we have to look at still another attempt of CE by the local government.

In 2002, Yanai City of Yamaguchi Prefecture located almost 1,000 kilometer west of Tokyo introduced a unique system of CE. Because of its uniqueness, what is now called "Yanai System" has attracted much attention from those who have been promoting the CE in order to solve the problems mentioned in the introduction of this paper.

In Yanai City, it is now possible for the residents to build a road by their own initiative. Road construction in Japan is ordinarily a time consuming process regardless of its ownership. Before constructing a public road, it has to be included in the city plan. Even though it is included in the plan, it does not necessarily mean the immediate construction, since it is a matter of budget and priority. When a community finds its adjacent road inappropriate, the community usually asks the city to improve it and /or to ask their council member to push the city government to work on it. It is also a time and energy consuming process without any guarantee of success.

Against this background, Yanai City council passed an ordinance to make it possible for the community itself to construct a road. Here is how it works. The ordinance is called the Hometown Road Construction Program. The official objectives of this ordinance is: 1) to construct a road by residents themselves who are prepared to provide their own labor to the construction; and 2) to create a unique road with a historical and cultural value. The road to be constructed should be a city road which has a width of 4m after improvement. Anyone representing a community can apply for the grant from the city government. The city government basically subsidizes the cost of materials and the rental cost of heavy machines up to JY 1 million (or \$8475 at the current exchange rate). Other

costs are paid by the residents themselves. Although the city and the residents cooperate with each other in the formation of basic design of the road, the actual design and its implementation is the responsibility of the construction department of the city government. There has been one road constructed in this scheme.

At first glance, this type of CE looks ideal because it seems to solve many of the problems confronting the public bureaucracy: accountability, transparency, efficiency, and etc. It could even increase the political efficacy on the part of residents who participate in this program. It also buttresses the mutual trust between the residents and their government. On the part of city government, they can achieve a policy objective (constructing and/or improving roads in this case), while they can greatly reduce the cost of constructing roads. Reducing the cost of public service has been a major issue of any level of government. In this sense, too, the Yanai System sounds like a magic to solve all the problems of public bureaucracies.

However, we have to remember that "individuals create new organizations which they believe will better achieve what they regard as desirable outcomes than existing arrangements. But anticipation turns out to be better than realization" (see the introduction of this paper).

Although Yanai City should be praised for its sincere effort to come up with a unique idea of effective local governance, we have to be conscious of its limits at the same time. For one thing, the scheme introduced in Yanai City only actually covers small communities within the city boundaries. These small communities are a typical example of the "Low Grid and High Group" organization in Mary Douglas (1982) terminology, which has "high-participation structures" (Hood, 2000: 9).

In these communities, it is not so difficult to get their residents engaged in affairs common to them. As Robert Dahl (1982: 12-4, 1970) once emphasized, in a smaller community there is a tendency for its residents to know each other better, and therefore, the residents of a small community tend to actively participate in the affairs of the community. Yanai City is the classical example. On the contrary, in a larger community the cost of active participation tends to exceed the benefit derived from the participation, since it is more difficult to obtain consensus on any issue among the residents who do not know each other very well.

This suggests that the Yanai System, which is very successful in many aspects, may not be applied to a large community. Just imagine a case of constructing or improving a road in a densely populated Tokyo

Metropolitan Ward, which sometimes carries more than half a million population. It is not just imaginable that urbanites are willing to provide their labors for the construction of a community road. If we used the Yanai System in a large community, it would be most likely to produce confusion and possibly conflicts rather than success.

Even a small community is vulnerable to “failures stemming from unresolved feud or collegiality degenerating into coexistence” (Hood, 2000: 28). Once people start having feuds and factionalism in a small community, it is quite difficult to resolve these problems. If not resolved, the organization of a small community is likely to “collapse amid a welter of mutual recrimination” (Hood, 2000: 28). Therefore, the success of a unique idea of public management like the Yanai System, ultimately depends upon how well a particular small community is organized.

Concluding Remarks

In this paper, we have seen some of the new attempts by local governments in order to solve various problems confronting them. One of those efforts is the CE in the process of policy-making and implementation. By getting more residents engaged in the process, the local government may be able to obtain much needed understanding about policies on the part of its residents. Local governments also hope to increase the transparency and accountability in the policy-making and implementation process through CE.

As we have seen in the preceding sections, most of the attempts of CE by local governments, at first glance, look very promising and encouraging. And it is almost human nature to believe that unique and new things would look like a panacea when we have serious unresolved problems. However, each attempt of CE actually presupposes a certain Social Capital (Putnam, 1993) for its success, if we use a fashionable term. If so, it is dangerous to accept only the rhetoric of CE.

As Christopher Hood pointed out, “. . . contemporary policy analysts are more like lawyers than like natural scientists. Just as most developed legal systems consist of a set of contradictory precepts, rules, and precedents, and the skill of the lawyer lies in which precept or precedent to stress, and which to downplay, so the skill of advocacy in public management lies in finding and stressing those elements that support the particular argument in hand and downplaying the others” (Hood, 2000: 174). As I mentioned at the beginning of this paper, we have to be careful not to be carried away by the new concept.

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Rates, Taxes, Fees and Charges: Innovative Revenue Raising and Investment Strategies in Australian Local Government Which Encourage Participation and Community Sustainability

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Traditionally, Australian local government has obtained revenue through rates levied on the basis of property values, untied grants from the Commonwealth Grants Commission based on per capita and infrastructure criteria, and through fees and charges for local services additional to property-based services. Specific purpose grants have always been available for new initiatives, and as a proportion of total government funding, has steadily increased as central governments attempt to influence local policy through intergovernmental revenue sharing. In order to meet the increasing expectations of their communities, many local governments have developed innovative local revenue raising and investment strategies in addition to the funding received from central government. These strategies use the market creating incentives of local participation effectively empowering local people through their participation. This paper outlines the range of innovative local revenue raising and investment strategies used by Australian local government, strategies which empower people to make financial and economic choices which impact the long-term sustainability of their community.

Introduction

Australian local government derives revenue from a range of sources. These range from untied per capita grants from central government to specific fees and charges for services. The question this paper addresses is the degree to which the revenue impost creates

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participation and engagement by citizens in the plans and programs of their local government. It asks, is there a relationship between the nature of the rates, taxes, fees, and charges levied and the degree of interest shown by citizens in these revenue sources? We conclude that, in general terms, there is a degree of interest but it is relatively low because of a number of factors. Citizens often do not comprehend the basis on which these decisions are made: (i) there is typically little choice in the options for service delivery; (ii) local government is, by its very nature, a monopolistic provider; and (iii) in smaller rural communities there is less likelihood of a choice of service providers. Local government can do much to improve citizen participation and community engagement. We will conclude with a discussion on how these issues might be addressed at the end of the paper.

The use of 'the market' for the efficient delivery of goods and services has long been discussed in urban economics. The literature applies more to the behaviour of firms and consumers. Today, however, as governments explore market mechanisms for the delivery of services traditionally the domain of government, these private sector models are of interest. The French economist Leon Walras (1834-1910) developed 'general equilibrium theory' (Weintraub, 1974), which states that in an economic system where all consumers are maximisers and all firms perfectly competitive a stable equilibrium will exist. Planners have long discussed the usefulness of Walras' theory in urban design. More recently, public policy analysts have challenged the assumptions of economic rationalists; that the deregulation of public and private services will create greater consumer choice and that this would drive inefficient service delivery out of government firms.

Australian local government has also used market mechanisms under the requirements of National Competition Policy, but in no way have these changes resulted in a stable equilibrium. In some places it has been quite destabilising. Change continues in most places. Notwithstanding these free market imperfections, local government has adopted a range of revenue raising mechanisms that attempt to reflect assumptions about market forces and citizen participation and engagement. We have attempted to array a number of approaches to revenue raising and discuss the nature of citizen participation and engagement in Table 1. Rating systems, however, in association with untied grants from central government continue to be the mainstay of Australian local government revenue. Rating systems provide considerable opportunity to engage citizens in a debate about effective revenue raising, but as we highlight below, using information from the Local Government Association of Queensland (LGAQ), such flexibility in local government does not always exist.

Table 1. A Schema Contrasting Local Government Revenue Sources and the Nature of Public Participation and Engagement*

<i>Revenue Source</i>	<i>Nature of Citizen Participation/Engagement</i>
A. Untied Central Government Grant	As taxpayer
B. Specific Purpose Payments	As consumer of services (aged care)
C. Property Taxes	As property owner receiving services (infrastructure to household)
D. User Fees/Charges	As consumer of services (recreation facilities, property development)
1. Rates	As a local for ratepayer to contribute to the provision of local facilities (e.g., roads, parks, civic halls, welfare services, health, economic development, etc.)
2. Utility Charges	As a property owner receiving specific services through local government infrastructure (water, sewerage, refuse)
3. Utility Consumption Charges	As a ratepayer/consumer of services based on usage (normally water for local government under two-part water tariffs one being access charge under utility and two being consumption)
4. Separate Rate/Charge	As a property owner for specific local government area-wide services (generally levied across all rate assessments, e.g., separately identified special road construction and maintenance, landfill maintenance, beautification project, specific building project)
5. Special Rate/Charge	As a property owner contributing to special needs (generally levied in sectors of local government area, not across all rate assessments), e.g., security camera's in CBD, local recreation facilities, rural fire brigades, sewer effluent disposal schemes, dingo barrier fences, and so on
6. Minimum General Rate	As a property owner with a low land valuation which would produce a low level or rating, to pay a minimum rate levy to receive a minimum level of service, thus making an equitable contribution to the rate base
7. Differential Rate	As a property owner contributing fairly and equitably to the rate base commensurate with the level of services being received (e.g., CBD areas, rural areas where there is significant variation in valuation between rural residential properties and properties used for genuine primary production)

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Table 1 (continued)

8. Fees and Charges	As a property owner and/or registered premises operator to conduct business in compliance with regulations (e.g., health permits, safety, hazardous, toxic, accommodation, nursing premises), in return for regular local government inspections
9. User Fees	As a customer/ratepayer of the local government area utilizing services (e.g., dumping at landfill, bus/ferry charges, parking fees)
10. Recoverable Works	As a local government service provider (to assist the retention of a strong workforce, which contributes to the economy of the area) by outsourcing its services such as main roads works, construction services, resource sharing with other local governments and outsourcing to other local governments
11. Untied Financial Assistance Grant	As a taxpayer interested in their share of personal income tax being brought back into the local economy through local government grants of an operational nature
12. Specific Purpose Grants	As a taxpayer interested that their share of personal income tax and other taxes paid through day-to-day living and shopping, are brought back into the local economy through local government operational and specific grants, else these projects do not get a guernsey, or, rates are increased to cover (e.g., homecare, state emergency service, arts, library, transport services, road construction, employment generation, rural living infrastructure programs, etc.)

The LGAQ has developed a program on contemporary rating and alternative rating models for local councils in that State. This program arose out of the 2003 Community Attitude Survey, which 'placed responding to the community, consulting the community, revenue raising, and financial management as areas where the greatest gaps existed when measuring community importance against Council performance' (LGAQ 2003: 4). They note that these four areas were on the "lowest performance" list for similar surveys in 1997, 1999, and 2001. Clearly there is much more to be done in Queensland, and I would suggest in all of Australia's state based systems of local government in these areas. The LGAQ goes on to identify other reasons why rating issues need to be addressed if councils are to receive better evaluations from their communities in the four areas outlined above. We discuss the reasons they identify below (LGAQ, 2004).

The first of these reasons relates to the different rate at which land values increase within a local government area. Australia has had an

increased property boom, and in some properties have increased, or 'spiked' at even higher values, placing increased pressures on the ability of landowners to pay.

A second reason relates to the increasing complexity of communities and the services they require. While different local government areas will have similar industries, each is unique, and this is reflected in the infrastructure and services they provide. Similar industries will have different impacts in other local government areas. These impacts will be seen as either beneficial or detrimental to the area, and will thus influence local government council thinking about the nature and degree of rating mechanism they apply.

A third reason is one felt across all local government areas. Communities have high and often increasing expectations of what their local government council should provide. Thus councils have to look at how these services will be funded and differential rating, increasing, or varying fees and charges, need to be considered as part of meeting changing expectations. Communities are, for example, prepared to pay more for modern indoor all year round swimming pools as they now value this form of exercise in maintaining health and well being.

A fourth reason is the local government council's ability to understand the issues these first three reasons create. They are complex; interrelated and contentious. The practice of modelling different scenarios for differential rating is not one typically used in local government, especially in the smaller rural councils. This technique requires a level of professional skill that is not always readily at hand within local government organisations.

A fifth reason is the need for a critical look at whether current rating policies are delivering equitable infrastructure and services. Defining and agreeing on equitable in local government is a highly contentious and politically problematic process. Striking a policy, like, for example, 'that the minimum rate should be set no less than 65 percent of average service cost' requires political consensus and a competent administrative system to ensure these rates are based on valid and reliable information about service costs.

The final reason the LGAQ identifies is that councils simplistically claim that rate rises are unavoidable because they are based on increasing property values. This reflects the inability of the council to determine and set a rate based on a well thought through set of principles about revenue

raising and how this is justified in terms of services provided to particular groups and to all citizens in general.

These reasons for considering differential rating strategies more closely apply to local governments throughout Australia, both urban and rural councils. Urban councils have to manage the impacts of increasing and spiking land valuations. Rural councils have to manage the impacts of changing values between urban and farming land.

The LGAQ advisers advocate that councils consider changes to rating systems within the context of an 'overall plan' for a specific service. A roads development and maintenance strategy in a shire with new mining development on land with low valuations is the example they use. Rational planning is a hallmark of the major reviews of local government legislation across Australia's state based system of local government since the late 1980s. These organisational planning techniques provide the basis upon which differential rating can be made.

As outlined at the outset, the relationship between the degrees of citizen engagement resulting from these rational planning techniques is one which has not been fully explored. The key assumption is based on economic theory (like Walras outlined above) that citizens will maximise their opportunities considering choices from a range of providers. In the case of government services, which are typically monopolistic, citizens have little choice and therefore there are usually low levels of interest and engagement with local government decision-making that does not directly effect individuals.

However, there is evidence that unless governments respond to economic trends that lead to inequity that address broad underlying trends, people will make choices that impact the local community. One recent example is the community response to the high level of Sydney region house prices. The Reserve Bank Governor (*Weekend Australian*, 13-14 August 2005) has warned that young people looking to buy their first home will move to other Australian cities where prices are more affordable. These impacts are beyond the control of local government as large land releases are determined by the New South Wales State Government. Local government will be affected as an ageing population of baby boomers requires a level of service, which places proportionally increasing demands on local government services. Below is a discussion of the strategies local governments must address if they are to engage citizens in a genuine dialogue about the planning, revenue raising, and service delivery options in their community.

Do Citizens Comprehend the Basis for Local Government Decision-making?

Do councils know the degree of comprehension in their community about the basis for its decisions? Is there a high or low level of understanding on certain issues? Do they go out and ask citizens what they think about issues and the facts that drive them? How often does local government survey the community (citizens and their associations) to sense what they are thinking and feeling? Government, and local government, the local service provider, is not just about providing services, it is about having a dialogue with the community about what is needed and why. Leading local governments are proactive and engaging with their communities. It is not a cost to be minimised, it is an investment that realises benefits when they move to service delivery or infrastructure development. Educating and informing the community is an essential role of government, especially in a context of monopolistic service delivery where there are actually limited choices for citizens who are, in fact, often required to comply with the payment of rates and taxes.

What are the Citizens' Options for Service Delivery?

What options are available for citizens to have alternative road maintenance, water supply, and planning decisions? They may be able to choose recreation services provided by private suppliers (gyms, gardens, etc.), but they cannot choose another organisation to decide on planning decisions. They can use the courts to appeal decisions, but they are part of one public sector system for which there is no equivalent provider. Of course this would be impossible as we only have one system of government in a nation state. An attempt at more than one system of government is a state of anarchy. Given only one provider of basic services, governments claiming a democratic status should engage their citizens in meaningful and purposeful ways.

How Does Local Government Acknowledge its Monopolistic Role?

While it is possible, in fact desirable, to have many firms providing a service from which consumers can choose the most desirable, it is impossible to have more than one system of government. While it might be structured in terms of geography (province, states, regions) and area of jurisdiction (federation, for example), governments are quite rightly monopolistic providers of services for what they deem to be the most appropriate, that is, which cannot be provided by the market. A key question in Australian public policy is just what services should

government provide? The Australian Government is no longer involved in the provision of banking and airline services, and is currently engaged in a debate about its majority ownership of telecommunications.

Is there Less Likelihood of Service Provider Choice in Small Rural Communities?

In small rural communities it is much less likely that there will be available service providers, especially in relation to government services. In Australia, these places are often threatened because there is, for example, only one doctor, one school, one hospital (with limited services), one plumber, one electrician, and so on. In these circumstances, paradoxically, people cooperate more readily to support each other in the face of limited service providers. Culturally, if not administratively, these places are often more consultative than their larger urban council counterparts. Though this is not always the case; they can be quite structured along family, socio-economic, and professional lines.

Summary

In summary, local government can do much to improve citizen participation and community engagement in relation to revenue raising and expenditure. In the Australian cultural context, this requires local government to relate to its community in a manner that is counter-intuitive to the current adversarial approach. While there are examples of good practice in Australian local government, the norm is one of a conservative management approach. There is reluctance to take issues to the community, the preference is to deal with them behind closed doors—using the mechanisms of privacy and communication in confidence—with the consequence of the community often regaling to announcements from their councils creating opportunities for both sides to defend the outcome of winners and losers. The idea that they could address issues together through effective council planning and engagement, which focuses on outcomes and the articulation of common ground principles is still well beyond most Australian local government councils. The recent Victorian state example of the sacking of a large urban council (Glen Eira) because they were dysfunctional over political party and personal grounds is the tip of the iceberg for the great majority of Australian local government councils.

The issue of local government and community engagement is not a function of economic state of development. I suggest this relationship has more to do with cultural practices and tradition than it has to do with

the economic wealth of the parties. Principles of mutual respect, transparency in decision-making, continuous learning and development, social justice, equity, and human rights occur in different communities in different ways, and over time. There are many good stories of Australian local government councils who can be seen to have followed these principles at a point in time in their history, as I am sure there are in other cultures. The key question for all local government councilors and officials is how true are we to these principles today? How are they reflected in the way we decide on who pays for what service? Governments who adopt a policy-making process in this way will, as a matter of course, engage with their community in more productive ways for the long-term benefit of current and future generations.

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People Participation in Budgeting and in the Budget Legislation Process

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Budgets oftentimes intimidate people, particularly those who think of budgets as mere numbers. Some say if you want to confuse, argue on the basis of numbers and confusion will surely ensue. On the other hand, others say that if you want to enlighten, cite facts by quoting numbers, and enlightenment should not be far behind. Certainly, budgets come in the form of numbers and one can either be confused or enlightened by them, depending on how one views budgets, i.e., numbers that control, or numbers that, in fact, one controls.

This paper aims to provoke thinking about people participation in budgeting in relation to the budget legislation process. In many countries, people engagement in the budgeting process has significantly expanded in the last few years. In the Philippines, people participation is generally pronounced at the agency level during budget preparation, and likewise during the congressional deliberations on the national budget. More significantly, people-initiated proposals have found their way into the budgets of executing agencies through dialogues and consultations, and certainly upon the intense advocacy of people's groups with budget decision-makers, at both agency and national levels.

There are many fine examples of participatory budgeting in many countries where village level dialogues have been undertaken intensively and the results and proposals inputted into the national budget. There are, however, many examples as well of proposals that end up on the desk of the implementing agency generally tasked to execute such programs or projects. Oftentimes, project proposals end their journey on that desk generally due to inadequate budgetary provisions. In some instances, when the executing agency has the good fortune of having extra resources, the lucky project gets funded and included in the budget.

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Getting Support for People's Organization/ Non-government Organization Proposals

How, therefore, does one get support for a particular project requiring the allocation of funds in the budget? Specifically, how does a peoples organization (PO)/non-governmental organization (NGO) get its proposal on the right desk where it has a better than even chance of being taken seriously?

In practice, this can be done in either of two ways. One is through intensive advocacy with the implementing agency, and another is through intensive advocacy with the lawmakers or legislators. Certainly, capturing the interest and commitment of either the executing agency or the lawmaker, or both, about the merits of the proposal will greatly boost the chances of its being incorporated in the budget priority list. Undeniably, where there is clear and strong support from the community about a particular project, there is likewise strong inducement for decision-makers to positively respond to the request for as long as it is not inconsistent with public policy.

In countries under a Presidential system of government where executive and legislative powers are distinct and separate, formulating the national budget is essentially an executive function. Congress is kept at an arm's length distance when the budget is at the preparation stage in accordance with the traditional principle of checks and balances.¹ Regardless of the system of government, however, Congress (or Parliament, in countries under a parliamentary system of government) continues to be recognized as the holder of the "power of the purse", i.e., the body that has final decision on the budget allocation. Legislators are the real decision-makers on budgetary appropriations and are therefore the most crucial avenues for making one's voice heard on budgetary issues and priorities.

The key, therefore, lies in capturing the ear of the legislators and keeping their interest in matters that are important to the community. As elected representatives, lawmakers regularly undertake community consultations and dialogues to ensure that they keep abreast of the current pulse of their constituencies. These consultations are excellent opportunities for the community to advance their aspirations and preferences to their elected representatives.

¹When the budget proposal reaches Congress, the legislative body gets its chance to scrutinize the Executive Branch's fiscal and budget plans.

Budget Legislation Dilemmas

In the advocacy process, one must be conscious of several conflicts or dilemmas lawmakers face. Appreciating these dilemmas makes for good advocacy, thereby enhancing the probability of a successful program.

There are seven major conflicts or dilemmas in budget legislation, namely: (1) budgetary or funding constraints; (2) unpopular policy decisions; (3) unpopular allocation decisions; (4) the provision of budget flexibility; (5) the short-term nature of budgets; (6) people's needs vs. people's wants; and (7) local vs. national politics.

Budgetary or Funding Constraints

That budgets are subject to the fundamental constraint of fund availability is the reality test for lawmakers, and should likewise be the same for citizen advocates. The fact is that legislating appropriation bills is popular but legislating tax bills, especially those calling for new taxes, are not. Citizens generally demand ever expanding public services, but are squeamish over financing them from higher taxes. In these circumstances, serious lawmakers are caught in a bind and face tough decisions that can be politically costly. Even if no new tax impositions are made, the possibility of foregoing some existing budgetary provisions in exchange for funding new proposals is bound to hurt constituencies.

Unpopular Policy Decisions

Because budgets reflect public policy, unpopular policy choices are common during the budget debate. It is an interesting lesson in congressional decision-making when lawmakers grapple with deciding between getting tough on policy or acceding to popular demand. A case in point is the decision to stimulate economic activity through higher deficit spending by the Government. While the expansion of public services resulting from a bigger budget pie is generally desirable, the incurrence of additional debt that effectively results in higher taxation imposed on future generations is not. Such policy choices may be easy to resolve where a lawmaker's interest is essentially focused on short-term gains, i.e., the choice will obviously be to increase the budget albeit debt-financed. A more forward looking legislator, however, would think seriously about the implications of higher debt to future fiscal stability.

Unpopular Allocation Decisions

Similarly, unpopular allocation decisions are bound to create a stir during the budget legislation process. The most controversial of these decisions involve the provision of full debt servicing requirements for government-contracted debt. Debt service payments are considered sovereign commitments and are therefore automatically appropriated. When such payments consume a large part of the budget pie, great pressure exists to cut the allocation for debt service payments in favor of productive services, i.e., economic and social programs or projects. On the other hand, the consequences on Government's ability to access financing in the future need to be weighed with the political benefits of reallocating the budget to non-debt servicing components.

Besides the debt service payment issue, the competition among various programs and projects for budgeting funds is intense enough. As mentioned earlier, any decision to allocate funds to one project at the expense of another equally desirable project is bound to hurt some constituencies.

Provision for Budget Flexibility

Providing budgetary flexibility is another important consideration in the budgetary process. On the one hand, discipline calls for ensuring that strict compliance with budgetary allocations and rules is observed. On the other hand, the benefits of granting budgetary flexibility to budget executing agencies generally result in greater project effectiveness. Care must be taken, therefore, in striking a balance between flexibility and compliance in the budget legislation process to ensure the successful accomplishment of project objectives.

Short-term Nature of Budgets

Budgetary appropriations are annual authorizations made by Congress to finance government operations, programs, and projects for the year. By the nature of its being annually appropriated, it has a generally short-term view. Consequently, there is no complete guarantee of program or project continuity particularly right after a major election where a new administration is installed in office. To ensure sustainability of critical programs or projects, longer-term PO/NGO engagement is necessary to manage the advocacy program particularly during political transitions. Of even greater impact would involve POs/NGOs helping governments advocate for a Medium-Term Expenditure System in the

public sector where the budgetary implications of long-gestating projects or expenditure decisions are considered not only during the budget year, but also over the entire project life.

People's Needs vs. People's Wants

When people's needs and wants converge, budgetary allocation decisions are relatively easy to make. When they diverge, difficulties are bound to arise. The question perhaps boils down to how does one distinguish between people's needs and wants. If "needs" refer to those things that actually improve the people's well-being over the longer term, while "wants" are those that provide short-term satisfaction and relief but do not contribute to a more permanent improvement in people's welfare, then the reasonable choice will surely be in favor of the former. One can argue, however, that the people themselves should be the best judge of what constitutes needs and wants. In fact, differentiating between needs and wants does go beyond considering people's individual judgments and require a more holistic view of the situation to generate the "greater good for the biggest number." On the assumption that decision-makers will give higher priority to needs over wants, the articulation of what are real needs compared to mere wants will be crucial in budget legislation.

Local vs. National Politics

The natural conflict between national and local politicians, particularly between national legislators representing local constituencies and local elected officials is a major practical consideration among citizen advocates. If national and local politicians see eye to eye, the advocacy effort can generally be pursued efficiently. Otherwise, it poses a big challenge to any PO/NGO advocate to reconcile the diverging interest of the politicians at the same time push for its project agenda. The fall-out in most PO/NGO advocacies can be traced to matters that are related to partisan politics. The best case scenario will unquestionably involve a situation where diverging interests find a common platform where a common agenda can be agreed upon and implemented.

Forging Ahead With Participatory Budgeting

The opportunities for participatory budgeting have been given tremendous boost by the general improvement in the openness and transparency of the budget process. The so-called mystery of budget-

making and implementation has been dramatically replaced by a more open and public-friendly system. This development arose principally from the general clamor for openness in government systems and procedures, the lessons from the experiences of other countries, as well as dramatic advances in information technology. That POs/NGOs contributed to a large degree to this opening up of the budget process to greater public scrutiny cannot be overemphasized.

The revolution in information and communication technology (ICT), in particular, has practically compelled government to be more transparent. Such transparency significantly expanded public awareness about the work of government and allowed greater opportunity for public officials to articulate public policy. With the pressure exerted from the successful experiences of other countries, as well as through gentle (sometimes not-so-gentle) persuasion from the international Overseas Development Assistance (ODA)² community, the benefits of ICT have been maximized to the highest extent possible despite capacity limitations, contributing to major reforms in governance processes. With the advent of technology, the challenge to civil society and to the people involves optimizing the use of the wealth of information that is now available to influence policymaking and execution. The challenge to government, on the other hand, involves making budget data more comprehensible and reflective of people's expectations and therefore responsive to the public's needs.

Final Remarks

The trend towards enhanced participatory budgeting will definitely continue. At the end of the day, the question that must be asked is: What is the best way to articulate people's needs and how are these needs best addressed?

Budgets, to be sure, will be a major instrument to measure these needs and how government responds to them. Thus, ensuring that budgets reflect the true aspirations of the people over the short and long term will remain a dynamic feature of people's participation in the public governance debate.

² ODA community refers to multilateral and bilateral agencies that provide generally concessional financial assistance to developing countries.

