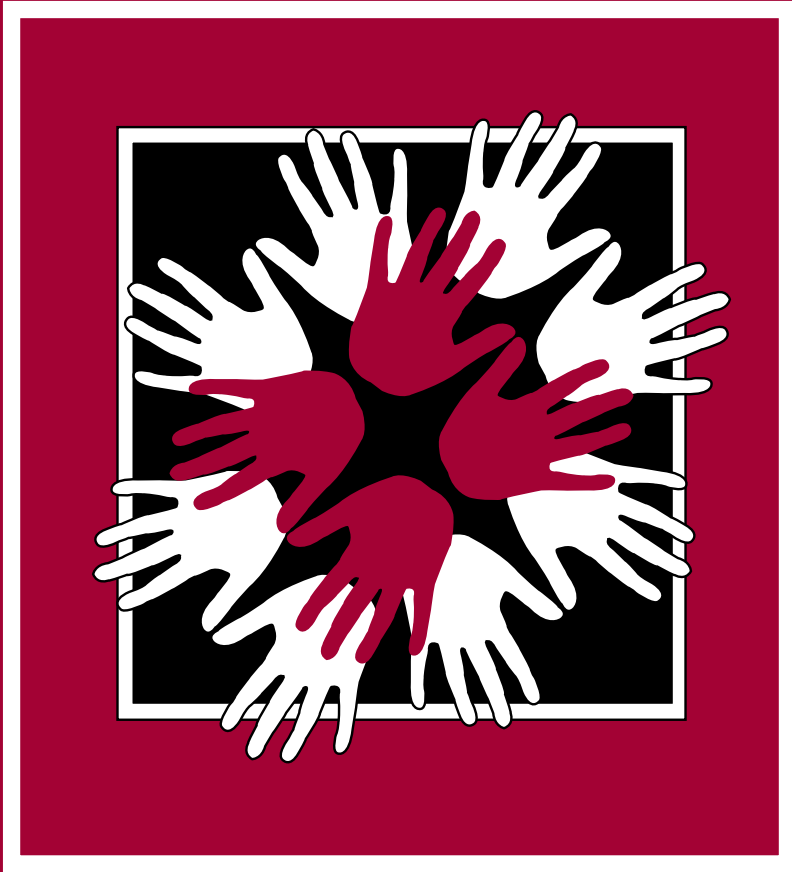


Citizen Participation and Pro-poor Budgeting



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

Citizen Participation and Pro-poor Budgeting



United Nations
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DESA

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FOREWORD

Enhanced partnerships between civil society, public and private sector have been recognized by the United Nations as a vital instrument in the attainment of growth and sustainable human development. The United Nations in its 1996 General Assembly Resolution 50/225 emphasized the value of strengthening the collaboration between the different actors in the civil society, private and public sectors to support all phases in the development process. This has been reaffirmed and galvanized at all international conferences and global summits which culminated in the adoption of the Millennium Development Goals (MDGs) at the Millennium Summit in 2000. Likewise, both the International Conference on Financing for Development and the World Summit on Sustainable Development in 2002 stressed that partnerships are central to pursuing the realization of these goals. More recently, a UN initiative to support worldwide efforts to mobilize civil society behind the MDGs was the central theme of the Fifty-seventh Annual Conference of Non-Governmental Organizations (NGOs) held in August 2004. The significant participation of civil society sectors reinforced their commitment to take action in partnership with the United Nations to achieve the Goals and promote social progress.

Similarly, the engagement of the United Nations with the private and civil society groups has paved the way for the adoption of the Global Compact initiative, launched in July 2000, to build a more inclusive and equitable global marketplace. The Compact provides a broad framework for engaging the private sector, as well as the international labour groups and non-governmental organizations to embrace the nine core principles with respect to human rights, labour rights and protection of the environment.

Whereas governments have traditionally been at the forefront of economic and social development, if not the sole and primary stakeholder in this endeavour, there is now an increasing recognition of the pivotal role played by other stakeholders in development. More and more governments especially in developing countries have brought civil society and civil society organizations into the developmental arena. This partnership between government as the policymaker and civil society as the facilitator has assumed a new level of collegial partnership and collaboration. Civil society, in some countries, is now a partner in government decisions and processes. They play a role in economic and social development planning, implementation, monitoring and evaluation.

In pursuance of the strategy of promoting partnership in development and an 'engaged governance' methodology, the Division for Public Administration and Development Management through its Socio-economic Governance and Management Branch (SGMB) has been making consistent efforts to develop civil society/government dialoguing to contribute to pro-poor socio-economic development in the member countries, more specifically, for the realization of the commitments of the Millennium Declaration. One of the main thrusts of SGMB initiatives re-

lates to pro-poor public finance and specifically focuses on institutional innovations for participatory budgeting. In recent times, several countries have taken initiatives to pursue participatory budgeting through the involvement of the civil society organizations for pro-poor initiatives. These participatory models practiced both in developed as well as in developing countries vary both in context as well as in process. SGMB took initiatives to study these models to see how these models can be generalized to help in the development of an operational framework for wider use. It is evident that the successful models of participatory budgeting demonstrate a clear advantage in prioritizing resources for the poor, thus underscoring the relevance and importance of this innovative methodology for the implementation of the MDGs.

DESA believes that effective public policies require the integration of social and economic objectives and should be judged by their ability to deliver social and economic benefits equitably and fairly. DESA also supports the notion that public policies remain, in the final analysis, the responsibility of the State. DESA further believes that the budgetary process, which shapes public policy, must be democratic and open, inclusive and participatory, transparent and accountable and responsive to the needs of all people.

It is in this context that the Division for Public Economics and Development Management organized an EGM on Civil Society Participation in Fiscal Policy during 15-17, March 2004. As an outcome of the EGM a publication, *Citizen Participation and Pro-Poor Budgeting* is now being published.

The four essays published here as well as the two introductory chapters that provide guidance on the definition of civil society in general address the important issues of citizen government dialoguing in fiscal policies and its potential to influence budgeting to assist the poor. The essays also highlight several challenges associated with civil society participation. Most importantly, the book cautions that the direct citizen/government dialoguing should by no means be seen as an alternative to the established democratic processes, nor should such a process be seen to be by-passing the Parliament, rather it should look for options as to how best to complement the existing framework.

Therefore, each of the authors writing in their personal capacity supports a strengthened role for civil society in the budgetary process while recognizing the important role that the legislature must play. These views are broadly consistent with those of DESA and it gives me great pleasure to give them wide circulation. It is also envisaged that this publication will lead to more public discussion of the subject and eventually support dialogues on the process both at the national and sub-national governments and at intergovernmental deliberations.



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PREFACE

This publication is an output of Ad Hoc Expert Group Meeting on Civil Participation in Fiscal Policy, held in March 2004 in New York Headquarters. It was organized by the Division for Public Administration and Development Management (DPADM) of the Department of Economic and Social Affairs (DESA). Specialists were invited to present papers and to discuss the institutions, processes and mechanisms of direct participation by citizens/citizen groups in the budgetary process and how this participation might contribute to the implementation of pro-poor policies.

Ad Hoc Expert Group Meetings are organized by DESA to provide information and substantive input to deliberations of policy-making organs and intergovernmental bodies of the United Nations system on subjects of interest to these bodies. In this case, the report of the Meeting and this publication are being reported to the UN Committee of Experts on Public Administration and to the Economic and Social Council.

The Ad Hoc Expert Group Meeting and this publication are part of the work programme of DPADM headed by Mr. Guido Bertucci who has provided the necessary guidance and support to these initiatives. Both of these activities were assigned to the Socio-Economic Governance and Management Branch of DPADM. Mr. M. Adil Khan, Chief of Branch, provided the conceptual framework and expertise in the formulation of the focus and agenda of the Meeting and of the contents of this publication. The Policy Analysis and Coordination Unit of the Branch, headed by Mr. Jay de Vera, conceived and implemented the Meeting and this Publication. Mr. Larry Willmore of the Branch implemented the conceptual framework, provided substantive inputs and was instrumental in identifying the experts selected for the Meeting, and the presentations/contributions to this publication. Both outputs are also indebted to the substantive inputs provided by Mr. Olympios Katsiaouni, Julio d'Arcy and Mr. Jay de Vera. DPADM also acknowledges the contribution of Ms. Aisha Ghaus-Pasha in editing and finalizing this publication and Mr. Shabab Mughaddes and of Ms. Mary Christine Ong, research assistants.

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ABBREVIATIONS & ACRONYMS

AFB	Alternative Federal Budget (Canada)
BIG	Basic Income Grant (South Africa)
CBO	Community Based Organisation
CCJP	Catholic Commission for Justice and Peace (Zambia)
CCPA	Canadian Centre for Policy Alternatives
CCS	Centre for Civil Society
CDF	Comprehensive Development Framework
CEPA	UN Committee of Experts on Public Administration
CIDE	Centre for Research and Teaching in Economics (Mexico)
COP	Council of Participatory Budgeting (Porto Alegre, Brazil)
CSOPP	Civil Society Organisations and Participatory Programme
CSOs	Civil Society Organisations
DESA	Department of Economic and Social Affairs
DISHA	Development Initiative for Social and Human Action
DPADM	Division for Public Administration and Development Management
EC	European Commission
EGM	Expert Group Meeting
EU	European Union
FUNDAR	Centre for Research and Analysis (Mexico)
GAO	Government Audit Offices
GDP	Gross Domestic Product
HIPC	Highly Indebted Poor Countries
IADB	Inter-American Development Bank
IBP	International Budget Project
IDASA	Institute for Democracy in South Africa
IFIs	International Financial Institutions
IMF	International Monetary Fund
INSEC	Institute of Socio-Economic Studies (Brazil)
JEC	Joint Economic Committee
LDCs	Least Developed Countries
LICUS	Low Income Countries Under Stress
MDGs	Millennium Development Goals
MMM	Mouvement Militant Mauricien (Mauritius)
NDP	New Democratic Party (Canada)
NESC	National Economic and Social Council (Ireland)

NGOs	Non-Governmental Organizations
NPM	New Public Management
OECD	Organization for Economic Cooperation and Development
PAF	Poverty Action Fund
PB	Participatory Budgeting
PFL	Liberal Front Party (Brazil)
PMDB	Party of the Brazilian Democratic Movement
PRI	Institutional Revolutionary Party (Mexico)
PRSP	Poverty Reduction Strategy Paper
PSB	Brazilian Socialist Party
PT	Workers' Party (Brazil)
RN	Partido de Renovación Nacional (Chile)
SAPRI	Structural Adjustment Participatory Review Initiative
UN	United Nations
UNDP	United Nations Development Programme
UNU-IAS	The United Nations University Institute of Advanced Studies
VAT	Value Added Tax

Part One

CONCEPTS AND ISSUES



'Engaged Governance' and Citizen Participation in Pro-Poor Budgeting

*M. Adil Khan*¹

INTRODUCTION

This paper is guided by two basic objectives. Firstly, it attempts to connect the papers presented at the Expert Group Meeting (EGM) on Participation of Civil Society in Fiscal Policy² to the overarching theme of citizen/government dialoguing for pro-poor initiatives; and secondly, the paper also attempts to contextualise a wider search by the Department of Economic and Social Affairs (DESA) for partnership approaches or governance norms that are conducive to achieving the Millennium Development Goals (MDGs), especially poverty reduction.

In general, the paper attempts to address the following:

- How does pro-poor budgeting relate to governance, and why pro-poor budgeting and good governance matter to the achievement of the Millennium Development Goals?³
- What sort of lessons the case examples of pro-poor budgeting, diverse as they are, offer and what, if any, are the common elements inherent in such processes?

The United Nations Programme of Public Administration, Finance and Development is "implemented within the context of and contributes to the attainment of Millennium Development Goals (MDGs)" (Bertucci, 2004). A careful analysis of the eight goals of the MDGs reveals that seven out of these eight goals are poverty and/or social development related⁴. This implies that not only the

¹ Mr. M. Adil Khan is the Chief, Socio-economic Governance and Management Branch (SGMB), Division for Public Administration and Development Management, UNDESA. The Expert Group Meeting on Civil Society Participation in Fiscal Policy was conceived and implemented by the Policy Analysis and Coordination Unit of the SGMB/ DPADM.

² Held in New York, 15-16 March, 2004.

³ By phrasing the question in this manner, it is explicitly acknowledged that good governance, however defined, is key to the achievement of the MDGs and that pro-poor budgeting can only be a logical follow through of a pro-poor governance arrangement. Without the former, the latter will be difficult to achieve.

⁴ The eight goals of MDGs: (i) Eradication of extreme poverty; (ii) achieve universal primary education; (iii) promote gender equity and empower women; (iv) reduce child mortality; (v) improve maternal health; (vi) combat HIV/AIDS, Malaria and other communicable diseases; (vii) ensure environmental sustainability; and (viii) develop global partnership for development.

analytical framework of public policies will need to be underpinned more clearly by the agenda of poverty reduction and social development, but the processes of decision-making that provide inputs to the formulation and implementation of such strategies will also need to become more engaging and citizen based. By citing practical examples from Brazil, some argue that connecting people directly to the decision-making processes of a state, helps create an additional if not a better conduit to assess citizen's concerns and needs vis-à-vis the government policies and programmes (Wampler and Avritzer, 2004). The theoretical underpinning that eventuates this process is the following — firstly, governments, the producers of public goods, unlike the market-based commodities that are traded in the market cannot look to the market signals to judge the relevance and quality of their products and services, since governments often have monopoly over the product they produce and therefore, do not face competition to assess market acceptance. Moreover, many of the public goods are targeted to the poor who often lack political space to express their objective response regarding the quality of the goods they receive. In a situation such as this where market plays a very marginal or no role, it is presumed that a direct link with the citizens, the consumers of public goods, will provide them the opportunity to express their views more freely and the government the capacity to assess, what is known in the market jargon, the so-called “client satisfaction”. Secondly, direct citizen participation has the benefit of building trust and accountability in government actions. Significantly, both of these elements are vital for achieving the MDGs, especially poverty reduction⁵.

As is evident from the above, a pro-poor orientation to both the analytical framework and the policy-making processes would entail, for obvious reasons, significant governance innovations to guarantee, among others, peoples' participation in the decision-making processes of the government, as a norm. Many regard that a direct engagement between the citizens and the government through a process of ‘engaged governance’ has the potential to achieve the twin objectives of good governance, namely, “bringing people to the government and government to the people” (Queensland Government, Australia 2002).

ON GOVERNANCE AND “ENGAGED GOVERNANCE”

What then is ‘engaged governance’ and more generally what is ‘governance’ and ‘good governance?’

In general, ‘governance’ as a concept refers to a set of rules, norms, procedures, practices etc. that determine who exercises power, for what purpose, and how this power is shared and eventually, who makes decisions for what and for whom and indeed, how these decisions are made.

⁵ There is a large body of research that reveals the impotency of the “top down” and “trickle down” strategies in addressing the issues of poverty reduction. At a political level, there is now mounting evidence that suggests that in a globalised and corporatised world the electoral democracy hardly represents the interests of the poor and as some argue, “offers us a very reduced political space.” (Roy, 2004)

In the context of a society, a decision-making process involves three main actors: the government, the market and the civil society. The more balanced this equation is, the better is the quality of the governance. Usually, "good governance" is so defined to include attributes of "responsiveness, inclusiveness, participation, integrity, accountability and fairness." (Graham, et al, 2003)⁶

Viewing it from the human rights perspective, The 2000 Millennium Declaration stipulates the following as key attributes of good governance:

- full protection and promotion of civil, political, economic, social and cultural rights for all;
- practices of democracy and respect for human rights, including minority rights;
- inclusive political processes, allowing genuine participation by all citizens in all our countries; and
- freedom of the media to perform their essential role and the right of the public to have access to information.

Hence, 'good governance' is "democracy plus". This "plus" is an ever-evolving concept that underscores among others, the elements of egalitarianism, inclusiveness, participation and transparency. The United Nations Committee of Experts on Public Administration (CEPA) has been consistently working on the issues of governance over the last several years and in more recent times, has been focusing on the cogent relationships that exist between the concept of good governance and the MDGs⁷. For example, as early as 2002, CEPA noted the critical role of good governance in implementing the MDGs. It underscored, "in analysing the role of good governance in the implementation of the Millennium Declaration, it is necessary to focus on the cornerstones of the capacity to govern, which includes institutional capacity, policy making capacity, administrative/managerial capacity, human resources development, and technological adequacy."⁸

'Engaged Governance' is seen by DESA as a normative tool of good governance, a new partnership-building approach that helps mainstream the agenda of the poor to policy-making that are conducive to the achievement of the social and economic agenda of a state including the Millennium Development Goals. 'Engaged Governance' is defined as an institutional arrangement that links people more directly to the decision-making processes of a State in a manner that does not by-pass the institutions of representational democracy but complements it. It is expected that such a process would strengthen people's capacity to influence public policies and programmes more positively.

⁶ See "Principles for Good Governance in the 21st Century", John Graham, Bruce Amos and Tim Plumptre, Policy Brief 15, Institute on Governance, August, 2003.

⁷ "Strengthening Public Administration for the Millennium Development Goals: A Partnership Building Approach". E/C.16/2004/5. United Nations, New York, USA

⁸ "The Critical Role of Public Administration and Good Governance in Implementing the United Nations Millennium Declaration, Committee of Experts on Public Administration". E/C.16/2002/4.

As an emerging governance norm, the concept of ‘engaged governance’ is yet to be fully realized within the existing political culture of most countries. A government-civil society engagement is fundamentally a political activity and therefore, introduction of an engaged governance approach in a society has a strong normative element, as a starting point. It has at its core the democratic ideals of political equality and the public good (Guthrie, 2003). This approach affords citizens equal participation in a representative democracy and provides opportunities to shape the public interest. As an approach, ‘engaged governance’ is expected to *enable* the expression and co-ordination of political, administrative and civic interests for the achievement of policy coherence, social justice, equity and sustainable development⁹.

Since ‘engaged governance’ is basically about partnerships, this paper makes an attempt to recount various partnership models that have been in place for some time and examines how these practices addressed (or did not address or only partially addressed) the issue of poverty. While discussing the pros and cons of these models, an attempt is also made to argue a case for ‘engaged governance’ as a logical tool for a pro-poor policy process.

THE STATE AND THE PARTNERSHIPS: A REVIEW OF DOMINANT PRACTICES

In the last two decades, especially with the advent of globalisation and liberalisation, governments in every country saw partnership, as a key governance initiative and as an important methodology for pursuing economic development. Mostly driven by public/private partnerships, these practices took different forms in different countries.

Guthrie (2003) summarises the public sector partnerships within the context of what has come to be known as New Public Management (NPM) initiative. According to this account, throughout the twentieth century, the public service tradition of the politically disinterested, aloof, ‘expert’ bureaucracy (Felts and Jos, 1996) was slowly eroding in many of the developed nations as it became mired in crises related to the growing costs of public services due to the increasing scale of provision and alleged inefficiencies. In developing countries, these arrangements that often were maintained as a colonial legacy degenerated into elite-based self-serving institutions serving the interests of their own and those of the ruling clique, in a collusive manner (Khan, 2004a). During this time, the emerging patron-client-agent nexus perpetrated through the elite bureaucracies and non-accountable political regimes that made the rich richer and the poor poorer, was regarded by some as a crisis of “coalition of indifference.” (Korten, 1983)

Barring the differences in scale and extent, governments both in the developing as well as in the developed countries, were perceived to lack accountabil-

⁹ The Section V of the 2000 United Nations Millennium Declaration, stresses the cogent link that exists between human rights, good governance and democracy and points out how each one of these attributes ought to nurture the other to achieve MDGs.

ity, leading to increasing community dissatisfaction and as a result, demands for alternative means of delivering those services also emerged. Many in the West saw privatisation as an option of allowing greater public choice (Ackroyd, 1995; Esquith, 1997). The latter was exacerbated further by the forces of globalisation and liberalisation. While privatisation did help in stimulating economic growth and reducing government costs in many countries and indeed, more recently globalisation and liberalisation also contributed to the prosperity of many nations and within nations the communities, these initiatives equally led to, what some would argue, a situation of "inexorable marginalisation" (Dowlah, 2004).

Many Least Developed Countries (LDCs) are falling behind and in a number of cases, the emerging marginalisation process contributed to the disempowerment of the poor, the disadvantaged and the ethnic minorities from the mainstream of the societies. In these situations, the poor and the disadvantaged are being sidelined and the political economy of the electoral governance of some of these countries seem to leave insufficient space for the representation of the interests of these marginalised groups into the decision-making processes of the state. These emerging challenges are prompting many to recognize the deficiencies in the functioning of representational democracy and are looking for alternative ways, something that is beyond the formal institutions of representations, to a public policy-making process where citizens, especially the poor and the disadvantaged can be mainstreamed.

A CEPA report noted that the period of intense liberalization and extensive use of market based solutions in developing countries accompanied the rise of asymmetrical partnerships, where the public sector became a minor or a disadvantaged partner. These partnerships, prevalent during 1980s and 1990s with the rise of neo-liberal values strongly propagated by the West, often did little to serve the interests of those that lacked the effective purchasing power, namely, the poor¹⁰.

These solutions of the West (i.e., private sector 'solutions' to public sector 'problems') referred to by some as NPM, emphasised strategic planning, performance measurement, accountability, results, purchaser/provider split, contracting out and 'doing more with less' (Hood, 1991). These managerial tools drawn from the corporate sector were transferred, sometime without much thought to the public sector. This juxtaposition seemed to have been fraught with one major flaw, the public became connected now to the State as "consumers with the ability to choose and complain [although] not the ability to proactively shape services" (Corrigan and Joyce, 1997, p. 419). Result has been that the interests of the powerless, the hard-core poor, the ethnic minority, the aged etc. got sidelined and the existing democratic institutions, the electoral democracy, that got hijacked by the rich and the lobbyists offered limited or no space for the marginalised. These emerging challenges started, for the first time, to prompt many to see the limitations of the electoral governance and to recognize the importance of linking public administration, social equity, ethics etc. with citizen participation (Esquith, 1997).

¹⁰ See, Strengthening Public Administration for the Millennium Development Goals: A Partnership Building Approach. UN Committee of Experts. E/C.16/2004/5

There are now two billion people on earth who continue to remain poor and most alarmingly, the numbers are increasing. What is equally telling is that during the 1990s many developing countries experienced significant economic reversals or stagnation which has impacted negatively on the MDGs. A recent UNDP report points out that some 54 countries are poorer now than in 1990. In 21 countries, a larger proportion of people are going hungry and in 14 countries more children are dying before the age of five¹¹.

Many attribute this falling performance to weak governance institutions, entrenched corruption and a post-colonial legacy of elitist public administration and indeed, under-developed human capital (de Alcantara, 1998). It is, therefore, not so surprising that when the same market-managerialist solutions of the West were applied to the developing countries that contained serious systemic problems, the outcome was that many of these initiatives either failed to produce any tangible results or yielded only marginal benefits and in some cases, the opposite had happened. Further, prompted by the Bretton Woods institutions, many developing governments withdrew or decreased government funding in social development leading to lower health and education facilities, especially for the poor. Being powerless and voiceless the vulnerable groups had little or no means to either express their concerns and make their voices heard in any effective manner or to take the recourse of an institutional means to press for their demands. It became apparent that in many developing countries cuts in health budget mainly included cuts in preventive medicine and not the curative — the former benefits the poor whereas, the latter the rich.

In general, frustrated with the continuous failure of the state in addressing citizen's needs in an equal and fair manner and in recognition of the perceived challenges faced by an introverted public administration and the inadequacies in the functioning of representative democracies, a demand for a re-examination of the existing governance arrangements, particularly that of the policy-making processes became imminent. Due to the problems referred to above, many looked for solutions that are more citizen based and accountable, especially for those matters that are directly linked to the poor's rights and welfare. (Merrien, 1988) Further, the nagging problem of poverty and growing inequality as well as threat to environmental sustainability also prompted many to demand greater legal space in governance for the citizens. More specifically, demand was made for a direct say in the management and distribution of public resources. Many see these emerging demands of direct engagements or what some call 'participatory publics' as nothing but a quest for an institutional option that is conducive to achieving 'good governance' and rights-based development in a society (Wampler and Avritzer, 2004).

In summary, the concept of 'engaged governance' that underpins the notion of direct citizen participation in the affairs of the state, grew out of the weaknesses of representational democracy on the one hand and the incongruities of private/public management diffusion (juxtaposing corporate culture into public sector) on the other.

¹¹ The Human Development Report, Millennium Development Goals: A Compact to End Poverty, UNDP, 2003. The entire report is devoted to MDGs including performance and requirements.

While many agree that direct citizen participation in public affairs is the way of the future, questions remain as to how to go about it. The key challenge is how to operationalise citizen/government dialoguing in implementing the 'engaged governance' practice within a democracy.

OPERATIONALISING 'ENGAGED GOVERNANCE'

The political rhetoric around good governance tended to have described 'democratising' governments 'working together' with 'responsible' and 'active' citizens to address complex problems, be more responsive, transparent and accountable and find sustainable solutions (Guthrie, 2003). But the challenge has been how to bring this to a reality.

From a review of the relevant literature, Graham, Amos and Plumptre (2003) identify five broad sets of good governance principles, which they relate to resolving the exercise of power and the results of power. There is certain robustness about these principles, the authors note, given their apparent universal recognition and basis (of some) in international human rights law. A summary of these principles is as follows:

Legitimacy and voice

- Recognition of a person's right to participate in decision-making whether directly or through intermediaries that represent their intention,
- Consensus orientation that mediates differing interests in the group's best interest and on policies and procedures;

Direction

- Leaders and the public share a broad and long-term perspective on good governance and human development, along with a sense of what is needed for such development, and understand the historical, cultural and social contexts for such development;

Performance

- Responsive institutions and processes that serve the needs of all stakeholders,
- Effective and efficient institutions and processes that produce results, which meets needs while making the best use of resources;

Accountability

- Government, private sector and civil society decision-makers have some form of accountability to the public as well as to institutional stakeholders,

- Transparency through institutions, processes and information being directly accessible to those concerned, and enough information is provided to understand and monitor them; and

Fairness

- Equity of opportunities for all persons to improve or maintain their well being,
- Rule of law that is fair and enforced impartially (Graham et al, 2003).

As evident from the above, these principles are largely normative in nature, warranting creation of normative basis for engagement, either constitutionally (as in Thailand and the Philippines) and/or through regulatory or policy directives (as in Queensland, Australia)¹². An explicit statement of values and governing principles provides (a) public administration with a template for organising, performing and accounting for its effectiveness and (b) citizens with an awareness of the range of their political opportunities to shape policy decisions and monitor and evaluate government performance. In an operational sense, Graham et al (2003) suggest, these principles can be translated into criteria for determining the practice of good governance.

In practice, governments and/or public administrators are inclined to frame citizens' rights to participate as a democratic procedure with instrumental value, as a means to an end. In effect this will mean, enacting political equality for the purpose of realising social and economic equality. Whether revisionist or pragmatic in orientation, 'modernising' governments generally support the notion that public involvement in government decision-making "contributes to good governance by fostering...greater transparency, more accountability and enhanced legitimacy and lead[s] to better quality decision with higher levels of implementation and compliance." (OECD, 2001a, p.6).

THE CHALLENGES

In reality, the dilemma for many public administrators is reconciling perceived or expected tensions between enacting the various principles of good governance, in particular, the principle related to participation and that of performance in practice. There are also legal challenges. Where and how does participation fit within the existing framework of representative democracy? What would be the role of the Parliament and the law makers in this emerging direct engagement nexus? Does participation really produce pro-poor results etc.? There are no easy answers to any of these questions.

Government-civil society engagement is for many administrators an unfamiliar and risky process. Initiating and managing engagement processes reflects

¹² The Thai draft constitution which was formulated after a two year long citizen consultation is seen as revolutionary in the annals of citizen rights. However, the draft constitution, as of this writing, is yet to be ratified by the Parliament.

core values that would appear quite distinct from those associated with the managerialist emphasis of corporate governance frameworks (and that aspect of 'good governance' that receives most attention in reform agendas). For example, the NPM regime emphasises economy and parsimony with success judged in terms of frugality while standards of failure include waste through muddle, confusion and inefficiency (Hood, 1991). To the extent that the public administrator is steeped in NPM values and practice, the complexity of engaging and mediating between competing public interests, the resource-hungry nature of engagement processes and a perception of 'loss of control' of the policy process may add up to an experience of confusion, inefficiency and risk to frugality. Khan (2004b) articulates these challenges of operational aspects of 'engaged governance' as follows:

- What is the most acceptable framework of participation — bottom-up, top-down, through the legislative, outside it, etc.?
- Do the civil society organizations, the NGOs etc. have either the capacity or the technical capacity to articulate the pro-poor policy issues or what *locus standi* do they have to represent the interests of the poor?
- Of various domains of development, which is the most appropriate area of participation: community development, welfare issues, macro policies, budgeting etc.?
- What are the transaction costs?
- What are the methodological issues?
- What are the capacity building issues — both for the government as well as for the civil society groups?
- Does participation really contribute to pro-poor policies; if so how is this contribution measured?

As are evident from the above list, the citizen/government engagement process needs to address a range of challenges before it can be meaningfully put to practice. While many do acknowledge the enormity of the challenges of participation, they also argue that citizen participation is a *sine qua non* for pro-poor policies; it is not an 'either or' choice (Stiglitz, 2002). Another important challenge that needs to be examined is whether participation can be applied selectively. But many argue that participation is a matter of right and cannot be used selectively and furthermore, that selective or opportunistic application of participation encounters the problems of legitimacy and yields limited benefits¹³.

The value of political equality cannot be applied and withdrawn at will although it may be exercised in very different ways across cultures, political and economic regimes and in differing policy issues. Further, values of growth, equity and inclusiveness are not by nature competing goals and rather than being risky the citizen/government engagement may, in fact, serve as a mitigating force and a risk management tool in resolving the competing demands. From a public

¹³ Critics of World Bank initiated PRSP process argue that the reason the process failed to yield desired results is because the participation of the civil societies was not in the actual policy making processes but was limited to need assessment.

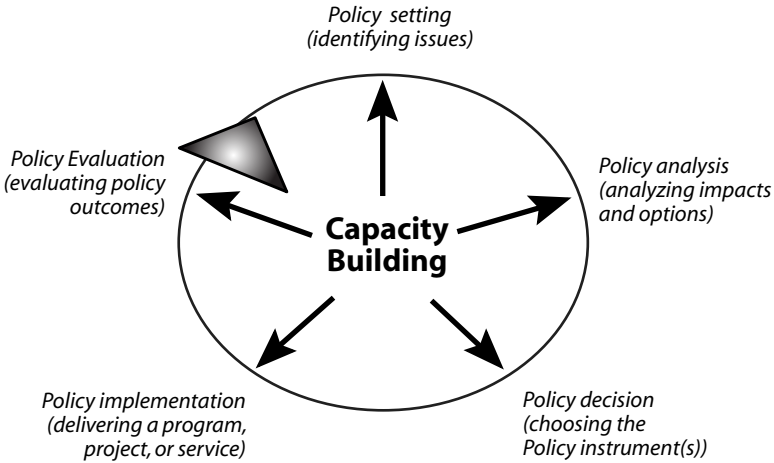
administration perspective, an important goal for engagement is better alignment of public service provision with the *community's* expression of its needs, values and democratic aspirations, represented, supposedly, in their government's priorities. Such alignment is also the goal of good governance.

A starting point for engaged governance would be to create a legal space for the concept to take a normative root. However, the legality of engaged governance should by no means be seen or promoted as an alternative to the electoral democracy rather the concept should be seen as a means to complement the Parliament to contribute to pro-poor initiatives.

The second issue and perhaps the most complex one, relates to the management of participation. In engaged governance, the issue of *capacity building* for managing participation is of paramount importance for two reasons — from the government perspective, capacity building for valuing and managing participation and creating frameworks or entry points of engagement are of critical importance. Secondly, from the civil society side, the skills in broad based citizen consultations and distilling the outcomes of those consultations through collegial and productive dialoguing are a *sine qua non*.

Guthrie (2003) presents the following as an operational framework of 'engaged governance'. The proposed framework attempts to link the policy processes with those of capacity building variables.

Figure 1
THE POLICY TASK AND OPPORTUNITIES FOR PARTICIPATION



Implicit in this diagram are two guiding principles of 'engaged governance': (i) roles and functions of different actors at different levels; and (ii) the methodology of participation. The role of Parliament, however, seems to be missing in this framework implying that this model is strictly limited to the dialoguing or engagement issues that concern the citizen/executive branch of the government. To make sure that the dominant democratic process is not by-passed and that participation becomes a part and parcel of the existing legislative process, it is important that the 'engaged governance' model seeks suitable entry points at the legislature, to complement and strengthen that process.

International Financial Institutions (IFIs), particularly the World Bank now stress participation as an important institutional means to produce Poverty Reduction Strategy Papers (PRSPs), though many regard these initiatives as opportunistic or ad hoc arrangements, devoid of normative value. Moreover, citizen participation in PRSPs has been limited to need assessments and not to the full policy cycle. Many therefore, do not consider such partial or ad hoc participation as a viable or a permanent means of incorporating the agenda of the poor within the policy deliberations of the state.¹⁴ Some also argue that donor mandated CSO participation, as in PRSP, without the involvement of the Parliament fails to produce pro-poor initiatives at the end (Willmore, 2004). From these arguments what is yet to be fully clear is what contributes to the failure of 'mandated participation' — is it due to the limited participation of CSOs or is it because by-passing the Parliament does not help?

The citizen participation in budgeting, the subject of discussion of the DESA Expert Group Meeting offered an important opportunity to look at the issue of participation at the macro level, from two perspectives: (i) firstly, the practical aspects of participation on a macro issue such as budgeting; and (ii) secondly, the operational and the institutional challenges of 'engaged governance'.

CITIZEN PARTICIPATION IN BUDGETING: SUMMARY OF LESSONS

Citizen participation in budgeting is a very new and if not a very radical phenomenon. As budgeting helps concretise policies in implementable terms, citizen participation in budgeting does offer a very important space for the ordinary people to translate policies into actions. According to Schumpeter (quoted in Brautigam, 2004), "the budget is the skeleton of the state stripped of all misleading ideologies" and yet budgeting exercise remains an exclusive domain of the bureaucrats and the technocrats with little or no room for the citizens to participate and influence. If the budget is to become pro-poor (i.e. its expenditure and revenue decisions are more sensitive to the interests of the poor) it is important that the poor themselves participate in its formulation, implementation and monitoring in a manner that is equal, inclusive and collegial.

¹⁴ See "Participation in poverty reduction strategy papers". World Bank, January 2002

DESA sees citizen-government dialoguing in budget as a constitutive component of its theory of ‘engaged governance’¹⁵. It is in this context that DESA’s Division for Public Administration and Development Management took initiatives to organize the EGM on Participation of Civil Society in Fiscal Policy. The following papers were presented at the EGM¹⁶:

- Dr. Bernado Kliksberg of the Inter-American Bank spoke on six unconventional theories of participation as practised in Latin American countries;
- Prof. John Loxley of the University of Manitoba, Canada on the Canadian experience of ‘alternative budgeting’;
- Dr. Warren Krafchik of the International Budget Project of the Centre on Budget and Policy Priorities, Washington D.C. on civil society participation in budgeting;
- Prof. Deborah Brautigam of the American University, USA on the relationship between the participatory budgeting and pro-poor economic policy;
- Prof. Rosario Espinol of Temple University, USA on the experience of Latin America in citizen’s participation;
- Prof. Arthur Goldsmith of Massachusetts University, USA on the US experience in direct democracy and budgeting;
- Dr. Larry Willmore, a former DESA staff member on the challenges of participation, especially in budgeting¹⁷.

This publication, *Citizen Participation and Pro-Poor Budgeting* is the edited version of selected papers presented at the meeting.¹⁸ The key lessons learned from the meeting and from the attached papers appear to be the following:

- Civil society organizations, the conduit for citizen/government engagement are difficult to define and that participation by the civil society organizations without the involvement of the Parliament has the risk of weakening democracy and may produce limited results; a pro-poor political base of a government and a bottom-up rather than a “mandated participation” (government directed top-down, as in PRSP) has a greater chance of producing pro-poor initiatives including budget provided the aim is to reform and strengthen rather than bypass the elected legislature and that the best space for participation in budget is the relevant parliamentary committees (Willmore, 2004);

¹⁵ DESA conducted an Interregional Workshop on Engaged Governance: South/South Cooperation in Colombo, Sri Lanka during 9-11 December, 2003 which highlighted several examples of participation including civil society/government dialoguing for combating corruption.

¹⁶ As Kliksberg and Espinol papers dealt with the general issues of participation, the subject matter of this paper, these two papers have not been included in this publication — mainly to avoid repetition.

¹⁷ EGM on Civil Society Participation in Fiscal Policy was the last assignment of Dr. Willmore before he retired in June, 2004.

¹⁸ This publication includes four out of the six papers presented. Two additional papers (Khan, Willmore) were not presented at the meeting as such, but have been included to provide an overall framework to the papers presented by the experts.

- With limited number of case examples, it is somewhat difficult to generalize either the success or the failure of 'people budget', but what is clear is that quite often than not left-of- centre 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 (resulting from broad based stakeholders participation) is essential for a sustainable shift in pro-poor economic policy (Brautigam, 2004);
- Though new, there are several successful cases of 'people budgeting' that involve civil societies more directly in the budget process and produced beneficial impacts and the civil society organizations who are very new in this sort of participation are themselves gaining new insights from the process; analytical contribution of civil society groups is most evident at the legislative stage though there is cause for optimism that their role can also be successfully expanded to other stages like drafting, implementation, auditing (Krafchik, 2004);
- 'Alternative budgeting' is becoming an established form of political activity both in developed as well as in developing countries though its preparation and dissemination may vary depending upon the purpose of the exercise, the time and resources available and the audience being aimed at (Loxley, 2004); and
- Direct democracy model of the United States did not seem to have succeeded in giving "power to the people" and that responsible and pro-poor citizen participation works best through organizations, including political parties and through membership based organizations; giving each voter a specific say in fiscal matters is not a substitute for collective action and mainstreaming representative institutions is usually the most promising avenue for arriving at pro-poor budget decisions (Goldsmith, 2004).

The Expert Group Meeting inferred generally that the 'people budget' concept is implementable and can work in favour of the poor. The meeting highlighted the factors that are key to the successes of people budgeting and these are: (i) bottom-up approach works better than the top-down or government/donor mandated approach; (ii) pro-poor leadership and an enabling political environment play an important part in creating legal and political space for pro-poor initiatives including pro-poor budgeting; and (iii) managing participation, that is, who decides who participates where and how, is a key institutional consideration; and (iv) finally, the whole capacity issue, managerial as well as substantive capacities in participation needs more attention.

The operational needs of participatory budgeting or for that matter 'engaged governance' seem to exist at three levels: (i) *normative*, citizen participation has to be given a legal basis; (ii) *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, (iii) *regenerative*,

participation practice warrants several capacity building interventions involving both the civil society as well as the government organizations¹⁹.

Notwithstanding some institutional and managerial challenges associated with it, several successful cases of participation in general and people budgeting in particular warrant further attention to this emerging pro-poor policy process, a process that seems to have the potential for promoting equity and social justice. DESA expects to continue its work on 'engaged governance' to learn more from the best practices with the hope that some of these lessons will ultimately contribute to the development of an operational framework that will institutionalise participation in a more practical and effective manner.

¹⁹ See Guthrie (2003a)

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Civil Society Organizations, Participation and Budgeting

*Larry Willmore*²⁰

To reach the Millennium Development Goals of the United Nations, governments must obtain access to more resources; more important, they must employ what funds they have wisely and with purpose. Increased spending on education, for example, will not help achieve the goal of universal primary education if funds are spent on secondary and higher education, or on primary schools in wealthy districts where attendance is nearly universal. International donors and multinational agencies alike are disappointed with budgets produced by the traditional political process. Donors are encouraging, and increasingly mandating, direct participation by civil society organisations at various stages of the budget process, from drafting to auditing. (See OECD, 2001; World Bank, 2000b; UNDP, n.d.) The expectations are that participatory budgeting will lead to greater transparency, to enhanced accountability and, above all, to pro-poor results.

This paper provides an introduction by defining terms and concepts. It addresses first the question, what is civil society? The term is used in varied ways by different writers, which makes communication difficult and impedes clarity of thought. Second, the chapter attempts to categorise and synthesizes the many ways that civil society participates in the budget process.

WHAT IS CIVIL SOCIETY?²¹

Civil society is a very old idea that has experienced a massive global revival in the past three decades. Nonetheless, it is not always clear what proponents of civil society mean by the term.²² Indeed, the very fuzziness of the term accounts for much of its universal appeal. Table 1.1 summarizes nine representative definitions, ranging from the ancient to the modern.

When people speak of ‘civil society’ today, they are almost always referring to social associations that exist outside of and independent from institutions of government. The term did not always have this meaning. For ancient Romans and

²⁰ Adil Khan provided helpful comments on earlier drafts and greatly improved the final product, but the author alone is responsible for all views and opinions expressed.

²¹ This section draws on Glasius (2001).

²² This is equally true of the related term ‘social capital’, for which “no social science has managed to impose a definition ... that captures what different researchers mean by it within a discipline, let alone across fields” (Durlauf and Fafchamps, 2004). For a detailed and critical review, see Ponthieux (2003).

Greeks, civil society was an intrinsic part of the state since, for them, participation in political institutions is what defined a people as civilized rather than barbarian. The Scottish Enlightenment thinker Adam Ferguson in 1767 sought to rekindle the Roman idea of civic virtue in *An Essay on the History of Civil Society*. Ferguson was concerned that citizens of his day were devoting too much energy to personal affairs and too little to affairs of state.

The German philosopher Georg Hegel (1770-1831) read Ferguson with interest, but radically redefined the concept of civil society. For Hegel, civil society consists of all social and economic interactions of men operating outside the state and outside the family. Hegel continues to influence thinking on this topic to this very day. *The Concise Oxford Dictionary of Politics* (McLean and McMillan, 2003), for example, defines 'civil society' in the following Hegelian way:

The set of intermediate associations which are neither the state nor the (extended) family; civil society therefore includes voluntary associations and firms and other corporate bodies. The term has been used with different meanings by various writers since the eighteenth century, but this main current usage is derived from Hegel.

Table 1.1
DEFINITIONS OF CIVIL SOCIETY

Source	Definition
Ancient Greeks and Romans, revived by Adam Ferguson in 18th century	Participation in political (civic) life, by voting, holding office, etc. Motives are altruistic, so this definition excludes 'uncivil' participation for personal gain.
Georg Hegel	All voluntary associations outside the state and outside the family, including business firms. Participants are motivated by collective well-being or personal gain.
Karl Marx	Follows Hegel, but motivation of participants is exclusively self-interest, <i>never</i> collective well-being.
Antonio Gramsci (1930s)	Associations that stand between the economic structure and the state. Excludes the economic sphere itself, but includes employers' associations and trade unions, as well as political parties, recreational associations and non-government cultural institutions.
Alexis de Tocqueville (1835), revived by Robert Putnam (1993, 2000)	All voluntary associations and social networks that make up the 'social capital' of society. Includes professional associations, choral societies, bridge clubs, family picnics. Excludes activity for purely private and commercial purposes, such as business firms, but includes family activities.

World Bank (2000b)	Defines civil society narrowly as “not-for-profit organizations and special interest groups, either formal or informal, working to improve the lives of their constituents.”
UNDP (n.d.)	Follows Gramsci by defining civil society as “non-state associations whose main aims are neither to generate profits nor to seek governing power”, adding that they operate “outside both the market and the state”.
UNU-IAS (2004)	All actors—organised or unorganised—who “promote the goals of sustainable development”. Groups that “often represent certain business interests” are explicitly excluded, as is ‘uncivil society’.
UNDP (2004)	Voluntary associations other than political parties, the military, business firms, trade unions, churches, news media and intellectuals

Hegel shared Ferguson’s concern that much of the activity of citizens is motivated by narrow self-interest rather than the public good, but he chose not to define civil society on the basis of the motivation of those who participate in it.

Karl Marx (1818-1883), who was deeply influenced by Hegel, regarded civil society as bourgeois society, so thought it self-evident that everyone at all times was pursuing his or her self-interest. Marx thus reduced civil society to its economic dimension because he found it inconceivable that any individual or group would promote broad interests of society as a whole. As Glasius (2001, p. 2) notes, had Marx’s view “remained the prevailing idea about what civil society is, we would not be talking about it today.”

The Italian Marxist Antonio Gramsci, writing his *Prison Notebooks* in the 1930s, went back to Hegel, but eliminated from Hegel’s broad definition of civil society the economic sphere itself, i.e. firms and corporations organized for the purpose of profiting from production and trade. Civil society, for Gramsci, stands between the state and the economic structure. It consists of recreational associations such as chess clubs, and cultural institutions such as churches, choral societies and schools, but it also includes political parties and *representatives* of the economic sphere such as chambers of commerce, producers’ associations and trade unions.

In the 1970s and 1980s, dissidents struggling against the authoritarian regimes of Latin America and Central Europe embraced the ideas of Gramsci. His depiction of civil society as ‘non-family, non-state and non-profit’ was strategically useful in countries where the church could be subversive as well as supportive of the established order. From Latin America and Central Europe, the idea of civil society spread widely, even to wealthy countries with no recent history of dictatorship, and was seen as a way to breathe life into apathetic citizens.

Putnam (1993, 2000), drawing on Tocqueville (1835), includes in civil society (labelled by him as ‘civic community’) family activities such as dinners and

picnics in addition to all the non-state and non-profit associations of Gramsci. The views of Putnam and other ‘neo-Toquevillians’ overlap those of Gramsci, although they never cite the Italian writer as an authority. Neo-Toquevillians and followers of Gramsci alike have come to regard civic engagement as necessary to build ‘social capital’ to sustain democracy and good governance. The key difference is that Gramsci, following Hegel, specifically excludes family activities, whereas the neo-Toquevillians include them. A core belief, in words of Putnam (2000, p. 338) is that “associations and less formal networks of civic engagement instil in their members habits of cooperation and public-spiritedness, as well as the practical skills necessary to partake in public life”. Not everyone agrees. Sceptics point to examples of vibrant civil societies that were not democratic, such as fascist Italy and Nazi Germany (Berman, 1997), and to examples of functioning democracies whose citizens are not particularly active in civil society organisations, such as Costa Rica (Bräutigam, 2004).

If academics fail to agree on what constitutes civil society, the same is true for practitioners in international organisations. The World Bank (2000b, p. 8) excludes for-profit firms when it defines civil society as “not-for-profit organizations and special interest groups, either formal or informal, working to improve the lives of their constituents.” Confusingly, the President of the World Bank in 1999 included a government institution—parliament—in civil society²³, but no one has followed up on this idea. UNDP’s Civil Society Organizations and Participatory Programme (CSOPP), in the spirit of Gramsci, defines civil society more narrowly by excluding *all* associations, for-profit or not-for-profit, that sell goods and services in the market. For CSOPP, civil society organisations (CSOs) are “non-state associations whose main aims are neither to generate profits nor to seek governing power,” and operate “outside both the market and the state” (UNDP, n.d.). Academics often follow this definition. Anheier and Carlson (2002, p. 2), for example, view “civil society as a sphere located between state and market—a buffer zone strong enough to keep both state and market in check, thereby preventing each from becoming too powerful and dominating.”

The United Nations University Institute of Advanced Studies has issued “An Agenda for Research” for its Sustainable Development Governance programme, in which civil society has a prominent place. The Report, titled *Engaging the Disenfranchised—Developing Countries and Civil Society in International Governance for Sustainable Development*, recognizes the importance of defining the term ‘civil society’:

“In turning to a discussion of civil society disenfranchisement, the definition of who comprises civil society must be clear. Though there are widely differing definitions of civil society, in this report, the term here refers to “a self-organised citizenry.” This definition includes both civil society groups—such as non-governmental organisations, transnational advocacy networks, grassroots groups

²³ “The list of participants in civil society is great, including, of course, elected parliamentary assemblies, which are included also in the government sector” (Wolfensohn, 1999, p. 26).

and issue coalitions—as well as actors not affiliated with a specific organisation, such as protesters.” (UNU-IAS, 2004, p. 8).

Civil society as “self-organized citizenry” would seem to exclude citizens who are not organized; nonetheless, with apparent contradiction, the UNU-IAS report explicitly includes unorganized protesters as part of civil society. The definition would seem also to include business firms, which are self-organized, albeit for the purpose of earning profits. Yet the Report explicitly excludes not only private business, but also associations such as chambers of commerce that represent the interests of private business:

“Though there will be some treatment of the interaction of so-called ‘business groups’ which often represent certain business interests in this project, these groups are not included in this definition of civil society. Moreover, this definition will sidestep the normative questions of so-called ‘uncivil society’, and focus only on those groups who [sic] mission is to promote the goals of sustainable development.” (footnote 8, p. 24)

By this definition, civil society is always good because its members are carrying out good works. But who decides whether a group or an individual is promoting the goals of sustainable development? No one admits to obstructing sustainable development and most people—especially owners of business firms—would argue that they promote it by providing jobs, products and services. The UNU-IAS comes perilously close to defining as civil ‘those citizens who actively support our political agenda’ while relegating all others to the category of uncivil. Such a definition would be very subjective: a group that is labelled ‘civil’ by some might be labelled ‘uncivil’ by others, solely because of differences in political philosophy. Civility, like beauty, lies in the eye of the beholder.

The UNDP report, *Democracy in Latin America: Towards a Citizens’ Democracy*, refers often to ‘civil society’. (As of August 2004 the Report is available only in Spanish, but an English translation is forthcoming.) A main concern of the Report is that, despite significant political advances over the last 25 years, democratic regimes are under threat in Latin America. An opinion poll of 18,643 citizens in 18 countries reveals that “54.7 per cent of Latin Americans would be willing to accept an authoritarian government if this could resolve the economic situation” (p. 31). The Report asserts that increased support for democracy requires implementation of “strategies to strengthen civil society and its articulation with the State and political parties” (p. 28). An entire text box (no. 32, on p. 123) is devoted to “The Role of Civil Society”. Alas, ‘civil society’ is not defined, so it is not clear what, precisely, the authors of the Report are referring.

The closest the UNDP report comes to providing readers with a clear definition is a suggestion (p. 67) that civil society is made up of “voluntary associations”. This seems to be the broad definition of Hegel, which would include business firms, but much later it becomes evident that this is not the case. A much more restricted definition of ‘civil society’ is evident from the way the Report describes the leaders its staff surveyed in 18 countries of Latin America. Of the 231 leaders interviewed,

“51 per cent are politicians. There are also important numbers of businessmen (11 per cent) and intellectuals (14 per cent). The remaining interviews are distributed among trade union leaders (7 per cent), journalists (6 per cent), civil society leaders (7 per cent), clerics (2.5 per cent) and members of the military (1.5 per cent).” (p. 155)

Implicitly then, for the authors of this Report, civil society excludes political parties, the military, private business, trade unions, religious associations, the news media and intellectuals. Yet, one cannot be certain that the same definition is applied consistently throughout the Report.

Given the myriad of definitions in use, it behoves every writer to explain precisely what he or she means by ‘civil society’, or refrain from using the term. Unless otherwise noted, we use ‘civil society’ in the Hegelian sense, meaning voluntary associations that are not part of the state or the extended family. Each civil society organisation, and its members, may be seeking to advance broad social interests, narrow group interests, or even narrower individual interests (pecuniary or recreational).

WHAT KIND OF PARTICIPATION?

It is useful to think of budget proposals (plans for government taxation and expenditure) as taking two forms: top-down (under the control of government) and bottom-up (initiated by citizens and associations of citizens). Proposals in either direction might go through parliament (the legislative assembly) or they might bypass parliament entirely. This gives rise to four ‘models’ or types of participation, as shown in table 1.2.

Table 1.2
VARIETIES OF PARTICIPATION

	TOP-DOWN (government-led)	BOTTOM-UP (civil society-driven)
Participation through parliament	Established political parties	<ul style="list-style-type: none"> •Grassroots political parties •South Africa People’s Budget •Canada Alternative Budget •Special interest groups
Participation that by-passes parliament	<ul style="list-style-type: none"> • Popular referenda, plebiscites •Ireland’s National Economic and Social Council (NESC) •Brazil’s participatory budgeting •Poverty Reduction Strategy Paper (PRSP) 	Citizen initiatives (Switzerland and some states of the United States)

The upper-left quadrant of table 1.2 (top-down, through parliament) is the usual relationship between a democratic government and its citizens, one that is increasingly seen as inadequate. Citizens are consulted by members of the ruling party only at election time, when they have the opportunity to voice their concerns and, indeed, express discontent by voting for an opposition candidate. Between elections, there is little dialogue between government and citizens.

In many countries there exist small, grassroots political parties that might focus on a single issue, such as the Green Party, Libertarian Party, Flat Tax Party or Marijuana Party. There is considerable civic participation in these parties at all times, though, admittedly, the pace does speed up during elections. Political leaders of such parties are close to their constituents and are almost always in opposition to government, so are classed in the quadrant of table 1.2 that lists 'bottom-up' approaches to reform of representative democracy.

Another bottom-up approach is for groups of concerned citizens to work specifically for budget reform. Typically these groups receive backing from other civil society organisations, such as trade unions and religious associations. The People's Budget in South Africa and alternative budgets in Canada are well-known examples of this type of civic action, and similar groups are active in countries around the world (Krafchick, 2004). Like grassroots political parties, budget groups work closely with citizens, both to learn about their problems and to educate voters, who gain a better appreciation of how government policies affect them. Rather than bypass parliament, these groups attempt to transform it, and would like nothing more than for their budget proposals to be accepted by government or by an opposition party. In at least one instance, in Manitoba, Canada, this happened. A social-democratic party (the New Democratic Party) adopted the alternative budget as its own and then went on to win general elections and form a government. The budget group disbanded after 11 years of working together; it had reached its goal so there was no further need for its existence. (See the floor discussion following the paper of Loxley in Part Two.)

Box 1.1

TWO VIEWS OF DIRECT DEMOCRACY

The fundamental paradigm that dominates our politics is the shift from representational to direct democracy. Voters want to run the show directly and are impatient with all forms of intermediaries between their opinions and public policy. This basic shift stems from a profusion of information on the one hand, and a determined distrust of institutions and politicians on the other.

—Dick Morris, 1999

Since the greatest popular support for direct democracy is located among citizens at the periphery of politics—the less interested, the less informed, and the adherents of extreme parties—these reforms might encourage the nativist and populist tendencies that exist in Europe today. Aspects of the Swiss and American experiences suggest that direct democracy can provide a tool for majority action against unpopular minorities.

—Russell J. Dalton, Wilhelm Bürklin, and Andrew Drummond, 2001

A more radical way to deal with a poorly functioning parliament is to bypass it altogether by moving to direct democracy. When citizens are free to place any initiative on the ballot, provided they collect enough signatures, this can lead to active civil society participation. Advocates of this 'bottom-up' approach argue that it is "particularly effective in raising trust between citizens and government", thus contributing to social capital (Frey, 2003, p.2). There is evidence from the cantons of Switzerland that direct democracy produces an increase in perceived well-being on the part of citizens, though not on the part of non-voting foreign residents (Frey and Stutzer, 2002). On the other hand, citizens who distrust political parties may use initiatives as a way of bypassing weak parties rather than working to strengthen them (Wyss and Widmer, 2001). Moreover, there is no evidence minorities or the poor are favoured by taxation and spending decisions passed by a majority of the electorate. (See Box 1.1.) On the contrary, there is evidence that "pro-poor participation works best through organizations, including political parties and membership-based groups" (Goldsmith, 2004).

When government decides the issues that are to be put to a vote, the popular consultation is known as a referendum. If voters are asked to express an opinion on matters already decided by government, the consultation is known as a plebiscite. Plebiscites and referenda rarely concern issues of the budget, but tend instead to address more general issues such as the decision to join a free trade or currency area, or to approve a new constitution. This top-down approach appears to be democratic, since it gives citizens the right to cast a vote on important issues, but in practice is often used by authoritarian leaders to circumvent, thus weaken, an already weak legislature (Barczak, 2001).

Sometimes governments submit issues not to the entire electorate, but rather to a select group of civil society organisations that they invite to the negotiating table. This is known as the corporatist model of governance, which has been applied with considerable success in Ireland (Brinkerhoff and Goldsmith, 2001, annex 1). In 1973 the Government of Ireland created the NESC (National Social and Economic Council), inviting a small number of employer and business organisations, trade unions and farm organisations to join. Beginning in 1987, NESC members discussed and reached agreements on wage levels and other macroeconomic variables for successive periods of three years. This macroeconomic consensus was extremely valuable, as it allowed the country to restore competitiveness, maintain industrial peace, and promote private investment and growth. These economic policies were successful in terms of growth, but they were not particularly pro-poor, reflecting the conspicuous absence from the negotiating table of representatives of unorganized workers, women and the unemployed. This began to change somewhat beginning in 1996 when community and voluntary organisations were added. A deeper criticism remains: the government is still very much in control of NESC negotiations, which bypass and weaken parliament, thus undermining the established democratic process.

A number of Brazil's states and municipalities are experimenting with an alternative top-down approach, known as participatory budgeting. Throughout

the year, citizens have the opportunity to participate in public forums designed to “confront Brazilian political legacies of clientelism, social exclusion, and corruption by making the budgetary process transparent, open, and public” (Wampler, 2000, p. 2). Those who attend these forums elect representatives to regional meetings that in turn elect citizen-delegates to a budget council that works directly with government. Participatory budgeting began in 1989 in Porto Alegre, the capital of Rio Grande do Sul, and by June of 2000 had spread to nearly 100 municipalities and five states.

The initial results of participatory budgeting, especially in Porto Alegre, were promising and attracted widespread attention. An important result is that the public meetings act as “citizenship schools” where community ties are strengthened and participants learn about their rights and their duties as citizens. Excluded citizens acquire voice—a right, for the first time, to make demands in public. In successful cases of participatory budgeting, there is also increased social spending in poorer neighbourhoods and improved transparency in public works projects. (See Wampler, 2000)

Although participatory budgeting is useful as a tool to promote political inclusion and social justice, it is no panacea. Brian Wampler (2000), a sympathetic observer, describes numerous limitations of programmes in Brazil:

- Elected members of city councils and state legislatures “have virtually no role in the policymaking procedure” because “the transfer of authority to citizens’ forums bypasses the legislative branch” (p. 18).
- “Participants ... do not propose and debate their own policies but focus on the government’s pre-existing policies” (p. 16).
- Most citizens are poorly informed and lack expertise. As a result, “broad policy decisions may be largely acts of rubberstamping as the majority of participants follow the lead of the most experienced policy advocates or the positions of the government” (p. 16). This might change with time, but it is not clear whether public learning is occurring or whether “participation is being used to legitimize the policy choices of the government” (p. 17).
- Government remains the principal actor and tends to use its power to reward “friendly” participants. “This does little to empower citizens and may just be a new form of clientelism” (p. 23).
- Participatory budgeting can be manipulated by government to advance its own agenda, through “non-disclosure of key information, the lack of implementation of selected public policies, or the weakening of citizen oversight committees”. This is more than a hypothetical concern, for “programmes in Brazil ... have been rejected by social movements and NGOs [non-governmental organizations] due to the government’s interference” (p. 24).
- The focus is on public works and once a particular project is completed, people lose interest and stop participating (p. 23).

- Participants often are interested only in short to medium term public works, and find it difficult to fathom the complexities of long-term planning (pp. 23-24).
- Emphasis is on local issues and local budgets whereas “the principal problems their communities face are often related to unemployment, violence, or the lack of educational opportunities.” Solutions to these global problems lie “far beyond the scope of participatory budgeting” (p. 24).

Even when participatory budgeting is successful, we cannot be certain whether this is due to the programme itself or to the ideology of the government in power. In the words of Wampler (2000, p. 27):

“It is not clear whether the increase in social spending stems from the PB [participatory budgeting] program or whether the increase results from the political ideology of the progressive government. While it is impossible to neatly separate the political agenda of the progressive government from the workings of the PB, it is vital to note that PB programs tend to co-exist with significant changes in the social spending”.

But surely it is possible to separate in some rough fashion the effects of participatory budgeting from the effects of ideology. A social science experiment is going on in Brazil at this very moment, for more than 100 municipalities and states that have implemented some type of participatory budgeting, and not all of these governments are controlled by parties with a ‘progressive’ political ideology.

Wampler and Avritzer (2004) focus on this ideological diversity by analysing participatory budgeting in three Brazilian municipalities: Porto Alegre (1.2 million residents), Belo Horizonte (2 million residents) and Recife (1.8 million residents). Participatory budgeting was very successful in Porto Alegre and Belo Horizonte, but “less-than successful” in Recife. It so happens that left-wing political parties control the governments of Porto Alegre and Belo Horizonte: the Workers’ Party (PT) in the case of Porto Alegre, and “a leftist-progressive coalition that includes the Brazilian Socialist Party (PSB) and the Workers’ Party” in the case of Belo Horizonte. Recife, in contrast, has been governed by “the Party of the Brazilian Democratic Movement (PMDB), a centrist-catch-all party, and the Liberal Front Party (PFL), a traditional, clientelistic party”. The researchers conclude that “clientelism continues to be associated with Recife’s PB as public officials circumvent the new institutional format in order to secure specific resources for their constituents”. We cannot be sure without information on programmes in other states and municipalities, but the evidence so far supports the conjecture of Bräutigam (2004) that participatory budgeting requires “direction and commitment from a left-of-center political party in order to make it genuinely pro-poor.”

In September of 1999 the World Bank and the IMF endorsed participatory budgeting as part of a new Comprehensive Development Framework, and mandated civil society organisation (CSO) participation in Poverty Reduction Strategy Papers (PRSPs). The PRSP is the operational expression of the Comprehensive

Development Framework in low-income countries. To apply for concessional assistance or HIPC (“highly indebted poor countries”) debt relief, an eligible country must draft a PRSP with the participation of civil society. This requirement applies, then, to about 70 low-income countries. For a country to receive concessional assistance or debt relief, the World Bank and the IMF must endorse its PRSP.

Box 1.2

MANDATING CSO PARTICIPATION: EXPECTATIONS

[S]trong civil society organizations can promote the political empowerment of poor people, pressuring the state to better serve their interests and increasing the effectiveness of antipoverty programs.

—*World Bank, 2000a*

The World Bank’s partnership with civil society is built upon the recognition that civil society organizations often have closer contact with the poor and can offer valuable insights and perspectives that differ from other stakeholders. CSOs may be better able than government or official actors to help the poor The World Bank is committed to helping civil society and governments ... effectively engage each other ... [and] has increased its own capacity to engage civil society

—*World Bank, 2000b*

By mandating CSO participation in PRSPs, the World Bank was following the advice of scholars such as Putnam (1993, 2000) who argue that civil society builds social capital and fosters democracy by giving citizens an opportunity to abandon narrow (private) self-interests and work for the common (public) good, the common good in this instance being the goal of reduced poverty. In addition, there existed a strong belief, or at least a hope, that CSOs could empower the poor. (See box 1.2.)

The PRSP process has disappointed those who predicted large gains for the poor and inarticulate. Two researchers from the University of Antwerp, Nadia Molenaers and Robrecht Renard (2003), describe in some detail the disappointing results for Bolivia. They point out that “the recent boom in associations in Third World countries is not unrelated to the international funding opportunities the donor community has made available. A lot of civil society organisations (especially NGOs) are donor-bred and fed, hence the strength of organised civil society may be to that extent artificial and not embedded/rooted in the society in question” (p. 152). In any case, “the participation process was all along a government-led process” (p. 143) that excluded “the poor, civil society organisations out of favour with government, trade unions, indigenous communities, women’s groups, and also extremely important institutions for democracy — like Parliament” (p. 151). Bolivia, it is important to bear in mind, is held in high regard as a PRSP success story. The outcome of the PRSP consultations in other countries has generally been worse. (See box 1.3.)

Box 1.3
MANDATING CSO PARTICIPATION: PITFALLS

Experience with participatory processes suggests that the poor and the marginalized, even when invited to express their views, have no institutional outlet through which to follow up. In these circumstances, elected institutions have a key role to play in providing the vehicle through which their views are represented. Ad-hoc consultations can often be seen as little more than a justification for governments to validate their pre-set priorities. [W]ithout a clear and transparent link to elected institutions, [they] should not be encouraged.

—World Bank, 2001

In participative processes, the absence of vulnerable groups, the excluded and the poor is, in fact, not surprising. ... [P]oor people tend to be poorly organised, remain relatively voiceless ... and are quite reluctant to influence processes of policy-making affecting broader social groupings. [E]ven when the poor participate, participation might actually confirm the clientelist structures in circumstances where the poor are highly dependent upon non-poor groups.

—Nadia Molenaers and Robrecht Renard, 2003.

In September of 2001 the Secretariat of the Comprehensive Development Framework (CDF) reviewed the experience of 46 countries, many of which, though not all, were low-income, so involved in the PRSP process. The report claims that “sustained progress has been made”, but concedes that “implementation of the [CDF] principles has been difficult and uneven among these countries, not least because most of them are among the poorest countries of the world” (World Bank, 2001, p. 2). The CDF Secretariat laments that parliaments are absent from the political debate and recognize that the participatory process did not empower the poor. It recommends that in future civic participation be linked to elected legislative bodies, or not be encouraged at all. (See box 1.3, and World Bank, 2001, p. 4.) Two years later, the CDF Secretariat was still complaining that “consultations have tended to involve civil society—either citizens or their organizations—more than parliamentarians or the private sector” (World Bank, 2003, p.15).²⁴

In March of 2002 the staff of the World Bank and IMF (2002) reviewed in considerable detail the experiences of the ten countries that had completed and submitted their PRSPs by January of that year.²⁵ The authors were concerned that participation is not representative: “In some countries, not all sectoral ministries have been fully involved. More generally, engagement of direct representatives of the poor themselves has not been common. Such groups include parliaments; CSOs that are out of favor with the government; stakeholders outside of capitals, local government officials and private sector representatives; trade unions; and women’s groups” (p. 22). The Review stresses in particular the limited role of

²⁴ Note the implicit exclusion of parliament and the private sector from civil society.

²⁵ The countries are Albania, Bolivia, Burkina Faso, Honduras, Mauritania, Mozambique, Nicaragua, Niger, Tanzania, and Uganda. By January of 2003 eleven more countries had submitted PRSPs.

parliaments in the PRSP process, and points out that this “has been an expressed concern of other recent World Bank reports, such as those on the CDF, and of a number of development partners—including the Utstein group of bilateral donors (UK, Netherlands, Germany, and Norway) and the EC—as well as of individual members of parliament themselves ...” (p. 23).

CONCLUSION

Four years ago there was near consensus in the development community that it is possible for civil society to move budgets to a pro-poor position. In this spirit the World Bank, in its flagship *World Development Report 2000*, wrote:

“[S]trong civil society organizations can promote the political empowerment of poor people, pressuring the state to better serve their interests and increasing the effectiveness of antipoverity programs. Case studies in the Indian state of Kerala and elsewhere show that a highly engaged civil society contributes to better outcomes in health and education. What is needed is an enabling institutional environment for civil society to develop and thicken”. (World Bank, 2000a, p. 114)

Disillusionment set in quickly, at the World Bank and elsewhere. The tone of the *World Development Report 2004* is much less optimistic:

“Terms such as *civil society* and *community* are sometimes used too casually. People differ in beliefs, hopes, values, identities, and capabilities. Civil society is often not civil at all; many “communities” have little in common. Individuals and households may disagree about collective objectives and work to promote their own views, both individually and through associations, sometimes at the direct expense of others”. (World Bank, 2004, p. 49)

Karl Marx was right. Members of society tend to pursue their own self-interest or, at best, the interests of their extended family or social class. The governments of Kerala (India) and Porto Alegre (Brazil) practice pro-poor budgeting not so much because their respective civil societies are “highly engaged”, but rather because the parties in power have a pro-poor ideology.

Budgets implemented by governments whose electoral base is the poor will tend to be pro-poor, with or without participation of civil society organisations. What about budgets of governments with a different electoral base? Is it possible for participation of civil society to shift them toward pro-poor taxation and expenditure? The answer appears to be a cautious yes, provided participation is bottom-up rather than top-down and provided the aim is to reform rather than bypass an elected legislature. At this very moment, budget groups around the world are attempting to influence existing political parties and, even more importantly, to educate the poor so that they understand the implications of existing budgets, and become aware of alternative budgets so that they can cast their votes wisely in

their own best interest (Loxley, 2004; Krafchik, 2004). A complementary way to accomplish the same goal is to ask parliamentary committees to hold hearings on the budget and, in the case of low-income countries, on the Poverty Reduction Strategy Papers (PRSPs). Opposition politicians would have a chance to express their views, as would a broad range of civil society organisations, including those who are working on behalf of the poor. Press coverage of these hearings would also help to educate the electorate so that the poor, where allowed to, are able to exercise their strongest weapon—the secret vote.

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Part Two

EXPERIENCES OF PRO-POOR BUDGETING



Experiences of Pro-Poor Budgeting The People's Budget: Politics, Power, Popular Participation and Pro-Poor Economic Policy

Deborah A. Bräutigam²⁶

*“The budget is the skeleton of the state
tripped of all misleading ideologies”
—Joseph Schumpeter, citing Goldscheid.²⁷*

INTRODUCTION

Participation is a central element of democracy, and increasingly, citizen participation in economic policy is advocated as a way to make government spending more “pro-poor”. People’s budgets, alternative budgets, women’s budgets, and participatory budgeting have raised hopes and expectations that greater participation by ordinary citizens, NGOs, and other civil society organizations in spending and revenue generation can lead to better outcomes for the poor. Cases of participatory budgeting on the municipal level, as in Porto Alegre in Brazil, support this hope. But does participatory budgeting offer hope for a substantial positive impact on fiscal policy at the national level in developing countries? This paper can’t answer that question definitively, but it does review some selective examples of participation in economic policy-making and budgeting (in Brazil, Chile, Costa Rica, Mauritius, and Ireland) in order to shed some light on this question. Many reviews of the new participation have asked “who participates?” But this review suggests that insufficient attention has been paid to several other aspects of participation. What happens when NGO participation substitutes for the participation of parliament? Does effective pro-poor policy making *require* complementary institutions, such as pro-poor political parties, a strong and independent auditor general, and a free media? Does a sustainable pro-poor economic strategy require the inclusion of the business sector as a partner in participation — and in providing the revenues necessary for the pro-poor spending?

²⁶ Colleen Zaner and Preston Winter provided excellent research assistance. Thanks to David Hirschmann, John Loxley, and participants at the UN Expert Group Meeting for helpful comments.

²⁷ I borrowed this wonderful quotation from an unpublished paper by Mick Moore (2003).

THE NEW EMPHASIS ON CITIZEN PARTICIPATION IN ECONOMIC POLICY

Over the past fifteen years, the idea that development requires “good governance” has gained considerable momentum. Good governance is variously described as governance that is accountable, transparent, follows the rule of law, and allows for participation, or citizen voice. The rising emphasis on participation as a core component of good governance has many sources, among them the “Third Wave” of democratization, and a parallel increase in the power and influence of local and global civil society organizations. And, it has led to changes in development practice, from the level of macroeconomic policy, to the level of municipal budgeting. At the same time, it raises a number of issues: Who participates? When and how? What is required in order for participation to make economic policy more “pro-poor”? And, what unintended consequences might this move have?

Participation, Transparency, and Economic Policy

A decade ago, the reigning assumption among academics and many development policy advisers was that macroeconomic policy-making, and indeed, many areas of revenue and expenditure management, needed to be somewhat exclusionary in order to allow technical considerations, and not “politics” to dominate. Studies of development performance in East Asia pointed out that both growth and social improvements for the poor in the region were put in place during an earlier period of exclusionary policy-making, where business was consulted in “deliberation councils” but labor was largely controlled, and opposition parties absent or impotent. A World Bank study edited by Stephan Haggard and Steven Webb found that “in every successful reform effort, politicians delegated decision making authority to units within the government who were insulated from routine bureaucratic processes, from legislative and interest group pressures, and even from executive pressures.”²⁸ It was thus assumed by many that (even in democracies), difficult policy reforms needed to be undertaken by decree, through insulated technocracies, or in secret negotiations with international banks.²⁹

Concern with making macroeconomic policy processes more open, transparent, and participatory rose as a reaction to this exclusion. Many believed that this non-transparent, closed style of policy making could threaten the consolidation of the new democracies of the developing world. Former Brazilian finance minister Luiz Carlos Bresser Pereira and his co-authors warned: “if democracy is not to be undermined as a consequence of economic reforms, the representative organisations and institutions must participate actively in the formulation and implementation of the reform program, even if this participation weakens the logic of the

²⁸ Haggard and Webb (1994: 13).

²⁹ This paragraph and the next draw on my article, Deborah Bräutigam, “Foreign Aid and the Politics of Participation in Economic Policy Reform,” *Public Administration and Development* v. 20 (October 2002): 253-264.

economic program or increases its cost.”³⁰ Furthermore, a more inclusionary approach involving, at a minimum, consultation with affected groups was thought to affect the sustainability of policies and improve the prospects for their design and implementation. Jeffrey Frieden’s 1991 analysis of the economic reform in Latin America pointed out that when “important interest groups were left out of negotiations, they disrupted the implementation of whatever decisions were made.”³¹

Researchers at the World Bank found that greater participation by affected social groups in policy formation and implementation was likely to boost two elements found to be associated with successful management of economic policy: ownership and credibility. “Borrower ownership” of economic policy was strongly associated with the success of structural adjustment programs, and that the most significant factor influencing the degree of borrower ownership was the nature of public-sector/private-sector relations and the political influence of interest groups.³²

Participation and Poverty Reduction Strategy Papers

The move toward participation now marks even the World Bank and the International Monetary Fund’s approaches to economic strategy, at least on the surface. For the poorest countries, the centerpiece of this new approach is the Poverty Reduction Strategy Paper (PRSP) process. These policy strategy papers are required for Highly Indebted Poor Countries (HIPC) to gain access to substantial reductions on debt owed to the international financial institutions (the World Bank and the IMF). Guidelines for these papers stress that they should focus on assessments of current poverty problems, and recommendations for strategic improvements, including those in macroeconomic policy. The studies are supposed to be “locally generated” and “owned” by the country: carried out by a partnership of government working together with civil society organizations.

The experience of the PRSPs is recent, and it hasn’t been possible in most cases to measure the actual impact of greater participation on the design and implementation of actual (as opposed to proposed) economic policies, and their impact on poverty reduction. Some aspects of the PRSP process have raised questions. For example, although civil society (both local and international) has gained entry into the PRSP processes, the PRSPs have not emphasized the inclusion of representative institutions in the process. A 2002 review by the World Bank and the IMF of the PRSPs noted that “the role of Parliaments in the preparation, approval, and monitoring of country strategies has generally been limited and is a concern that has been expressed by a number of development partners.”³³

³⁰ Bresser Pereira, et al (1993: 10).

³¹ Frieden (1991: 252).

³² Johnson and Wasty (1993).

³³ World Bank and IMF (2002: 9).

BRIEF CASE STUDIES

Participation in economic policy making raises a number of issues, and faces a number of challenges. The challenges are illustrated by the following quotation from Kenya, where civil society organizations were attempting to influence the budget process, something that “was shrouded in mystery,” as Achim Chiaji, from the Kenya Christian Partners Development Agency explains:

Technocrats at the Treasury monopolised the entire process of formulation and implementation of Kenya’s Budget with disastrous consequences. The budget is not sufficiently debated before presentation and non-state participation results in too many donor-generated proposals. There has been considerable concern following revelations that the donor organisations led by the IMF are playing a major role in determining the 2001/2002 Budget proposals. Another weakness is that budget debate is neither integrated nor systematic hence it is often inexhaustive. Parliamentarians see the proposals for the first time when the Minister for Finance presents it for debate in parliament. The period allowed for debate is also too short considering the fact that the report is usually broad and over 400 pages. Furthermore, the budget is crafted in a technical language that makes it difficult for ordinary *wananchi* to interpret its real implications.³⁴

How have other countries dealt with these challenges? The following case studies illustrate several examples of participation in economic policy making. They range from the national level (for example, the Irish National Economic and Social Forum), to the municipal level (Porto Alegre’s participatory budgeting). These examples confirm that participation is something of growing interest, that it is taking new and often innovative forms, and that it sometimes, but not always, leads to shifts toward more pro-poor policies.

*Ireland National Economic and Social Forum*³⁵

In Ireland, economic difficulties in the early 1970s led to the formation of a corporatist National Economic and Social Council (NESC) along the lines of models current in the UK, and also in France. The members of the Council were originally drawn from the traditional tripartite social partners: the government, the trade unions, and producer organizations. Although the NESC did not play much of a prominent role in its first decade-plus of existence, in the context of economic recession in the mid-1980s, it began to institutionalize a process of lengthy consultations among the partners, in order to put together an agreement on economic strategy that embedded mutual compromises and the trade-offs painstakingly worked out over a process that lasts more than a year. The partners negotiate changes in tax policy, as well as expenditures.

The overall goal is not explicitly “pro-poor” and indeed, the outcomes of this process have been lauded more for their impact on growth and macroeconomic

³⁴ Chiaji (2001).

³⁵ World Bank (n.d.).

stability, than for their success in addressing problems of social exclusion. In 1996, the list of civil society partners was expanded to include eight community and voluntary organizations, and since then, it is said, the focus of the agreements has shifted to include a greater emphasis on battling exclusion and poverty.³⁶

Two other aspects of the Irish experience are likely to be important. First, as one analysis noted, participation in this process is shaped by the “‘shadow of the future’ — the fact that the parties know they will meet again — has generated an environment of patience and trust, which, as has been argued by Robert Putnam and others, ‘nurtures reciprocity, facilitates communication, improves flow of trustworthy information and increases cost of defection.’”³⁷ Second, as suggested above, there is as yet little evidence that a pro-poor agenda has resulted from this participation. As a study of the Irish experience points out, progress on social issues is not impressive. The Gender Development Index in Ireland, for example, remains the lowest of the EU countries.³⁸ A final point: in Ireland, some have critiqued the NESC process as “extra-constitutional” influence, weakening a democratically-elected government. Others counter that all of the “four major parties in parliament have participated in government and operated the agreements with undeterred enthusiasm.”³⁹

Participatory Budgeting and Activism in Porto Alegre

More recently, a number of interesting experiments on the municipal level seem to suggest that participation by poor citizens in budgetary decision-making can lead to sharp increases in the reach and coverage of essential services, particularly to the poor. The most well-known case of participatory budgeting is probably that of Brazil’s southern city of Porto Alegre. In 1989, the Brazilian Workers Party (PT) won municipal elections in Porto Alegre, and proceeded to implement an experiment of decentralized decision-making in the city. Brazilian cities are governed by mayors, and include a legislative branch (the Chamber of Deputies). Cities have a fair degree of local control over revenues, whether federal transfers or local taxes and fees.

In Porto Alegre, the participatory budgeting process began with the PT organizing two rounds of assemblies, “to gather demands of individual citizens and

³⁶ Today, “[t]here are 19 social partners in total, who were selected by the government to broadly represent the four ‘pillars’ of Irish society as follows. *Employer and Business Organizations*: Irish Business and Employers Confederation, Small Firm’s Association, Chambers of Commerce of Ireland, Construction Industry Federation, Irish Exporter’s Association, Irish Tourist Industry Confederation; *Trade Unions*: Irish Congress of Trade Unions; *Farm Organizations*: Irish Farmer’s Association, Irish Creamery Milk Suppliers Association, Irish Cooperative Organization Society, Macra na Fierme; *Community and Voluntary Organizations*: Irish National Organization of the Unemployed, Congress Centers for the Unemployed, The Community Platform 1, Conference of Religious Ireland, National Women’s Council of Ireland, National Youth Council of Ireland, Society of Saint Vincent de Paul, Protestant Aid.” World Bank (n.d.).

³⁷ World Bank (n.d.).

³⁸ Ibid.

³⁹ World Bank (n.d.).

mobilize the community to select regional delegates.”⁴⁰ These delegates eventually hash out — in debates with the mayor’s technical offices — decisions over investment spending for the municipality, and these are embedded in the budget that the mayor’s office presents to the Chamber. The outcome in Porto Alegre has been impressive. As the World Bank reported, “Between 1989 and 1996, the number of households with access to water services rose from 80% to 98%; percentage of the population served by the municipal sewage system rose from 46% to 85%; number of children enrolled in public schools doubled; in the poorer neighborhoods, 30 kilometers of roads were paved annually since 1989; and because of transparency affecting motivation to pay taxes, revenue increased by nearly 50%.”⁴¹

Participatory budgeting (PB) has since spread to some 140 of the smaller of the 5500 Brazilian municipalities, and recently the PT, which won the governorship of the State of Rio Grande do Sul (where Porto Alegre is the capitol), instituted participatory budgeting at the state level. Although other efforts to try PB in larger cities, or at the state level have failed (in Brasília, São Paulo, or Vitória, for example) the Rio Grande do Sul seems to be working successfully in much the same way that the system works in Porto Alegre.⁴² Still, participatory budgeting has limits. It seems to require a partnership between the executive branch, and an activist civil society. It doesn’t seem to reach the “poorest of the poor”, whose priorities are more likely to be survival issues such as income generation and jobs, than sewage systems and services, and the amount of the budget that is typically available for discussion — after fixed expenses such as salaries, debt payments, and maintenance on earlier investments — may only be five percent of the total.⁴³ And some have argued that by preempting one of the legislature’s key functions, and also eliminating the incentive for civil society groups to interact with the legislative branch, PB fails to build the institutions of representative democracy at a time when they are fairly new and fragile.

Costa Rica: Pro-poor Spending, Low Participation?

Like Mauritius below, Costa Rica has justly earned credit for its pursuit of social inclusion and its welfare state (see Table 2.1). In the UNDP’s new Human Poverty Index (an index that includes only developing countries), Costa Rica ranks fourth from the top (Mauritius is ranked 17th).⁴⁴ A social democracy since 1948, Costa Rica (also like Mauritius) has abolished its army, and spending on security is

⁴⁰ Waglé and Shah (2003).

⁴¹ Waglé and Shah (2003). Souza (n.d.) points out that this revenue figure may not reflect the impact of the constitutional changes that gave cities like Porto Alegre increased revenues. These changes were phased in gradually.

⁴² See Schneider and Goldfrank (2002).

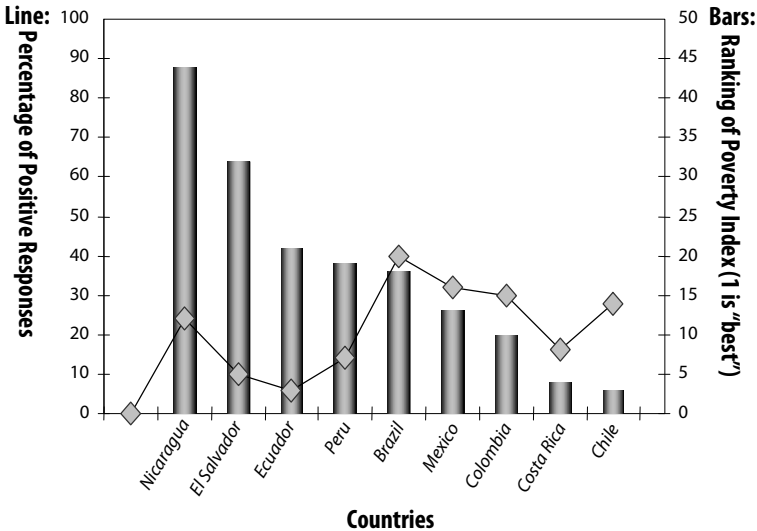
⁴³ Souza (n.d.) and GTZ (n.d.).

⁴⁴ The Human Poverty Index is a composite measure of the “probability at birth of not surviving to age 40, the adult illiteracy rate, the population without sustainable access to an improved water source, and children under weight for age.” United Nations Development Program, *Human Development Indicators* 2003. <http://www.undp.org>. [accessed January 29, 2004].

consequently relatively low. And yet it appears that Costa Rica does not rank well on indicators of budgetary participation and budget transparency.

In 2003, the Center on Budget and Policy Priorities, a Washington DC-based think tank, conducted a study of ten Latin American countries, seeking to discover their degree of budgetary transparency and citizen participation in the budget. The Center asked panels of country experts to give their opinion on a number of different aspects of transparency and participation; these were aggregated into rankings. The published report, *Latin American Index of Budget Transparency 2003*, does not give high ratings to Costa Rica (indeed, none of the countries come out especially high). And yet two of these countries (Chile, and Costa Rica) rank 3rd, and 4th from the top in the UNDP’s human poverty index. Figure 2.1 above shows the relationship between the human poverty index rank and budget participation. Although Costa Rica is a bit of an outlier, there does seem to be a positive association between citizen participation in the budget (measured by the rising line) and human poverty index rank (measured by the bars; lower is better).⁴⁵

Figure 2.1
CITIZEN PARTICIPATION IN THE BUDGET AND HUMAN POVERTY INDEX



A better measure, which we do not have, would be whether or not spending became *more* pro-poor when participation increased. Nonetheless, the results of the budget transparency study are interesting. Citizen participation in the budget, said by the project to be “indispensable not only to strengthen democracy in a

⁴⁵ Per capita incomes in Chile, Costa Rica, Colombia, Mexico, and Brazil are decidedly higher also, and it could be that this is a more significant factor.

country, but as an effective way to assure that the most pressing needs of the population are reflected in the governmental budget,”⁴⁶ was low in Costa Rica, with only 8 percent of those interviewed affirming that there was citizen participation at the time of the study. This low score indicates that there were few if any mechanisms for citizens to give input as the budget was being formulated or approved, little in the way of a reporting mechanism, and little transparency on changes in the budget after it has been approved, or the actual impact of spending decisions. On the other hand, Costa Rica scored well (although it was not the highest) in perceptions of the ability of the legislative branch to participate in analyzing, debating, and modifying the budget proposal of the executive branch. It also scored well (and highest of the ten countries) in the degree to which the executive branch reports to the legislature on the changes it makes in the budget as it is executed.

Costa Rica also scores highest among the ten countries in the “degree of trustworthiness around the auditing of public spending.”⁴⁷ The report notes that the Office of General Comptroller of the Republic has been in place for more than 50 years, and is responsible for supervising public funds. Attached to the Legislative Assembly, it is fully independent and has a high degree of public trust.⁴⁸ Although the report on Costa Rica recommended that there be more opportunities for civil society groups to participate in the budget cycle (health sector unions and other organized groups were specifically mentioned), it did not consider the possibility that Costa Rica has evolved a system that works to reduce poverty, as well as maintain fiscal stability. Nicaragua ranks more highly than Costa Rica on citizen participation in the budget. So does Brazil. Yet neither has apparently been as effective as Costa Rica over time, in putting together pro-poor budgets.⁴⁹

*The Case of Mauritius*⁵⁰

Mauritius is a small island nation of some 1.2 million people, located off the coast of Southern Africa, in the Indian Ocean. The country has impressive social development indicators, particularly when seen in comparison with other African countries (Table 2.1). It has been a parliamentary democracy since independence in 1968, and is also frequently lauded for its economic competitiveness and growth performance. We thus have (with Costa Rica, above) an example of a country that, in its region, seems to do well at constructing budgets that have relatively pro-poor results. To what extent is this due to innovative mechanisms of participation in economic policy-making?

⁴⁶ Per capita incomes in Chile, Costa Rica, Colombia, Mexico, and Brazil are decidedly higher also, and it could be that this is a more significant factor.

⁴⁷ Lavielle, et al, p. 22. This refers, actually, to “public spending destined to government-owned or semi-official enterprises, decentralized entities, defense, and the contracting of foreign debt.”

⁴⁸ Lavielle, Pérez, and Hofbauer (2003: 23).

⁴⁹ I say this based on the human poverty index, which of course does not take into account factors such as the long war in Nicaragua.

⁵⁰ This section on Mauritius draws, in part, on my article Bräutigam (2002).

Table 2.1
PRO-POOR GOVERNMENT SPENDING
IN COMPARATIVE PERSPECTIVE
(Most Recent Year)

	Mauritius	Sub-South Africa	Costa Rica	Latin America and Caribbean
Illiteracy Rate, Adult Female	18	45	4	11
Improved Sanitation, % of Population access	99	53	93	77
Improved Water Source, Rural & of population with access	100	46	92	65
Under-5 Mortality Rate (per 1000 live births)	19	164	11	34
Life expectancy at birth	73	46	78	71
Human Development Index (value)	.779	.468	.832	.777

Source: World Bank, *World Development Indicators* Washington, DC, the World Bank (2003).

Mauritius does, in fact, practice a form of participatory budgeting, but it leans more toward the Irish corporatist than the Brazilian activist model. In the late 1970s, the country lurched through a series of economic crises that only ended when the government managed to devalue the rupee (twice), cut spending, and attract investment into the export processing zone. As part of the political handling of the crisis, the government began to consult more openly with the main “social partners” on economic and social policy, and, in particular, on the budget, which in Mauritius, as in many countries, encapsulates the major policy intentions for the coming fiscal year. This process was initiated with the election in 1982 of a progressive political party, the *Mouvement Militant Mauricien*, led by Paul Bérenger, who is now the Prime Minister of Mauritius.⁵¹ Bérenger’s first budget as Finance Minister vowed explicitly to break away “from the secretive practices of the past.”⁵² The government was in the midst of very contentious negotiations with the World Bank and the IMF, and the MMM decided that transparency and openness would benefit their efforts to build support for reform — or at least

⁵¹ At the time of the 1982 election, the MMM stood Anerood Jugnauth as its prime ministerial candidate, believing that Bérenger, a Franco-Mauritian of European ancestry, would not be electable by the largely South Asian population.

⁵² This and the other quotations in this section come from Bérenger (1982). In a 1999 interview, Bérenger told me: “We were real radicals. We wanted direct democracy!”

understanding and tolerance — from the Mauritian people. Bérenger announced in the speech that:

Ministers have invited everyone with an interest and involvement in the affairs of their ministry to participate in preparing and implementing policy... In my own case, since assuming office, I have met as many organizations and persons as I could to discuss the economic situation... Every section of society has been invited to participate in the preparation of this Budget... trade unions, employers, taxpayers, parastatal bodies, banks... To make these consultations as fruitful as possible, the Government has published all documents necessary for a full understanding of the economic situation.⁵³

Although the MMM lost power in a no-confidence vote about eight months after this budget, the consultations they initiated were institutionalized. For the past two decades, all governments have practiced consultation. Each year in the spring, the Minister of Finance makes the rounds of the country's major stakeholders, listening to their views, exchanging comments, accepting their written analyses. Each evening, the television news is full of brief reports of these consultations: union members meet the Minister one day; business associations another, the major social welfare NGOs and other groups have their days. When the budget is finally presented to Parliament, the details are splashed across the major newspapers. Almost instantly (since 1996/97), the budget speech and the entire budget (including all loans) are accessible on the Ministry of Finance's website on the internet.⁵⁴ It is difficult to know just how much the pre-budgetary consultations actually affect the budget. As far as participation goes, this is not anything like the long period of work that goes into participatory budgeting in Porto Alegre, for example. Compared with the Irish example, the consultation and negotiations are much more one-sided. And yet it does have benefits.

Participatory budgeting and a visible link between taxation and spending in Mauritius forced groups outside the government to enhance their own capacity, in order to interact with the government as credible peers, and gain an audience for their analyses. It also allows Mauritians to challenge their government through their lively press, as happened not long ago with the Minister of Education concerning a proposed education project. An open letter in the country's major newspaper pointed out that the project was flawed, and reminded the Minister: "If the

⁵³ Interestingly, saying that "This Government attaches prime importance to the development of structures and procedures which will ensure a continuing dialogue between the Government and the different sectors of the economy" the Speech announced the formation of a National Economic and Social Council (as in Ireland) which would "provide the government with the administrative machinery for consultation with the major sections of public opinion and with organised institutions" (p. 19). The NESCC remained moribund until very recently.

⁵⁴ Interviews suggest, however, that many people in Mauritius believe the pre-budgetary consultations to be a "mere formality." As a newspaper editor said to me, "This is part of the national folklore. But in reality, some private sector people have privileged channels. In any case, deep discussion of reorganizing the workplace can't be done in two days with journalists present." Interview with Gilbert Ahnee, editor, *Le Mauricien* May 3, 1999, Port Louis.

government borrows millions of rupees from the World Bank for your project, it is done in the name of *All* the Mauritian people . . . If it is necessary to repay this debt of millions of rupees for a project, it is each one of us . . . who are going to pay by our taxes.”⁵⁵ Here, we see a strong link between borrowing, expenditures, and repayment. That link is through the understanding that ordinary citizens must pay taxes — “each one of us” — and therefore, that ordinary citizens because of their *revenue* role, not just their *citizen* role, have right to hold the government accountable for its spending, and in particular, for its borrowing.

Raising Pro-Poor Spending in Post-Transition Chile

In post-democratic transition Chile, the business class agreed to a temporary increase in taxation in order to remedy the “social deficit” resulting from the policies of the Pinochet regime.⁵⁶ Delia Boylan recounts how this pro-poor spending shift came about. Chile’s democratic transition brought to power a Center-Left *coalition* which quickly negotiated the tax increases. The number of income tax payers paying the highest marginal rate was increased; the corporate income-tax rate went up temporarily from 10 to 15 percent; the VAT was raised from 16 to 18 percent, and all of the new revenue was all earmarked for social spending, including higher family allowances and nutritional supplements for the poor.

To what extent was the tax reform done in a genuinely participatory manner? Chile’s new leaders had stressed that public policy-making would now be participatory. Opinion polls among citizens confirmed their expectations of consultation: “70 to 80 percent of the public felt that it was important or very important that the government consult the opposition, the banks, the unions, and business groups when making decisions regarding the political economy.”⁵⁷ Did this in fact happen? Boylan asked this question, and found that the proposed reforms were “broadly discussed with various interest groups that included labor, business, and agriculture.” The major negotiations, however, were with the more right-wing opposition, the Renovación Nacional Party (RNP): “beyond the details worked out in discussions with the RN, it is not clear that the other social and political actors involved had much voice in this reform. . . . In the end, the participatory rhetoric was much more symbolic than real in value.”

Obviously, the Chile case reinforces the earlier concern with pro-poor political parties. But this case also emphasizes the importance of considering taxation as well as spending, when focusing on pro-poor policy. It brings the business sector back in, and the importance of getting agreement from the business sector about that taxation. And it also suggests that at the national level, we should perhaps be looking at least as much at the involvement of political parties, and negotiations among parties, in order to understand sustainable pro-poor policy shifts.

⁵⁵ Anonymous, “Lettre Ouverte à M. le Ministre de l’Éducation et à ses Conseillers,” *Le Mauricien* (Port Louis), 14 April, 1999, p. 11 (my translation).

⁵⁶ Boylan (1996: 7-32).

⁵⁷ Boylan (1996: 24). All quotations in this paragraph are from this source.

ISSUES RAISED BY THESE CASES

These cases raise a number of interesting issues regarding participation and economic policy. Who participates? What impact does the more direct democracy of participation have on the consolidation of representative democracy? What kind of institutional framework is necessary for participation to be pro-poor and for it to support other aspects of better governance? And what role has the private sector been given in a budgeting process that might require its acquiescence in pro-poor taxation?

Who Participates?

This is one of the most commonly raised issues whenever the talk turns to civic engagement in economic policy. Bresser Pereira suggested that participants in economic policy should be (at the least, perhaps) “representative”, which suggests that he is thinking of parliament. Frieden notes that it is “interest groups” that need to be involved in negotiations over policy — and although he doesn’t specify which interest groups he means, the rest of the book suggests that these are generally those whose interests are most at risk in policy changes: labor unions, and producer groups. The World Bank focused more on the role of private sector interest groups in its study of ownership, suggesting that in that instance at least they saw business associations and economic sector groups as key in participation and ownership. The Porto Alegre experiment seems to involve “lay citizens” organized by the Workers Party (PT), and its community activist allies, and so we have “citizens” and a “party” participating. In Ireland, the initial work of participation included the “social partners”: trade unions and producer groups. Only late in the game was the table enlarged to include civil society organizations.

Two issues are raised by the question: who participates? When participants are elected, citizen volunteers, as in Porto Alegre, their opportunity costs are high, and there may be systematic self-selection. For example, women may not participate as much, due to their multiple responsibilities. The poorest may not have the resources to participate, and may be at a disadvantage. When participants are not elected, but rather come from civil society organizations, their representativeness is more questionable, particularly when they are actually making budget decisions that traditionally are the purview of parliaments. In these cases, lobbying, providing information, being consulted, all can serve to enhance the government’s effort to spend the people’s resources wisely, as in Ireland. But it may not make the process pro-poor.

Parliament and Representative Democracy

In theory, parliaments are established partly in order to scrutinize development strategies through the budgets prepared by the executive branch, and to give their approval to expenditure and revenue plans. Indeed, the budgetary function of parliament was said to be instrumental in the early moves toward power-sharing

in European monarchies. Today, parliaments are elected through constitutionally mandated procedures, and represent particular districts and constituents. How does participatory budgeting and the civil society role in planning instruments such as PRSPs affect this historic role of Parliament?

In Port Alegre, some municipal city council members (legislators) resent a system that allows the Council of Participatory Budgeting (COP — a 44 member council which includes representatives from the different neighbourhoods, as well as from the civil servants trade-union and community organizations) to exercise more influence over the budget details than does the elected city council.⁵⁸ For example, the COP can debate specific projects or public works, while the council cannot. This in effect allows the executive to interact directly with the neighbourhood representatives, by-passing the council, whose participation is limited to voting yes or no to the budget package. These legislators contend that the COP has not got the constitutional legitimacy of the parliament, and that elections for the COP involve a minority of voters, unlike the elections for the city council.

From South Africa, we also hear concerns that civic engagement with the budget is not enough, without involving the legislature. As the note prepared by the South African Council of Churches pointed out, although governance has become more transparent with majority rule, the executive branch still controls the budget tightly. “Parliament still cannot amend the budget, but only vote it up or down. . . Limiting opportunities for Parliamentary comment also reduces the role of civil society, *which would normally seek to influence the process principally through interactions with Parliament*” (emphasis added).⁵⁹

The World Bank’s experience in developing the Comprehensive Development Framework with developing countries, a process that has also focused on civil society-donor-executive branch interaction, also notes that some groups are being left out: “Parliaments are mostly absent from the debate, thus omitting a central actor from political discourse.”⁶⁰ The successful example of Ireland has also raised similar criticisms: that the process is “extra-constitutional”, and that it “undermines democratic processes”.⁶¹

There is no easy answer to this dilemma. In many instances, participatory “end runs” around the legislature were necessary to end clientelist practices that had weakened its legitimacy, and made pro-poor spending difficult or impossible. Yet when resources are scarce, there is much to be said for efforts to strengthen the traditional institutions of representative democracy and the party system, for some of the more successful efforts at pro-poor spending rely on strong democratic institutions, and in particular, on strong and ideological parties.

⁵⁸ In this paragraph, I draw on Waglé and Shah, (2003: 4).

⁵⁹ South African Council of Churches (n.d.: 3)..

⁶⁰ World Bank. (2001: 4).

⁶¹ World Bank (n.d.).

THE INSTITUTIONAL FRAMEWORK FOR PRO-POOR SPENDING AND GOOD GOVERNANCE

What kind of institutional framework is necessary for participation to be pro-poor and for it to support other aspects of better governance? Several institutional features seem to be shared by the cases of pro-poor spending, whether they involved participatory budgeting, or not. Pro-poor spending was initiated by strong, democratic, and ideologically left-of-centre political parties. These governments had strong and independent auditing arms. They had institutions (media, internet, pamphlets, public meetings) that enabled information about spending to be shared with the public, and problems to be aired, all essential for building accountability.

A left-of-centre political party

Many of the successful examples of pro-poor spending mentioned in this paper took place under the direction of a left-of-centre political party. In some, such as Costa Rica, there was very low institutionalization of participation by civic groups.⁶² Parliament, on the other hand, was an active participant in budget decisions. In Mauritius, although consultation with civic groups does occur as the budget is being prepared, the degree to which this is seen as substantive as opposed to pro forma varies depending on the political party or coalition of parties that hold power. These have been almost invariable parties that describe themselves as “social democratic.” Chile’s pro-poor budget reforms were spearheaded by a left-of-centre coalition. In Porto Alegre, a key actor was again a left-of-centre political party, the Workers’ Party. To what extent does participatory budgeting need direction and commitment from a left-of-centre political party in order to make it genuinely pro-poor? And if the party in power is genuinely pro-poor, is extensive civil society participation in budgeting and economic policy still necessary?

This question is difficult to answer (and it would be quite interesting to conduct an experiment among the some 140 municipalities now practicing participatory budgeting in Brazil — dividing them into PT and non-PT government). I suspect that participation can, at the least, provide information and an extra mechanism for accountability, which should help a committed and pro-poor democratic municipal government to improve its ability to reach the poor.

Effective auditing and transparency

Mauritius and Costa Rica both have very respected, fully independent Government Audit Offices (GAO). In Mauritius, the annual audits carefully point out, in considerable detail, what actually happened with expenditures, and put special focus on the “value for money” of public spending; this includes loans from organizations such as the World Bank, or grants from the UNDP. The publication

⁶² Costa Rica does have examples of civic groups (often, producer groups such as farmers) being consulted about policy changes.

of these reports is also announced with great publicity by the press, and the reports themselves are easily available to the public from the website of the GAO.

The cases of Costa Rica and Mauritius bring up another institutional issue: does pro-poor policy require transparency, in particular, the marriage of a robust independent government auditor, and a media to keep the public informed about the impact of spending decisions? Transparency is necessary for accountability — for ensuring that expenditures are having their desired impact. The World Bank echoes this, in its admonition that public expenditure systems need “a transparent process of formulation, approval, implementation and reporting among the formal institutions — the cabinet, finance ministry, line ministries, and office of the auditor generals — is a primary requirement. This should be complemented by information disclosure and press freedom laws.”⁶³ A system of auditing is necessary to close the circle between participatory budgeting, and accountability. Some degree of capacity is probably necessary in both civil society and the media in order to make sense of auditing reports, but governments themselves can go a long way toward meeting this need by making budgets and audits easier to understand.

Transparency (as the case of Porto Alegre suggests) might also help in increasing tax collections, even without tax reform. When citizens can see what their tax money is being used for, and when they have greater confidence that it is being used for public services, and that an effective audit office will monitor that spending, they may be more likely to pay their taxes. And taxes are an important and overlooked side of budgeting reforms.

⁶³ Waglé and Shah (n.d.).

What About the Private Sector and Revenues?

Chile's tax reform reminds us that budgets are about taxation, as well as about spending. This simple fact is not always appreciated. When new forms of participation strongly emphasize the role of NGOs and civil society associations, the private sector sometimes takes a very back seat. A review of the participatory processes underpinning the World Bank's Comprehensive Development Framework (CDF) suggests that the private sector and its associations may not be very involved in the process of developing the long-term development agenda.⁶⁴ By 2001, in two-thirds of the countries that had developed CDFs, the private sector did not participate in the process at all. As the review pointed out, being left out meant that "private sector commitment to the national strategy, a key pillar of any long-term development agenda, is therefore generally weak."⁶⁵

The weak commitment of the private sector is not a feature of the Irish model, but as the case study on that model noted, spending has not been notably "pro-poor" in Ireland. There is very little information about the role of the business sector in Porto Alegre, but it does not feature as a prominent part of the discussions. Mauritius does have strong commitment from the private sector in its development agenda, but most of the private sector's participation takes place in bilateral discussions between the government and the apex business federation, the Joint Economic Committee (JEC), a part of civil society with greater access to policy-makers than the unions or the community-based NGOs.⁶⁶ The budgetary consultations are only one of many meetings between the JEC and the government over policy.

The role of the business sector becomes particularly important when we remember that budgets include not only expenditures, but revenues.⁶⁷ It is frequently the business class that will be taxed in order to fund expenditures. As the Chile case points out, their negotiated agreement to support pro-poor budgets may be an important part of a sustainable pro-poor spending agenda in a democracy.

CONCLUSION

As Joseph Schumpeter pointed out, "the budget is the skeleton of the state stripped of all misleading ideologies."⁶⁸ When the misleading ideologies are stripped away, what is left is the actual ideology of those who hold power. The successful cases of pro-poor spending that I outlined above were put in place when a pro-poor, left-of-centre political party won power, and when it then used that power to negotiate a shift in priorities. Participation in the absence of the combined power and

⁶⁴ World Bank (2001).

⁶⁵ Ibid: 4.

⁶⁶ For more on the role of the JEC in Mauritius, see Bräutigam, Rakner, and Taylor (2002).

⁶⁷ In Brazil, much of the municipal budget is made up of transfers from the federal government.

⁶⁸ Cited in Moore, 2003.

agenda of a committed political party may, as in the Irish case, have little impact on pro-poor spending.⁶⁹

Participation can have other benefits. Increases in information and greater transparency may make it easier to pressure and embarrass a government that is not pro-poor. Participatory budgeting can serve an important public education function. Combined with a strong auditor general, informed media, and civil society organizations with the capacity to deconstruct current spending patterns, it may yet be a novel pathway to make economic policy more pro-poor.

Donors like to jump on bandwagons. The move toward greater participation in budgeting and other areas of fiscal policy is showing signs of this trend. All of the usual precautions should be applied to this new strategy for pro-poor spending: avoid blueprint prescriptions, emphasize a menu of possible strategies and, most importantly, support a learning process where states and civil societies can study what is working elsewhere and, themselves, adapt these strategies to their own environments. Ownership, as always, is essential for sustainable change. In this case, a sustainable shift in pro-poor spending, taxation, and macroeconomic policy is still likely going to require the old fashioned tools of partisan politics, and the difficult negotiations over a sustainable, democratic, development strategy will require the inclusion, not the exclusion, of the business sector as well as the poor.

⁶⁹ The inclusion of NGOs and community groups in the Irish process may yet lead to more pro-poor policy shifts; this is a natural experiment that should be watched closely.

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DISCUSSION OF

“The People’s Budget: Politics, Power, Popular Participation and Pro-poor Economic Policy” by Bräutigam

Comment, John Loxley

The discussant was in general agreement with Brautigam’s paper, especially with the desirability of going through parliament, whenever possible. He also praised her emphasis on the need to look at both the revenue and expenditure sides of the budget, including tax credits (tax expenditure), which are a form of negative revenue. The discussant also stressed the importance of “good government”, stating that good government makes a difference and organizations do have a role to play. Costa Rica is an example of good government and was one of the cases studied in this paper where the legislature did function and did have a meaningful dialogue with the executive. There was also the issue of unhappiness; people tend to want to participate more in organisations outside of government if they are unhappy with the functioning of government and parliament.

Floor Discussion

Concern was voiced that participation results in pro-poor policies only if the ideology of the party in power is pro-poor. Governments too often silence civil society organisations by buying them off, and this is not healthy for democracy.

An expert on the Dominican Republic explained in that country, as in Latin America as a whole, the people have high trust in the Catholic Church, but little faith in political parties or congress. In the period 1994-2001 there was a decrease in civil engagement in the Dominican Republic. Presidents rely on direct democracy to govern, bypassing the legislature, which leads to clientelism and corruption. Populist rulers weaken an already weak legislature. Civil society must be promoted by working *through* the legislature. This is not happening in the Dominican Republic.

Can Civil Society Add Value to Budget Decision-Making? A Description of the Rise of Civil Society Budget Work

Warren Krafchik

THE GROWTH IN INDEPENDENT APPLIED BUDGET WORK

Since the 1990s, civil society organizations have begun to play a larger role in the budget process in some developing countries. This growth has been particularly rapid in the past few years and corresponds with the political trend towards democratization. The first international meeting of civil society budget groups, convened by the International Budget Project in 1997, was attended by 50 people representing budget organizations in fourteen developing countries. By the third conference, there were 100 participants from organizations in 25 countries⁷⁰. Most of the core groups from the first conference had deepened their work, while promising new efforts were represented from Ghana, Kenya, Russia, Croatia, Uganda, Peru and Indonesia.

The growth of independent budget groups is recent. While a few groups have over 6 years experience, the majority of organizations have been engaged in budget work for less than three years. Budgets remain closed processes in developing countries and most do not have independent budget analysis capacity outside of the public sector. Nevertheless, applied budget groups are taking root in a broad set of countries, including several not hospitable to inclusive budgeting. Budget groups have been able to start despite extreme paucity of data, repressive regimes (Malawi), extensive corruption (Nigeria) and political turmoil (Indonesia).

The purpose of this paper is to examine this expanding contribution of civil society organizations to public budgets in developing countries. The material that follows will provide examples of civil society budget activities in a variety of country contexts in order to measure the value of this work to public budgeting.

The growth of independent applied budget work organizations refers to a specific subset of civil society organizations; hereafter called *budget groups*. The vast majority of these groups operate independently of their country government and

⁷⁰ The work of the International Budget Project (IBP) is one of the few sources of information of this little documented trend. The Project was established by the Centre on Budget and Policy Priorities in Washington, D.C. in 1996 in order to help nurture independent budget organizations in developing countries.

political parties. It is this independence that often underlies the unique oversight and information contribution of civil society to public budgeting. Each organization focuses on public sector budgets or government expenditure and taxation issues. The work undertaken is applied or policy and impact oriented, highlighting the impact of public budgets on the poor. There is little concentration on developing theoretical models, although existing theoretical work is sometimes explained, adapted and or tested in application. Budget work is a way of conducting research on the budget that is of direct and timely relevance to current policy decisions. Groups strive to achieve analysis that is timely, accessible and accurate.

Despite great variation between budget groups, many share a common agenda that acknowledges the value of inclusive budget processes, independent oversight and a commitment to pro-poor choices within existing fiscal capabilities.

Over and above these common points of departure, it is difficult to typcast the work of independent applied budget groups. Each group focuses on a wide variety of topics and employs several methodologies. Budget groups work at either or a combination of national, state and local/municipal levels. Some groups focus on simplifying the budget for popular consumption, some develop expertise in training, while others develop analytical or advocacy expertise or some combination of these. Most groups monitor every stage of the budget process, but often concentrate their interventions on a specific stage. Some groups monitor the impact of the budget on the poor or develop methodologies to monitor the welfare of specific interest groups such as women or children.

The origin of budget groups is similarly diverse reflecting the varied country circumstances within which budget groups operate. It also shows that there are few limitations to the kind of organizations that can benefit from developing budget skills. Some groups were established specifically to advance budget issues, while the work of many has emerged to strengthen the work of an existing organization. The majority of groups have emerged and operate within the non-profit, NGO / CBO sectors. However, several groups have been successfully established within an academic environment and a couple of groups have been initially supported from within the public sector. The leaders of these groups include activists, academics, former government leaders, business people and consultants.

Although not the central focus of this module, it is important to mention that increased civil society budget activities are often complemented by greater independent budget oversight within legislatures and by the increased critical coverage of budget issues in the media. A partnership between civil society and legislatures is often the starting point for the development of local independent budget work. In many cases, civil society has been able to build or enhance research expertise that is lacking in legislatures, while legislatures can offer access to key moments in the budget process that are inaccessible to civil society.

INTERNATIONAL CONTEXT

The role of legislatures in budgets is declining in Organization of Co-operation and Development member countries⁷¹. In contrast, the role of civil society and legislatures in the budget is increasing in several developing and transitional countries. It seems only natural that civil society work has begun to gravitate toward government budgets. The budget is the government's most important economic policy instrument and should therefore reflect the nation's priorities. All public policies eventually have to confront the need for financial resources and civil society groups can be more effective if they know about how the budget is drafted, approved, implemented and evaluated. Yet, the timing of this growth in budget groups reflects several international developments.

These include:

- **Democratization:** Budget work frequently flourishes in countries undergoing a democratic transition such as South Africa, Russia, Uganda and Indonesia. Democratization often brings an associate increase in transparency and participation. This allows civil society and legislatures to play a more substantial role in public policy and simultaneously advocate for even greater transparency. A virtuous cycle is thereby initiated, deepening democracy.
- **Decentralization:** Democratization has often been accompanied by a complementary process of decentralization that brings budgeting closer to communities. While decentralization may make it more complicated to monitor budgets nationally, it may also open opportunities for greater citizen and local legislature involvement. In addition to possible formal opportunities for involvement, given the weaknesses of many state and local institutions, decentralization often opens training and analysis opportunities for budget groups.
- **Public Expenditure Management:** The progress of independent budget institutions is taking place and, to some extent, incorporating revolutionary changes to international public finance practices. New public expenditure management supports greater independent oversight capacity in civil society and legislatures, although the terms of this engagement are not yet clear. The new tools of outcome based medium-term budgeting are dependent on greater transparency and more useful, timely and accessible data provision — each of these important conditions for non-government budget work. Similarly, tighter standards for accountability enable enhanced external monitoring of public resources. It is interesting to note that the growth of independent budget organizations over the past two years has been most rapid in Africa, particularly in the countries implementing new public expenditure management systems.

⁷¹ See Schick, Allen. (2001).

- International Financial Institutions⁷² (IFIs) and poverty alleviation: Independent, applied budget work is also increasingly supported by an emerging international consensus on the complementary role of the state and non-government actors in development. While the 1980s heralded the decline of communism and the victory of private sector led development, international and regional development institutions generally acknowledge that progress against poverty and inequality has been less dramatic. Today, many of these institutions promote the governance opportunities of public — private partnerships. Civil society budget work may represent one of the opportunities where the goals of the IFIs and civil society may be complimentary.

THE CASE FOR CIVIL SOCIETY PARTICIPATION IN THE BUDGET PROCESS

The growth of budget group signals an important shift in public finance practice. In most countries, public budgeting has long been considered the exclusive preserve of the executive. It is only recently that the value of opening budget processes to non-government input has been considered desirable in some countries. For the majority of developing countries a set of powerful negative myths continue to constrain the independent budget work of civil society, legislatures and the media. These include:

- Budgets must be formulated in secret or they may upset financial markets.
- Non-government intervention can destroy the integrity of the budget envelope.
- Legislators and civil society have a greater interest in advancing the interests of their constituents as opposed to the interests of the country as a whole.
- It is the government's mandate to produce the budget internally in a closed process; and it's prerogative for it to be rubber-stamped by the legislature.

A closer look suggests that many of these ideas are closer to myths. Budget secrecy may encourage market speculation, while greater transparency may actually smooth market adjustment to known policy choices. Further, useful, accessible and timely budget information facilitates foreign and domestic private sector planning and investment. It is important to acknowledge the need for budget integrity and coherence as a guarantee of the prudence of the fiscal authority. This argument makes sense at the level of certainty about the fiscal envelope. But, budget integrity is unlikely to rely on the need for early certainty on the distribution of resources between and within departments. The tragedy of the commons is a danger of legislatures representing specific interest groups too strongly, but it is not inevitable.

⁷² IFIs play an important role in the transfer of financial resources and knowledge to less developed countries. Of great significance is also the fact that dialogue between donor and recipient countries in these institutions extends not only to development projects and programmes but also, as a priority, to the institutional and political conditions required for economic and social development and their improvement. http://www.bmaa.gov.at/view.php3?f_id=4937&LNG=en

A recent paper by Allen Schick⁷³, based on the experience of Organization for Economic Cooperation and Development (OECD) countries, shows that greater legislature budget involvement can be compatible with outcomes that maintain fiscal discipline.

This conclusion could well hold for the work of applied budget groups. While some groups may focus initially on expanding the budget envelope, as civil society budget engagement deepens, budget groups are more likely to focus reprioritization and the effectiveness and efficiency of expenditures. It does not take groups long to realize that even if the size of the envelope is expanded, there are many more resources at stake in improving spending within the envelope.

Finally, very few people would argue with the assertion that the government has a mandate to produce the budget; but that does not mean it should entirely dominate a closed process. Moreover, there may be positive benefits for government in accepting budget groups as a complementary player in fiscal policy. There will be disagreements, but over time budget groups may be able to deliver greater budget understanding and commitment from a broader group of citizens and better policy options. Moreover, the relationship between civil society and government on budgetary issues is not necessarily confrontational and the work of applied budget groups is compatible with increased public sector budgeting capacity. Although it will depend on the country context, many budget groups operate effectively as critical allies of the government. Budget groups may strengthen government capacity, for example, by providing training, undertaking research of interest to government, working with government in forums and building the potential of the legislature. Independence does imply the possibility of criticism where necessary and this can lead to confrontation, especially where other strategies have not proved useful. But, by adjusting the tone and manner of critical engagement and by producing accurate work, most groups are able to maintain a working relationship with the executive.

If government were to accept budget groups as a partner in national budgeting, there are ways to manage the potential negative implications. One practical option is to separate discussions on the size of the budget from discussions of prioritization. This is the case as is the case in Brazil, Switzerland and Sweden, amongst others. Government can also use engagement to focus and direct civil society to appropriate stages in the budget process. In a world where state and legislature capacity is often less than desirable, these and other options offer a new form of public — private partnerships that may enhance domestic budget management and outcomes.

In contrast to the above, there are several strong arguments for enabling civil society and legislature intervention in the budget. The work of budget groups, either directly or indirectly through the activities below, ultimately has the potential to improve budget decision-making.

⁷³ Schick (2003)

- **Simplifying the budget and deepening debate:** Most budget groups begin or establish as a core of their work developing budget literacy and debate among citizens, interest groups and legislators. This augments the outreach capacity of the state and legislature and builds understanding and participation among citizens. Simplified guides to the budget may cover the budget process, the structure of the budget, budget trends and current allocations, and some discussion of current issues.
- **Collating, synthesizing and disseminating budget information:** These activities support legislature and civil society inputs into the budget process. The information may include the dissemination of cross-state or provincial information on social expenditures; or the identification and dissemination of local and international best practice.
- **Independent critical analysis:** Civil society budget analysis can augment the research capacity of legislatures and the media and, sometimes, in the executive. It may provide one of the few sources of specialized data and analysis on the impact of the budget on the poor. Budget group analysis includes four major foci — budget process or systems, general macro-economic, sector and group incidence and revenue analysis.
- **Bringing new information to budget decision-making:** Civil society budget groups are often able to be in close, regular contact with citizens and interest groups. This allows them to collate unique information on citizen priorities, non-government perspectives on the budget, expenditure tracking and project impact analysis.
- **Training:** Many civil society organizations develop budget training expertise that is directed at augmenting the analytical and advocacy capacity of other civil society organizations, legislatures and the media resulting in stronger interventions and oversight. Several groups also provide training for government departments and international institutions, such as the United Nations and regional trade organizations amongst others.
- **Building accountability:** Through its analysis and dissemination activities, civil society organizations can assist citizens and the legislature to reinforce channels of accountability. This may occur, for example, when groups provide accessible information or pursue the findings of the auditor general with relevant interest groups. It may also follow from monitoring or impact measurement activities that test or augment the data emerging from the auditor general's report.

CIVIL SOCIETY IN THE BUDGET PROCESS

This section is intended to further develop the discussion on the potential value added of civil society to the budget. It is written with the caveat in mind that the trend to non-governmental applied budget work is recent. We are able to point to the wide scope of applied work and some impacts, but this experience cannot yet

be generalized. The evidence does point strongly however to the potential of applied budget work across a broad set of countries and despite significant obstacles.

We use the budget process as a framework of reference to organize our discussion. This framework illustrates clearly that responding to the presentation of the annual budget in the legislature is usually the major focus of most budget group's activities during the year. Notwithstanding this fact, it is useful to bear the following qualifications in mind.

- The budget process itself is not divided cleanly into four stages. In practice, the stages overlap. Similarly, the work of budget groups usually spans across more than one stage. Indeed, one of the constant success factors associated with groups around the world is that budget work requires full time commitment. Budget groups must concentrate on all stages in the budget process to be successful.
- The budget process in each country context offers a unique set of opportunities and constraints. Groups will choose how to divide their energies depending on the relative opportunities at each point in the process.

Drafting stage

The drafting stage is the most closed part of the budget process in virtually all countries and the most dominated by the executive. There is therefore usually little formal opportunity for civil society input prior to the tabling of the budget in the legislature.

The intervention opportunities for civil society that do exist in the drafting stage are often informal, based on the organization's initiative and networks, and reliant on departmental and ministerial contacts. For example, if it is known that a department or individual is concerned with a particular issue, this may create an opening to discuss relevant research. Alternatively, as the timing of the budget process is generally known, a well-timed release of a research report may be able to influence discussions in the drafting stage. Of course, civil society organizations may also rely on the media or other methods of capturing the government's attention during the drafting stage if it is considered that this will be effective. The lack of formal opportunities for input does however mean that it is more difficult to identify the impact of these activities on the executive's proposal.

One of the ways in which budget groups have taken the initiative to create opportunities in the drafting stage is to influence the set of priorities underlying budget policy choices. In Kenya, the Institute for Economic Affairs coordinates an annual civil society meeting with broad stakeholder attendance that culminates in a report providing government with a set of agreed priorities. The government in Kenya has now formally requested this analysis as annual input into the drafting stage.

In a more elaborate process, the South Africa National NGO Coalition⁷⁴ coordinated a two-year process of poverty hearings in many towns and cities throughout the country. The evidence of the poor was collated into a set of priorities by commissioners and delivered to government for inclusion in the budget. Many organizations have tried to take pre-budget input a step further by producing an alternative budget. Most of these attempts have failed due to the financial cost, data and modelling required to produce a comprehensive parallel budget. Only two of these efforts, focusing on a defined theme or limited sectors, have endured. These are the Alternative Federal Budget in Canada, prepared by the Canadian Centre for Policy Alternatives⁷⁵ and alternative tax proposals produced by the Institute for Fiscal Studies⁷⁶ in United Kingdom.

There are two further government-led experiences of civil society engagement in the drafting stage that may help to open formal opportunities for civil society in the drafting process. The most famous example is the participatory budgeting initiated and managed by the local government in the Brazilian town of Porto Alegre. The process was introduced when the Workers' Party won the mayoral race in 1989 on a participation ticket and has been replicated in approximately 100 Brazilian towns with varying success. There is no precise model across these towns, but the programs are designed to incorporate citizens in the allocation of resources, selection of broad social policies and monitoring of public spending⁷⁷. The global trend towards fiscal devolution may provide further opportunities for local level budget participation. There are towns in South Africa, Peru, Russia and Argentina amongst others that are currently experimenting with participatory budgeting.

One of the success factors in participative budgeting worth mentioning in the context of this paper is that it may depend on a weak legislature or undermine the power of the legislature. It has proved successful in towns where the mayor has virtually complete budgetary and administrative power and therefore the space to innovate without the consent of the local legislature. The scalability of participatory budgeting is not clear and currently the topic of research in progress. Participatory budgeting has not yet proved workable at the state or federal level in Brazil. There is also no example yet of a participatory national budgeting process, although the Bangladeshi government has introduced an institutionalized, state led round of consultations conducted only one week prior to the tabling of the national budget⁷⁸.

⁷⁴ Between 31 March and 19 June 1998, SANGOCO convened **Speak out on Poverty Hearings**. For the first time in the history of South Africa, these landmark events ensured the poor an opportunity to be heard beyond a mere vote once in five years. SANGOCO continues to build campaigns that ensure the participation of the majority of South Africans in decision-making critical to their lives. <http://www.sangoco.org.za>

⁷⁵ <http://www.policyalternatives.ca>

⁷⁶ <http://www.ifs.org.uk/>

⁷⁷ Wampler (2000)

⁷⁸ <http://www.bids-bd.org>

A recent Ugandan experience may point to a second potential opportunity for formal civil society engagement in the budget drafting stage in HIPC countries (Highly Indebted Poor Countries).⁷⁹ When the National Resistance Movement came to power in Uganda in 1986 it introduced a system of participatory democracy. This included participation of technically able stakeholders in a joint national task force charged with prioritizing poverty reducing public goods in successive national poverty plans. The task force included civil society organizations, academicians, parliament, government and donors and based its findings on the collection of primary data and consultations with experts and service providers.

With the formation of the HIPC initiative⁸⁰ in the 1990s, the poverty eradication action plan was rolled over into the first PRSP⁸¹ (Poverty Reduction Strategy Papers). To comply with HIPC requirements, the Uganda government added a bottom-up participatory poverty assessment project in 10 pilot districts to review the priorities based on community level experience and develop mechanisms for their consistent involvement in poverty reduction strategies. Monitoring of the poverty plan is undertaken biannually by the Finance Ministry and by civil society organizations monitoring the Poverty Action Fund established to disburse the resources released under HIPC. The early promise of the Ugandan model may be related to the unique political system. Participatory national priority setting has proved less successful in Kenya, for example. However, the expanding PRSP process may present future opportunities for early civil society involvement in setting budget priorities in some countries. The formal participation of the government, as the driver or partner of the initiative is of course critical for success, as in the case of participatory budgeting.

There is one further innovation that increases the scope for legislature and civil society input. Several countries have started publishing early details of macro-economic policy and a broad outline of the forthcoming budget in a pre-budget statement months before the tabling of the final budget. This has the effect of separating out discussions on macro-policy and the size of the budget from detailed interaction with department budgets in the legislature budget process. In some countries, such as Brazil, Sweden and Switzerland, the pre-budget statement must be debated and approved by the legislature (In Brazil, the rule is this discussion and enactment must occur before representatives are allowed to start the summer recess!). In other countries, such as Peru and South Africa, there is space for the legislature to debate but not vote on this broad statement. The benefit of the pre-budget statement is that

⁷⁹ The HIPC initiative grants debt reduction relief to highly indebted poor countries on the condition that funds released are deployed in poverty programs and that civil society is integrated into the drafting and monitoring of these efforts.

⁸⁰ <http://www.worldbank.org/hipc/about/hipcbr/hipcbr.htm>

⁸¹ PRSP describe a country's macroeconomic, structural and social policies and programs to promote growth and reduce poverty, as well as associated external financing needs. PRSPs are prepared by governments through a participatory process involving civil society and development partners, including the World Bank and the International Monetary Fund: <http://www.worldbank.org/poverty/strategies/>

it can protect the macro-envelope early in the process, while encouraging detailed engagement with issues of reprioritization and effective and efficient spending.

In sum, the drafting stage traditionally presents limited formal opportunities for civil society to add value to the budget. At a local government level, participatory budgeting may prove effective in environments outside of Brazil, but is unlikely to do so at state or national level. At a national level, opportunity for influence through the setting of national priorities may grow through the expanding PRSP process. Nevertheless, civil society organizations do create their own opportunities to influence the drafting process through the collation of useful information on priorities and through the carefully direct or indirect contact with the executive. To the extent that budget groups are involved in the drafting stage, the benefits of civil society involvement may be broader understanding of the choices facing budget decision-makers and greater accuracy in identifying citizen priorities between elections.

The degree of civil society efforts in the drafting stage will be related to the intervention opportunities throughout the budget process, and particularly the legislative stage. Involvement in the drafting stage may be particularly important in countries where the legislative stage is undermined by weak or part-time legislatures. In countries where there are few legislature opportunities for effective and direct civil society intervention, groups may well strategize to direct greater resources to the drafting stage, despite its limitations.

Legislative stage

Many budget groups focus considerable energy on this stage for several reasons. In most democracies, the budget is tabled and must be approved in the legislature. This is usually the first comprehensive sighting that civil society has of the plan and a high profile opportunity to increase the impact of their work. The legislature process also offers the first formal opportunity for legislature representatives to debate and, in some cases, change the budget. This increases the opportunities for direct influence and the demand for NGOs (Non-Governmental Organisations) services such as training and research. Moreover, in many countries, the legislature offers civil society direct intervention opportunities, such as public hearings. Given parliament's role as the representative of citizens, this stage is often considered the most appropriate point for civil society intervention. However, the effectiveness of civil society involvement in this stage depends on the strength of parliament's own power in the budget process.

In theory, legislatures have significant power over the budget. The constitution usually prevents funds being spent without legislative authorization. Legislature debate can be complemented with powers to summon expert witnesses and members of the government to give evidence. These powers are augmented significantly where the legislature has the capacity to amend the budget. In practice, developing country legislatures are often undermined by several factors, including

poor research capacity, the absence of powers of amendment, a weak committee system and the timing of the budget process.⁸²

Despite these problems, several legislatures have recently taken the initiative to flex their budget powers. This is currently the case in Croatia, Kenya, Malawi, Mexico, Peru, South Africa, Uganda and Zambia, amongst others. The weaknesses and strengths of legislatures and civil society budget groups can combine to establish a potentially powerful oversight partnership. As the opportunities for greater legislature engagement with the budget expand, so too will the opportunities for deeper civil society engagement with the budget. In turn, civil society is able to augment the limited outreach and analysis capacity of legislatures thereby adding value to the budget.

We turn now to the different ways in which budget groups add value to the legislative budget process. The first major activity of budget groups at budget presentation time is the preparation of accessible summaries and guides to the budget. In countries with limited budget analysis capacity in civil society or the legislature, these products can serve as the first opportunity for independent oversight and participation. The recent work of the Institute for Public Finance in Croatia⁸³ illustrates this point well.

The Institute recently published the first guide to the Croatian budget. It provides a general introduction to the budget and analyzes the major expenditures and revenue trends. It also covers extra-budgetary funds and the consolidated budget of the general government and the different stages of the budget process. The guide has been widely quoted, discussed and commented upon in the Croatian media as it was published at the same time as the executive's budget proposal for the next financial year was being discussed in parliament. In a comment underscoring the usefulness of the guide, one of the members of the parliament stood up, flashed the guide, and said to the deputy minister of finance: "*Now we don't have to (only) listen to you anymore, we have a (alternative) guide!*".

Budget training is a second major activity of budget groups during the legislative stage. These programs may be targeted at legislatures, media and civil society organizations, as well as government personnel. Centre on Research and Teachings in Economics⁸⁴ (CIDE) in Mexico is one example of a group providing comprehensive budget training to these target groups. The three-day budget course on the federal budget has the objective of teaching the basic knowledge needed to carry out an analytical view of Mexico's budget. The course covers the broad contours of Mexico's federal budget, its origin, approval process, administration, and impact. This training became an important resource for legislators when the Institutional Revolutionary Party (PRI) lost its majority in Congress and the potential existed for a dramatic increase in the role of the legislature in the budget.

⁸² Krafchik, W and Wehner, J. (1998)

⁸³ <http://ijf.hr/eng/>

⁸⁴ <http://www.cide.edu>

Training may also be coupled with more intensive technical support. Institute for Democracy in South Africa⁸⁵ (IDASA) in South Africa formed a partnership with a multi-national accounting firm to provide training and technical support to provincial legislatures in South Africa during the legislature budget process. The project creates a pool of trained analysts from both organizations to provide general training and in-depth support to committee chairs for the month-long legislature debating period⁸⁶.

The third major activity of budget groups during the legislative stage involves the preparation and coordination of independent analysis. Given the limited fiscal analysis capacity outside of the private sector in developing countries, this constitutes one of the few accessible, timely, critical interpretations of the budget. It is often the only available analysis on the implications of the budget for low-income communities.

ANALYSIS OF THE EXECUTIVE'S BUDGET PROPOSAL TAKES FOUR MAJOR FORMS:

A few groups produce a comprehensive analysis of the budget, such as the response of the Consumer Unity and Trust Society in India to the 2000/01 Indian Union budget. The analysis argues for government to stick with its commitment to phase out non-merit based subsidies in favor of merit based subsidies especially in education and health. The memorandum suggests that the resources released through this shift should be reprioritized towards programs addressing child labour issues⁸⁷.

A complementary approach is provided by the Catholic Commission for Justice and Peace⁸⁸ in Zambia. The Commission monitors social service delivery during the year through a set of monitors around the country and combines this information, together with the budget comments of a focus group of NGOs, to draft a broad comment on the poverty impact of the budget. The post-budget statement covers health, welfare, education, agriculture, debt, tax and monetary policy.

Another complementary approach is a broad survey of budget transparency and participation in the budget process that was designed by the International Budget Project and IDASA and tested in South Africa. This is currently being applied in four countries (Ghana, Kenya, Nigeria and Zambia) and five Latin American countries (Argentina, Brazil, Chile, Mexico and Peru).

A few groups analyze a particular macro-economic issue. For example, groups may focus on the macro-economic parameters underlying the budget or the effect of the budget on macro-variables such as the deficit, national debt, interest rates,

⁸⁵ <http://www.idasa.org.za>

⁸⁶ For further examples of budget training see the work of Development Initiative for Social and Human Action DISHA in India training Dalits (contact Disha@vsnl.net.in) and the work of Institute of Socio-economic studies INESC in Brazil <http://www.inesc.org.br>

⁸⁷ <http://www.cuts-international.org>

⁸⁸ www.ccjp.org.zm/2001pre_budget.html

growth or employment. In its submission to parliament on the 2000/01 budget in South Africa, IDASA questions the government's optimistic growth forecast and traces the impact of the likely slower growth on programs for the poor⁸⁹.

A large proportion of group's focus analyzes the impact of the budget on particular sectors or socio-economic groups, such as low-income people, the elderly or racial or ethnic groups. Often the sector foci are on health, welfare or education given that these comprise the majority of social services. Analyses consider sector allocations in relation to allocations to other sectors or to the entire economy, or in relation to historical levels of support.

As government budgets do not generally reference the effects on particular socio-economic groups, as opposed to departments, several budget groups have developed creative methods to undertake incidence group analysis. Work on gender budgets has become a popular area of activity in many parts of the world as shown in a recent paper by Debbie Budlender⁹⁰. The Tanzania Gender Networking Program established their gender budget initiative in 1997. It focuses on macro-economic policies and planning with a stress on budgets and budgetary processes and their impact on men and women in Tanzania⁹¹.

Work on children's budgets has also advanced recently in several countries. The South African Children's Budget⁹² was launched in 1998. The project examines what resources the government is allocating to children's programs and whether these programs adequately reflect the needs of children as established by the United Nation's Convention of the Rights of the Child.

As fourth foci, budget organizations are increasingly undertaking taxation and revenue analysis. This work may challenge the distributional impact of the proposed taxes or the suitability and sufficiency of revenue proposals to fund proposed expenditures. Tax administration and compliance are further issues pursued. The Centre on Budget and Policy Priorities recently played an active role in deepening the recent tax debate in the US. In a paper on President Bush's tax cut proposal, the organization argues that the cut may not help the U.S. out of its current economic slowdown⁹³. The Institute for Public Finance in Croatia is similarly working on responses to the government's current reform of the overall fiscal system, including tax administration reform. In a recent paper, they question the extent to which the proposals for tax reform are in line with the theory and practice of tax administration in developed countries and countries in transition⁹⁴.

⁸⁹ <http://www.idasa.org.za/bis>

⁹⁰ Debbie Budlender (2001)

⁹¹ Case Study Tanzania Tastes of Success, p53, <http://www.internationalbudget.org/resources/success.pdf>

⁹² Streak (2001)

⁹³ <http://www.cbpp.org/2-22-01tax.pdf>

⁹⁴ <http://www.ijf.hr/ocpapers/op-5.htm>

In addition to their own analysis, some budget organizations facilitate or host forums to collate budget analyses of other civil society and community groups. This assists in providing government with a rich source of information from a broad group of popular interests. A number of civil society organizations in Zambia facilitate commentaries following the presentation of the budget in the national parliament. One of these forums is the annual National Budget Workshop organized by the Economic Association of Zambia that brings together civil society groups with the Minister of Finance and Economic Development. Contributions have covered issues such as macro-economic policy, revenue measures, expenditure patterns and the gender impact of the budget.

In sum, the legislative stage of the budget process often offers budget groups the strongest opportunity for formal involvement and leverage. In these cases, civil society work can add maximum value by offering the full spectrum of activities including training, budget guides and analysis. Budget work focusing on the impact of the budget on the poor can provide a unique resource, augment the paucity of trained analysts in the public sector and potentially improve policy choices. The contributions of budget organizations to the legislature stage do however depend significantly on the degree of opportunity for legislature budget involvement. Where this is limited budget, organizations can still add value to the budget by simplifying and clarifying the budget proposals, providing training and by working closely with legislators. However, in these situations budget groups are likely to channel a greater proportion of their resources to other stages in the budget process, including the drafting process.

Implementation stage

Implementation is primarily an executive function. For most applied budget groups, the importance of this stage is the opportunity it holds for collating information on expenditure, revenue and outputs that will contribute to the quality of their participation in the legislative stage. However, weak public implementation capacity and accountability mechanisms are driving budget organizations to focus on implementation issues.

Organizations in India, such as the Centre for Budget and Policy Studies⁹⁵ in Bangalore, have produced useful analysis of the difference between planned and actual expenditures. Data improvements in South Africa are also enabling this type of analysis for the first time. The biggest obstacle to this work in other countries is the paucity of government data, including timely and accurate information on disaggregated actual expenditure, government borrowing and debt redemption; as well the capacity to provide incidence benefit reports.

Ritva Reinikka at the World Bank has helped pioneer methods to measure the difference between planned and actual expenditure where data is scarce. This work relies on new community level data sources in Ghana, Uganda, Tanzania and Honduras

⁹⁵ <http://www.internationalbudget.org/resources/India.pdf> contact information (cbps@vsnl.com)

and may be adapted by independent budget groups in the future⁹⁶. Uganda provides an interesting experiment in implementation monitoring that may open opportunities in other countries. In 1998, the Ugandan government established a Poverty Action Fund (PAF) as a mechanism to target, protect and monitor funds released by the HIPC initiative and donors for poverty programs. The PAF does not operate as an extra-budgetary fund, but is integrated into the budget. The Fund involves civil society organizations in the selection of projects and in monitoring the impact of PAF expenditures by allocating 5% of the fund to sustain monitoring activities. Monitoring is coordinated by an applied budget work coalition, the Uganda Debt Network, and is undertaken through periodic (quarterly) field surveys by a team of researchers and community members. The initiative also tracks monthly expenditure releases from central government to local governments and reconciles these with releases from the central bank. Quarterly progress reports are presented at multi-stakeholder meetings. In a relatively short period of time, this initiative has helped to identify the blockages in funding to local government, increase funding to poverty relief programs and shifted expenditures towards identified priority sectors⁹⁷.

There are many civil society organizations with experience in program and citizen / customer evaluation. The work of the Public Affairs Centre in Bangalore is particularly well known in this regard (www.pacindia.org). There is also civil society work in Ghana and Zimbabwe on tracing the impact of structural adjustment programs through community surveys. But, there are few examples of organizations that track budgetary flows through to program impact. Work along these lines is only beginning. IDASA in South Africa is undertaking two pilot projects tracking the impact of public expenditures on special courts for children and rape victims. The Structural Adjustment Participatory Review Initiative (SAPRI) in Ghana and the Catholic Commission for Justice and Peace in Zambia have used their structural adjustment monitoring work as a springboard to focus more directly on budget flows and have plans to test the link between budget plans and disbursements. The latter has an extensive community network that has been successfully used in the past to track blockages in the flow of public funds from provincial to local level.

In sum, it is too early to evaluate the replicability and sustainability of the Ugandan poverty fund monitoring initiative — but, these efforts cannot substitute for government information collation capacity. Civil society can help to some extent but this requires a rare partnership of sophisticated policy NGOs with strong community partnerships. As data improves, applied budget groups will be able to provide more sophisticated checks on the congruency and impact of expenditure. This opportunity is unlikely to emerge as a significant space for broad civil society engagement, but might work in generating data for a defined set of poverty expenditures or as a check on government generated numbers.

⁹⁶ Emmanuel Ablo and Ritva Reinikka (1998)

⁹⁷ www.udn.or.ug/

At present, the primary importance of the implementation phase for most budget groups is the opportunity to collect data on implementation to use as evidence in the legislative and auditing stage. As argued by the Catholic Commission for Justice and Peace in Zambia:

“The futility of our system of commenting on the budget once it has been presented is that no influence can be made on the contents of the budget. Not even the debate by MPs influences the budget under discussion. Our post-budget challenge therefore remains at monitoring the implementations of commitments made in the budget throughout the year, drawing lessons that will be vital in our submissions to the next budget” (CCJP, 2000 Post Budget statement).

Auditing stage

The primary constitutional actors in the auditing stage are the Auditor-General or Court of Accounts and the Legislature. These agencies are usually required to report to the legislature as keeper of the purse. The physical and human resources required for a full state or federal audit limits civil society interventions to checking the Auditor-General’s findings in discreet areas. The major opportunities for independent budget organizations follow from the findings of the audit and the legislature procedure to evaluate these.

This may be one area where applied budget organizations have not sufficiently exploited the potential opportunities. Where developing country auditing is competent, these reports often document a litany of mis-expenditure, mal-expenditure and procurement irregularities.

However, few of the organizations in the International Budget Project network dedicate resources to monitoring and follow-up on the audit function. There are several reasons to account for the lack of civil society audit stage activity. In most developing countries, the audit report is presented approximately two years after the close of the financial year. The audit report is swamped and often confused by current budget issues. In parliamentary systems in particular, the absence of effective legislative budget powers provide little incentive to scrutinize whether the funds have been spent as authorized. The low interest in following-up on the audit report reinforces this tendency. This is further compounded by the split between committees dealing with public accounts oversight and those dealing with budget analysis and authorization.

The experience with participatory auditing in Kerala, India points to potential further oversight opportunities for a few civil society groups during the audit stage. The first is the development of participatory audit techniques at community level in India. This fascinating practice involves the local auditor meeting with village members to physically audit the outputs planned and approved in the local budget (See Anne-Marie Goertz and Rob Jenkins, 2001).

SUMMARY AND CONCLUSIONS

Applied budget groups have recently begun to expand the role of civil society in the budget. Their interventions have enabled broader understanding and participation in the budget process and more effective oversight. In part, these benefits occur indirectly through other organizations or legislatures as a result of training and dissemination activities that deepen public debate and expand public participation. However, some evidence is emerging that their activities can also directly improve budget decisions and outcomes.

Many groups are still developing skills and organizational capacity. Only a small set of experiences already point to significant impact. In Mexico, the work of the Centre for Research and Analysis (FUNDAR) in the 1990s halted the use of a Presidential secret account that did not require the approval of Congress. In Israel, the work of information on equality and social justice (ADVA) pressured the government to retract changes to the welfare benefits that would have been prejudicial to the country's poorest families and elderly citizens. In South Africa, the work of IDASA led to an improvement in a new basic financial management bill through the inclusion of clauses on Virement⁹⁸ and sanctions for mismanagement. In Russia, the work of Volgo-Vyatsky contributed to eliminating a corruption-prone arrangement that allowed firms to pay a portion of their taxation in goods and services.

The legislature stage usually holds the most opportunity for budget groups. This stage is geared to benefit from the full spectrum of civil society budget research, training and dissemination activities and also provides a forum for the formal inclusion of the sector into the policy process. At present, as far as the budget drafting and implementation phases are concerned, the participation of budget organizations is largely limited to collating information on priorities and implementation. It is still too early to assess the full implications of the promising participation efforts associated with the PRSP process or the local government participatory budgeting experience. Given resource implications and technical requirements of community surveying and impact evaluation, it is likely that involvement in these stages will be limited to a few organizations evaluating a small proportion of the budget or particular projects. Conversely, there is probably greater capacity for civil society involvement than currently exploited in the auditing stage. There is an important role in tracing, with legislatures, the findings and recommendations of the auditor-generals report. As far as a broader role in the auditing stage, civil society's role is probably limited to cross-checking particular projects, or areas of concern rather than duplicating the role of the auditor-general.

We noted earlier that applied budget organizations may add value to budgets in seven ways. The primary value added in the drafting stage may be their ability to bring new information to the public debate on citizen priorities and, through training, building the capacity of communities to take part in this process. During

⁹⁸ Virement refers to the extent to which a government department can spend in a way that is not congruent with budget plans without reverting back to the legislature for approval.

the legislative stage, the contribution of applied budget organizations includes building budget literacy and training and analysis that brings a pro-poor perspective to budget deliberations. This is the stage where the analytical skills of applied budget groups are most evident and where their ability to improve budgetary decision-making is maximized. During the implementation phase, budget groups may help to a limited extent in collating information on program impact. In addition to similar evaluation activities in the audit stage, applied budget groups may be able to play a bigger role in helping legislatures to monitor the impact of the official audit and in interpreting and disseminating the findings of the auditor-general.

These early results of the rise of budget groups provide cause for optimism. Groups have been established in diverse settings and shown resilience to significant political and data obstacles. There seem to be few organizations that cannot benefit from budget analysis skills. Consequently, we can expect the growth in budget work to continue to broaden and deepen in the developing world. Part of this growth may well take the form of greater interaction between budget groups and other civil society organizations, including human rights organizations and activities.

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INTERNET SOURCES:

SANGOCO. South Africa National NGO Coalition	http://www.sangoco.org.za/
CCPA. "Canadian Center for Policy Alternatives"	http://www.policyalternatives.ca/
IFS. "Institute for Fiscal Studies"	http://www.ifs.org.uk/
BIDS. "Bangladesh Institute for Development Studies"	http://www.bids-bd.org
Institute of Public Finance in Croatia	http://ijf.hr/eng/
IFIs. "International Financial Institutions"	http://www.bmaa.gv.at
The Center on Budget and Policy Priorities	http://www.cbpp.org
Uganda Debt Network	http://www.udn.or.ug/

DISCUSSION OF**“Can Civil Society Add Value to Budget Decision-Making?”****by Krafchik***Comment, Deborah A. Bräutigam*

The political system in a country can be thought of as composed of four inter-connected groups: government executive, legislature, media and NGOs. Another powerful group, at least in poor countries, is the group of donor countries. Different types of countries require emphasis on different political groups. In middle-income democracies, such as South Africa, Brazil, even India, capacity-building is urgently needed in the media and NGOs. In new democracies, it is the executive-legislative link that needs to be strengthened. The legislature needs to learn to question the budget presented by the executive branch of government. In the Heavily-Indebted Poor Countries (HIPC) or Low-income Countries Under Stress (LICUS), the legislature is weak and donors are important, especially when many sources of revenue are outside the budget. In HIPC/LICUS settings it is important to focus on the revenue side of the budget, for many of these countries are rich in resources such as diamonds or oil. More transparency is needed in the budget.

Many forums are possible. One possibility is the corporatist model such as that of Ireland, which brings business, government and labour together outside parliament. This is good for compromise, for groups to accept trade-offs. The discussant pointed out, however, that it may not be possible to replicate a successful model in a very different type of country. The corporatist model in particular is hard to replicate in developing countries.

Floor Discussion

One participant stressed the need to give more thought to different types of participatory budgeting, to disaggregate and think about which forms might be best for different circumstances. What the World Bank has in mind is the government-lead corporatist model, designed to produce a consensus on budget issues. But, with many NGOs, how do we determine who sits at the table? Which groups are to be included and which excluded? When there is only a single, umbrella labour organization, for example, this does not pose a problem. But what if there are a multitude of groups representing different types of labour?

Other participants added that many ‘new democracies’ are not democratising. Clientelism is a serious problem in the politics of many countries. Moreover, NGOs are not necessarily social organisations; they are often donor-driven, government-driven or interest-driven, without a social base. In poor

countries, more often than not they are internationally funded. Donor-funded NGOs often attract trained professionals, such as accountants, weakening an already weak government. The corporatist model, whatever its merits, is simply not workable in countries where only business groups are strong and everyone else is weak. In many countries of Africa, there are no strong institutions even in the business sector, since most businesses are informal. These same countries face cycles of crisis and clientelism, with no opportunity to implement participatory budgeting.

The author (Krafchik) agreed strongly with the need to include and capacitate legislatures, trade unions, and structures other than NGOs and advocated the creation of an informal or strategic budget oversight coalition. Such a group would include not only NGOs, but also legislatures, the media and auditors-general — a broad coalition of institutions with an oversight agenda.

Krafchik felt that everyone is well aware of the limitations of civil society and the media in understanding, analyzing and influencing budgets. He was concerned that there is little literature on the role of the legislature in the budget, but felt that legislatures in many developing countries are beginning to flex their constitutional muscles in public finance, and that partnerships between NGOs / budget groups and legislatures are more frequent than competition or exclusion. The role of auditors-general and their partnerships with civil society and the legislature are also neglected in the literature. Auditors-general usually have some constitutional provision (and sometimes some independence) that can lead to the type of information collection that can benefit parliament and civil societies oversight. The problem is that their mandate usually precludes a “policy or political” role. It is therefore up to civil society and legislatures to take this information and ensure that it leads to behaviour change in the executive or at least greater publicity to the offending (or best practice) practices.

Making and Disseminating Alternative Budgets

John Loxley

INTRODUCTION

Alternative budgeting is fast becoming an established form of political activity, not just in Canada but throughout the world. It represents a relatively new and important form of resistance to attacks on working men and women, on care givers, on the poor and on the environment by governments following neo-conservative fiscal policies. At one and the same time, alternative budgets embody both a critique of those policies and another vision of policy, people-centred, pro-women, pro-poor and pro-environment. They also embody a more democratic vision of how policy should be developed and of who should be involved in policy formulation. They put governments on notice that their policies are being followed closely and their impact measured.

Alternative budgets provide new information and new insights to the public about budgets and their effects on people, making an invaluable contribution to economic literacy. In raising public awareness, they help lift the level of public debate and in the process put limits on state activity and moderate its potentially adverse effects, for, as Rudolph Goldscheid⁹⁹, the great German fiscal sociologist argued in 1925, one must do violence to the facts in order to do violence to the people. Alternative budgets in Canada can, indeed, be seen as a constructive response to the violence of fiscal neo-conservatism, while recent interest in people-centred budgets in developing countries owes much to the daily fiscal violence visited on people by neo-conservative structural adjustment programs imposed by governments with the encouragement of the IMF and the World Bank¹⁰⁰.

Alternative budgets offer a fiscal vision of hope and embody important public policy positions, which are different from the budgets they oppose. They recognize that policy is often translated into action through the raising or spending of money by governments and they aim, specifically, to influence those aspects of public policy. In most countries this covers the provision of a wide range of government services having importance for the daily lives of people, from child-care, to education, from health care to defence, from social assistance to unemployment insurance and from foreign aid to senior's benefits. Tax policy determines who

⁹⁹ Goldscheid (1958)

¹⁰⁰ Loxley (1998)

pays for these services and in what form, with important consequences for after tax, disposable income. It is policy that drives the numbers and the numbers that drive the budget. Getting into the numbers, therefore, inevitably means getting into policy. Our society does not encourage this. Public opinion is shaped by corporate Canada through the thirty second sound bite, the constant repetition in the corporate controlled media of simplistic messages, presented as self-evident truths, that the only way to proceed is the way outlined; usually this means less government, fewer government services, lower taxes and reduced compensation and job security for public sector workers. This reality presents a number of problems for preparing and propagating alternative budgets.

This paper draws on the experience of the author in helping prepare alternative budgets at civic, provincial and national levels in Canada since the early 1990s. Most of that work was through *Choices*¹⁰¹, a social justice coalition which was formed in 1991 and which was expected to have a short life of a few months, as a vehicle to fight cutbacks in the provincial budget. In fact, it lasted over a decade and gained national prominence for its activities. Among many others, covering a wide range of issues at the local and national levels, these activities included helping prepare alternative budgets at all levels of government. At the federal level, it worked cooperatively with the Canadian Centre for Policy Alternatives (CCPA), a progressive think-tank funded mainly by trade unions, to produce *The Alternative Federal Budget (AFB)*. At the provincial level, it produced *The Budget of CHO!CE*. After *Choices* closed down in the early 2000s, the CCPA assumed responsibility for these exercises. (What follows draws on the author's publication *Alternative Budgets: Budgeting as if People Mattered* which contains a detailed account of these and other alternative budget experiences in Canada and elsewhere)¹⁰².

The first point to be made about creating alternative budgets, based on these experiences, is that there is no single right way of doing them. Processes and end products will probably be as varied as the number of groups involved in doing them and this is a good thing. Different groups will have different interests and different skills, come from different regional backgrounds, have different social compositions and pursue somewhat different political objectives. They almost certainly will have different levels of access to resources, financial and otherwise and often work under quite different time constraints. So diversity in method, product and dissemination is to be expected if not welcomed. This makes it very difficult to generalize about how to go about making alternative budgets. Nonetheless, drawing on the experience of *Choices*, CCPA and of other groups in Canada and elsewhere involved in alternative budgeting, there are some general points that can be made and questions that can be raised which may be helpful to those new to the exercise or to groups seeking to improve the way they do things.

¹⁰¹ Social justice coalition which was formed in 1991 as a vehicle to fight cutbacks in the provincial budget

¹⁰² Loxley (2003)

OBJECTIVES AND PRINCIPLES

Before embarking on a budget exercise it is useful for the group to ask itself what the *objective* is. It usually emerges that members of the group have different goals in mind raising the question of the compatibility of objectives. For instance, some people are drawn to the exercise with the idea that they might have an immediate and specific impact on budgets of governments. They might wish to forestall planned cuts to child-care, social assistance, education, hospitals, libraries or swimming pools. Their interests may be quite narrowly confined to one such area or they may wish to present a credible alternative fiscal policy across the board. In both cases the idea is to be immediately practical and relevant. Others may be attracted to the notion of developing a credible, longer-term economic and social policy, using alternative budgets to refine concepts and gradually mobilize people behind the political platform underlying the budget. In this case there might be no pretence at having any immediate impact on government policy.

Such different goals can lead to significant differences in the composition of budgets, in their presentation and in their dissemination. For instance, those concerned with immediate impact may be less interested in developing budgets that are too radically different from the ones they are seeking to influence, even in areas in which they have no direct or immediate interest. To take a hypothetical example, if unions were giving support to a budget exercise with the objective of preventing lay-offs of civil servants or of seeking reversals to salary freezes or days off without pay, they might wish to see this accomplished with the minimum of alterations to the existing tax and expenditure system. They might feel, therefore, that radical proposals on income distribution or, for example, on new revenue sources, might reduce the credibility of the exercise and the prospects of their own proposals being accepted by the powers that be. This may not always be the case. It may be that unions know full well that the alternative budget exercise they are supporting will have no impact on the policies of the government of the day, and their involvement may be premised on influencing the policies of the next, hopefully more sympathetic, government or of a party currently in opposition. They may, therefore, be quite prepared to see their own demands accompanied by calls for radical reform elsewhere in the budget. The point is that unless objectives are spelled out and agreed upon in advance, there is the possibility of friction arising as the budget is developed further down the road. Ideally, the objectives should also clearly spell out the cooperative and consensual nature of the process by which alternative budgeting will be conducted.

Objectives can have a big impact on the form the finished product takes and on how the message is disseminated. If the objective is to use the budget to build a popular base across the country, then the end product will need to be brief and accessible, readable and eye-catching. There has to be enough seriousness in the document to command respect and support but not so much that people find the budget too forbidding. Dissemination would be through church groups, trade

union locals, student and women's organizations and the like with as much face-to-face contact with those involved in the exercise as possible.

If, on the other hand, the objective is seen to be that of lobbying the establishment, including the national media in Canada, in much the same way that right-wing think-tanks such as the Fraser Institute¹⁰³ or the C.D. Howe Institute¹⁰⁴ do, then a more polished technical product may be needed. As well the emphasis will be on press conferences and on small meetings with influential people in government, the opposition and the media. One of the factors making the Alternative Federal Budget such a sensitive political exercise is that different participants have different objectives, along the lines outlined. In that case, however, it has been possible to combine objectives and to have different versions of the end product for different purposes, but some friction has inevitably persisted on where best to focus scarce financial and personnel resources.

The second item on which it is useful to have agreement up front is the principles upon which the exercise will be built. These can be the very principles that brought the group together in the first place if the formation of the group pre-dates the budgeting exercise. Thus, in the case of *Cholces*, the principles upon which it was founded were thrashed out at the very beginning and the subsequent foray into alternative budgeting simply applied those principles. Otherwise, as in the case of the Alternative Federal Budget, time should be spent formulating such principles so that work on the budget, and the product itself, can be guided by them. It is important to stress that there should, as far as possible, be consistency between the principles guiding budget content and those guiding the budget exercise itself. Thus, if the budget is to be built on gender equality, the very process of budgeting should also be based on gender equality so that this becomes a measuring rod of the appropriateness of how things are done and not just of what is proposed in the final document.

BALANCING POLITICS AND TECHNICAL CONCERNS

Related to the question of objectives is that of the balance between the technical aspects of participatory or alternative budgets and the political aspects. If the exercise is to build popular support for political positions expressed through the budget, the balance should clearly err on the political side. A powerful political message backed up by a reasonably solid technical analysis is preferable to an esoteric, detailed technical budget with an obscure or weak political message. Too much preoccupation with the technical may also limit popular participation by turning off people who might otherwise wish to become involved.

Some of the technical analysis, such as that dealing with macroeconomics, such as spending relative to Gross Domestic Product (GDP) or debt servicing growth, or tax revenue forecasting, might more easily be done by people with some

¹⁰³ The Fraser Institute. <http://www.fraserinstitute.ca/>

¹⁰⁴ The C.D. Howe Institute's Approach to Policy Analysis. <http://www.cdhowe.org>

knowledge of budgeting and economics or finance, but experience has shown that finding people to assist with this side of budgeting is not a problem. They might, for instance, suggest plausible alternative technical frameworks — different assumptions about overall spending or revenue increases or decreases, levels of deficit or surplus and therefore different assumptions about the level of debt — inviting discussion of the political implications of one technical framework versus another and non-technicians usually have much to say about this. The difficult technical aspects of budgeting, and by far the more interesting, have to do with the details of government programs and the best people to advise on this are those most intimately affected. Thus, social assistance spending and the rules governing it are enormously complicated. Some professionals, such as social workers or legal aid lawyers, are on top of them but people relying on social assistance payments are generally all too familiar with the twists and turns involved. They should be the ones to advise on the technical aspects of proposed reforms in this area. Once more, the basic premise of alternative, participatory budgeting is that ordinary people can understand and can contribute to much that is considered too technical for them. Again, however, regardless of who is putting together the necessary technical details of proposals, such details should not obscure the underlying political message about the need for reform and its general direction.

If alternative budgets are too technical or their political message too weak, it will be difficult for them to be participatory exercises or to generate much support for the end product. But they can be quite respectable technically and still achieve a high level of popular input and support. Participants must take over the ownership of as much of the technical matter as possible and integrate it into their own on-going political campaigns. A budget can be based on a sound technical foundation without being technical in the way it is presented and without it intimidating or boring people. The trick to broadening the appeal of the exercise is to involve as many people as possible in coming to grips with the details of programming but then present recommendations in a lively and provocative fashion so that they have even wider appeal. Nor is it necessary for alternative budgets to make recommendations on all aspects of a government budget. A comprehensive budget need not comment on items not considered politically important, provided sufficient funding is allowed for them if this is thought appropriate.

Alternative budgets may be more effective if they concentrate on a limited number of important political themes, costing out alternative ways of doing things and incorporating them within the whole budget. Trying to get in too many details may be counterproductive as it may water down the central message. For the balance of the budget, not covered by the detailed analysis, it may be sufficient to simply lay down important operating themes and principles and leave it at that. For example, if no detailed recommendations are to be made on the allocation of money for say, the Agriculture budget, it may be enough to suggest the policy orientation that government spending should be supporting, which may include promotion of farm ownership by young people, use of organic methods, limits to corporate land holdings and so on.

In some situations, a comprehensive budget alternative may not be possible or desired. Proposals for cutting specific services, jobs or programs may be countered by proposing alternative but socially less damaging cuts or alternative revenue measures which would obviate the cuts altogether. Choices had some success at the civic level before it had the time or the inclination to prepare full alternative civic budgets doing exactly this. Thus, threatened cuts to wading pools, libraries community health clinics etc., were countered by listing a number of ways of raising the money needed. Some of these were so ludicrously simple and unobjectionable, such as a few cents on a round of golf, it was politically difficult for the Winnipeg City Council to proceed with the cuts. Such an approach is not only much easier than comprehensive budgeting but in some circumstances it can be very effective. The limitations of this approach become evident, however, when across the board budget cuts become the order of the day.

A related issue is that of *mainstreaming* versus *separate* budgets, for women, the poor, the environment, etc. In Canada, both approaches have been used at different time and in different exercises. In the budgets with which Choices was associated, mainstreaming was the preferred approach because the alternative budgets were seen as ways to build broad political coalitions. Also, the participants believed strongly in the need for radical change in the way budgets are constructed to make their assumptions and prescriptions about gender, age, income distribution, the environment etc, much more explicit. There have been, however, alternative budgets limited strictly to women's concerns¹⁰⁵ and to concerns about the environment¹⁰⁶. One could also envisage separate budgets for Aboriginal Peoples, people with disabilities, poor children, seniors, etc, which could have a powerful impact on budget consultations, the media, the public and, hopefully, governments.

The arguments against this approach are that poor children live in poor families and that poverty has strong gender, age, disability and racial components. This suggests a mainstreaming approach, but this, in turn, requires a political organization willing and able to mobilize on issues cutting across narrow group interests. In the absence of this political infrastructure, a narrow group approach might make sense. Group interests can also be quite complex and may not fit easily under a broader, progressive, political umbrella, e.g. women, people with disabilities and Aboriginal people contain representatives of different classes and income groups, some of whom might not share, for instance, an anti-poverty, or an employment equity perspective. In organizing to promote their separate interests, they might, therefore, take political positions that are more eclectic than those taken by the groups with which I have worked.

¹⁰⁵ *The Canadian Women's Budget*, Ottawa, 1993- Examines the Canadian federal government's expenditures for social programs and services, and the national defence budget. It proposes an alternative approach to security that requires a restructuring of government priorities and policies. It calls for a budget that reflects the needs of women and benefits all of society.

¹⁰⁶ Canadian Nature Federation, *Greening the Millennium Budget*, Submission to Minister of Finance, Ottawa, 1999

Getting the Word Out

There are many people who support participatory or alternative budgets who have little interest in the technical work involved in preparing them. They can, however, assist in the project in any number of other ways which are equally if not more important. Budgeting is people intensive and time consuming. It requires organizing meetings, finding rooms, phoning people, helping with child care or transport, obtaining data and publications, converting the final document into something people may be interested in reading, running off copies and circulating them, preparing press releases and overheads, contacting the press and liaising with groups which participate in or support the exercise. Somebody also has to manage the many tensions that inevitably arise in a complicated project based on common principles but involving many organizations and individuals with different views, needs and political perspectives. Most work is voluntary but some expenses are inevitably involved, such as paper, photocopying or postage, so some funding and fund raising is needed. All these jobs need doing and preferably everybody pitches in with the less glamorous but essential work. People will come forward to do these jobs if the process is a positive experience, if their contributions are recognized and if the end product is something to be proud of. Much of the fetching and carrying around alternative budgets is connected to the release of the budget. Whatever the objectives, this is a crucial phase of the exercise for it is important that it reach as many people as possible. In terms of having maximum exposure in the mainstream media it is preferable to release the budget before the government's own version. This is risky in the sense that a lot more relevant information needed to prepare an alternative budget is available after the government budget is released. On the other hand, there would be less press interest and obviously, less influence on the government budget if the objective were to have immediate impact.

At the provincial level, CHO!ces found that releasing the alternative budget a day or two before the government's obtains best results as it then becomes an accepted part of the pre-budget debate and no one in CHO!ces seriously believed it would have had any immediate impact on the type of conservative policies being pursued by the Conservative government in power in Manitoba throughout most of the 1990s. After some years of neglect by some of the main media outlets in Manitoba, the Budget of CHO!CE critiques of government fiscal positions have been grudgingly accepted as being fair and accurate, and its own alternatives have been acknowledged to be coherent and consistent. Sometimes it is helpful to present the budget to supportive trade unions and social partners before the release day to strengthen support and to catch any potential problems. The downside to this is that it usually means making changes at the very last minute but that may be unavoidable if the coalition nature of the exercise is to be preserved. One of the annoyances volunteer groups have to put up with is organizations with large professional research capabilities sitting on the sidelines, offering little or no assistance but being quite quick to complain and criticize if they do not get exactly what they want out of an alternative budget.

The venue for the release of the budget is crucial. At the provincial level, Cho!ces/CCPA-Manitoba usually aims for a venue which highlights a major theme in its budget, such as an Aboriginal drop-in centre in the inner city, the house of a senior suffering badly from government cuts in the pharmacare program, or in the hall of a church committed to the pursuit of social justice. Community activists from a broad spectrum of social life in the community are usually invited to lend support and credibility and the press are notified at least twice. Usually, Cho!ces/CCPA-Manitoba will not release the document to any section of the media prior to the release day, as doing so would alienate other members of the press and take away some of the mystique and surprise of the budget. The use of graphics and props can help get the message across. Gender balance should be aimed for on the platform and as many fresh faces as possible from year to year in order to demonstrate the reach of the exercise and to give the media someone new to interview. A number of contact persons should be listed on the media release to ease the pressure on selected individuals for radio and television appearances and, again, to indicate the depth of resources involved in the exercise.

In many cases groups preparing alternative budgets have prepared both a detailed formal budget and a popular version of the budget. Popular versions can take the form of brief, eye-catching, brochures which simply highlight the main message of the budget or of a tabloid newspaper that allows for more extensive coverage, the use of cartoons, photos and graphics. In both cases, they are designed to attract and hold the reader's attention and, hopefully, to be persuasive. Content, lay-out and design are all important and these are, ideally, tasks for professionals, even if on a voluntary basis. Cho!ces had access to such expertise and this played an important role in the effectiveness of the budget campaigns.

It does no harm to draw on some humour or street theatre when launching the budget, knowing that this helps to guarantee attention, provided the serious underlying message of the budget is not overwhelmed in the process. Confronting the premier, mayor, prime minister or Minister of Finance with an alternative budget, with the press in tow, is always guaranteed to get coverage. When Mayor Susan Thompson was cutting jobs and services in Winnipeg, Cho!ces used 20 foot high street puppets, one entitled, 'Suzie Scissor Hands', to get its civic budget message across. Ultimately, however, it is the less sensational, less obvious day-to-day hard work of preparing a sensible, coherent alternative budget and getting it out steadily to interested people and groups, and defending it against attacks, that builds credibility and a strong core group of political support.

Working with the Media

The first problem is that the media cannot be used at all in setting the groundwork for these exercises as it does not share their vision and is not in the habit of encouraging in-depth debate around the issues. This rules out using the mainstream media to publicise the exercise, to launch discussions around key issues, to set up questionnaires and to receive opinions from people based on preliminary analysis

of the problems. Other ways have to be found to reach out to people to get them involved in alternative budget exercises, through direct mailings or word of mouth. Immediately, this marginalizes the exercise somewhat. The real problem here is the absence in Canada of a suitable media outlet for the left that could be used to support this kind of creativity. But it is on the propagation side that the problem of the media is most acute. It is very difficult for progressive organizations to get their message across in any kind of detail and over any length of time. While the media offer almost guaranteed access to such business financed groups as the Fraser Institute, the C.D. Howe Institute, the research departments of major banks and related financial institutions, the National Council on Business Issues and the Canadian Taxpayers Federation, they are less accommodating to progressive think-tanks, trade unions and other organs of ordinary people.

Access is often denied by the simple expedient of not sending a reporter to cover press conferences. Sometimes reporters do show up, stories are filed and are then vetoed by editors. But with organization and persistence, including meeting with editorial boards to complain about bias, about which there is some sensitivity, access can be achieved. Then the problem often becomes one of receiving short shrift or of being trivialized. The CCPA, for instance, will be described as left-leaning or trade union-supported, as a less than subtle code words for saying, don't take this too seriously. When has the Fraser Institute received similar treatment? How often is it described as being funded by business to act as a lapdog for their interests? How often is it described as being ultra conservative? Even then, with persistence and perseverance, some progress can be made. In 1999 the organisers of the Alternative Federal Budget (AFB) did secure a meeting with the editorial board of the Ottawa Citizen. After a discussion of a couple of hours or more, the newspaper published a two-page review of the AFB with a measured analysis and critique. The publicly owned CBC radio and television have also devoted quite some time to presenting the AFB and allowing discussion around it. But the Globe and Mail, the National Post and commercial television and radio have been less receptive and have never taken the exercise seriously, which limits its exposure nationally.

In Winnipeg, it took years for the Choices provincial budgets to be accepted as a legitimate part of the fiscal debate and, after more than 10 years, coverage still remains spotty, brief and inconsistent. Even now, if the media is looking for a reaction to a story on fiscal policy, they will automatically phone a right wing academic, the Canadian Taxpayers Federation (I am a tax payer and they do not represent me!), the chambers of commerce or other representatives of small or large business. Only occasionally will they seek out a view from the left, from organizations such as Choices or from the CCPA.

What this means is not that the mainstream media should be abandoned in these exercises. Rather, it means that they cannot be relied upon and other means of reaching out to people must be built into the process. This is not seen to be a problem by those who view alternative budgets as an essential part of building a grass roots political movement, but it is by those who put more stock in using the budgets as tools for lobbying governments for immediate changes in policy. As we have seen

above, there is always a tension in alternative budget exercises between these two objectives, a tension made all the more acute when the exercises rely on funders who, like the labour movement, justify their spending by reference to its impact on decision making. When lobbying is the goal, creative ways of securing coverage in the mainstream media are essential, and this means differentiating the budget product every year to maintain what little interest there is and finding new and imaginative ways of presenting the product, varying the venue, or using theatre.

A major danger in attempting to woo the media is the tendency to emphasise the technical side of the exercise to the detriment of the political. The media want to be assured that they are talking to experts and are very hung up on the academic or technical credentials of those commenting on budgets. The temptation is to play up this aspect of the alternative budget exercise to the neglect of the broader political dimension of popular participation. Putting together the numbers and writing up a polished policy piece can easily take precedence over the more difficult and more time consuming process of building popular participation in the exercise.

Popular Education

The attention of the media never lasts for much more than a day, essential though it may be. Reaching grass roots organizations is much more important and takes time. It entails shipping out large numbers of the popular versions of the budget and a more limited number of the larger versions, to union locals, church groups, women's groups, aboriginal organizations etc throughout the province or country.

Reaching the grass roots also means having people ready, willing and able to visit these groups to make presentations and defend the alternative budget. In Manitoba, these visits have been combined with budget schools, more basic, systematic introductions to budgets, using the alternative budget as a vehicle for education as well as for political mobilization. This approach was adopted nationally and AFB budget schools have been held all over the country, both as a means of getting people involved in the exercise and of getting the message across. A popular manual was published to facilitate these, designed in such a way as to encourage participants to draw up simple budgets from a list of options (See *Choices/CCPA*, 1998)¹⁰⁷. A simpler, 15 page manual was also tested, with encouraging results, in a number of high schools (See *Choices and Global Change Game*, 1999)¹⁰⁸. The design of budget schools varies according to the expressed needs of the audience who help plan them. Participants are drawn from all walks of life and the schools are sponsored by local trade unions, party locals, women's groups or, most often, social justice or anti-poverty groups. Some schools have focused entirely on women's issues in budgeting and the participants have all been women. Some schools have dealt with civic budgets, others with provincial but most with the federal budget. The duration of schools could be as short as an hour or two or

¹⁰⁷ *Choices/CCPA*, (1998)

¹⁰⁸ *Choices and Global Change Game* (1999)

as long as several days. They usually involve a preliminary evaluation of the fiscal policy of the government in question and an assessment of the main problem areas. Participants may then examine the budget in detail to learn how it is put together and what the main drivers are on the revenue and spending sides, what the surplus/deficit position is and what the debt and debt servicing looks like.

Alternative spending priorities are then usually discussed and possible ways of funding them, from new or increased revenues, reallocation of spending or changes in the approach to surpluses or deficits. The schools may also discuss sources of information needed to budget, media strategies and political mobilization around the budget. They have proven to be very effective in helping launch alternative budget exercises and in demystifying budgets for many people. Above all, they have helped build a core of support for the AFB, being an important outlet for presentation of the finished budget as well as a source of ideas for future ones. Alternative budget presentations should also be offered to the government and other political parties. CHO!ces always offered to explain its Budget of CHO!CE to all political parties, but when the Tories were in power, only the New Democratic Party (NDP) and Liberal opposition parties accepted the offer.

RELEVANCE OF THE CANADIAN EXPERIENCE FOR DEVELOPING COUNTRIES

The relevance of the Canadian experience of alternative budgeting would vary from one developing country to the next. Activists in most countries might find the methodological approach and the discussions underlying it, interesting. Few if any are likely to follow the exact same methodology but most could benefit from a study of it. Issues such as whether budgets should be partial or complete, whether anti-poverty programs should be targeted or universal or whether gender concerns should be mainstreamed or the subject of separate budget exercises, are relevant everywhere. Many of the technical approaches adopted, for example, to preparation of the fiscal framework, to management of national debt or to tax revenue requirements, might also resonate elsewhere. In federal systems, some of the proposals on transfer payments to lower levels of government might be found useful. In these, and perhaps many other areas, the Canadian approach might have relevance.

The difficulty in transference comes in attempting to conduct an alternative budget exercise in an entirely different political environment. Canadian style approaches require a political context in which debate and discussion are tolerated. They are not likely to be successful in countries with severely limited outlets for political dissent or opposition and, in some situations, could be downright dangerous to their protagonists. They require a minimum level of access to information, which may or may not be forthcoming. They rely on a fairly highly developed structure of non-governmental organizations, in particular, trade unions, anti-poverty groups and women's movements. They also require reasonably developed communications channels, either formal ones through the media or informal ones

through civic society. In many developing countries, some of these prerequisites may not exist and, inevitably, this will shape the form and content of alternative budget exercises.

Access to technical expertise is unlikely to be a major problem in most countries but the level of technical sophistication would need to be adjusted to the skills available. Budget exercises need not require huge sums of money but, nonetheless, funding is likely to be a constraint in many countries. Perhaps there is a role here for western non-governmental aid agencies who might be called upon to offer assistance in cash or kind.

CONCLUSION

In summary, there is no correct way of preparing or disseminating alternative budgets. Much will depend upon the purpose of the exercise, the time and resources available and the audience being aimed at. There is now a good deal of experience in Canada of putting such budgets together and much the various parties involved can learn from each other. The experiences of Choices and the CCPA do not necessarily present a template for others to follow but it is hoped that documenting them and reflecting upon them in general terms, as attempted above, will prove useful to others wishing to undertake similar exercises.

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DISCUSSION OF “Making and Disseminating Alternative Budgets” by Loxley

Comment, Arthur A. Goldsmith

Budgets are documents that produce winners and losers, so they inevitably generate conflict and disagreement. The Canadian approach is a bottom up approach, so there is need for some type of an aggregation mechanism to pull together and sort out objectives. This, in turn, requires a link to something more permanent, such as a trade union or a political party.

The usual model of participatory budgeting endorsed by international organizations (World Bank, UN) is much more top down: the executive branch reaches out directly to those civil society groups it recognizes, bypassing parliament partly to get alternative points of view, but also to control and to minimize divisiveness. There are some inherent risks associated with the Canadian model. Lobbying activity is one of the risks, where the more powerful and organized can become the mainstream neglecting the pro-poor organizations. The alternative budget approach has been successful in Canada, it is more expansionary and has a progressive tax policy, but replicating the bottom up approach in other less developed countries may be hard given the lack of *resources, education and transparency*.

Floor Discussion

The author (Loxley) stressed that the purpose of formulating an alternative budget is to create a document that might be adopted by an opposition party. Indeed, a main purpose of such an exercise is to influence existing parties. In drafting an alternative budget, it is important not to allow ‘too many’ views to be represented, or it quickly becomes a bland document.

Loxley then provided details of why, in his opinion, the alternative budget exercise in Canada had produced significant successes. In the province of Manitoba, a social democratic party came to power and adopted the message of the civic action group, and even recruited its workers. There was no reason to continue, so the alternative budget group disbanded after 11 years working together. One reason for this success were ‘budget schools’ that gave ordinary people the skills and confidence to address political issues. On the negative side, the group relied too heavily on unpaid labour and trade unions, rather than charging members a fee to institutionalize the work.

In response to a question from the floor, Loxley said that he had no objection to government financing of popular participation in budgeting. Indeed, government funds mainstream think tanks continually by commis-

sioning studies from them. What is needed is a level playing field, in which government funding is also made available for groups with non-mainstream views. Some of this is done already in many countries, by allowing tax relief for donations to charities and political causes.

In response to another question, Loxley said that it is possible to include people's budgeting in university curricula, for this basically amounts to teaching methods of preparing a budget.

Plebiscites and the Public Purse: U.S. Experience with Direct Democracy

*Arthur A. Goldsmith*¹⁰⁹

The United Nation's Millennium Development Goals commit countries to do more to reduce the rate of poverty and to improve education and health care for all. To reach these objectives, national fiscal policy must be made more "pro-poor" than it has been in most countries in the past. Greater citizen participation has been offered as a promising means of bringing taxes and expenditures into closer alignment with the resources and needs of lower-income people (for discussion, see Brinkerhoff and Goldsmith 2003). Indeed, greater participation in public affairs is itself an important element of the Millennium Development Goals.

Participatory budgeting has worked reasonably well at the neighbourhood and municipal level, for example in the widely cited example of Porto Alegre, Brazil (Inter-American Development Bank 2000). Participation in national budgets presents different challenges due to the greater scale of activities. One possible way to engage large numbers of people in fiscal policy is through plebiscites or direct democratic action. But how do countrywide fiscal plebiscites work out in actuality?

The United States presents a unique case for exploring this question. Although no federal system of direct democracy exists in the United States, every state in the Union allows voters themselves to decide certain laws in the polling booth, including questions about how to raise revenue and on what to spend it. Some states are bigger than many independent countries; notable is California, whose population today is about the same as Sudan's, which would make California the 33rd largest country in the world, ranked by population. Depending on the jurisdiction, American voters have been taking part in decisions about state government revenue and expenditure for more than a century. While direct democracy is expanding around the world (Scarrow 2001), no other country has comparable experience of extensive plebiscitary fiscal policy.¹¹⁰

U.S. state governments thus offer what may be the most relevant perspective on how direct democracy might affect nationwide budgeting in present-day

¹⁰⁹ Thanks go to Derick Brinkerhoff, Frank Cespedes and Milt Esman for comments on an earlier draft of this paper.

¹¹⁰ There is also plenty of direct democratic participation in local fiscal matters in the United States. Literally thousands of cities and towns across the land have an initiative (citizens can place laws on the ballot for approval or disapproval) and referenda (citizens can vote on public legislation). That determines service fees, property tax rates, special local taxes or bond issues. Since this local political history is less relevant to national fiscal policymaking, no more will be said about it here.

developing and transitioning countries — political units that are just beginning to experiment with plebiscitary policymaking (Barczak 2001, Frey 2003). The U.S. record is cautionary: When voters take hold of the government's purse strings, they are apt to be even more tight-fisted regarding the poor than legislative bodies are. While other societies may be different, they most likely will need to look beyond direct democracy to fashion pro-poor fiscal positions.

ORIGINS AND SCOPE OF DIRECT DEMOCRACY IN THE UNITED STATES

American direct democracy has its genesis in the populist and progressive movements of the nineteenth and early twentieth centuries. These movements were a reaction to the large and impersonal organizations that were gaining ground in the United States, and they sought political remedies to the perceived loss of small-town and individualistic values (Hofstadter 1955). Populists and progressives believed the nation's official leaders had lost touch with ordinary people and that wealthy, entrenched economic interests were setting the policy agenda for government. It was urgent and necessary, in this view, to open up or circumvent the institutions that stood between citizen and government.

Activists at the time were very creative in thinking up new approaches they thought would revitalize democracy, reduce corruption and make leaders more responsive and accountable. Among the well-known innovations in governance from that period are the secret ballot, the non-partisan primary election, the city-manager system of local government, and, of principle concern in this paper, three related institutions of direct democracy. Each of the latter offered a somewhat different way for going over the heads of the elite and bringing important public decisions down to the grassroots for approval or disapproval. Fueled by popular discontent, this trio of direct democratic institutions was enacted into law across the United States in the early 1900s (Goebel 2002, Piott 2003, Farmer 2001).¹¹¹

The most radical institution is the initiative, which allows voters to *initiate* legislation through a petition drive. To put a proposed law on the ballot, a group only needs to come up with legally acceptable wording and to gather a predetermined number of legitimate signatures, thereby bypassing the representative organs of government. Twenty-four states and the District of Columbia have the initiative (though their exact procedures differ in many particulars).¹¹² Since voters first placed a state-wide measure on Oregon's ballot in 1904, over two thousand state-wide voter-initiated ballot questions have appeared across the nation (IRI 2002). The number of citizen initiatives has exploded since the late 1970s, though they still total just a tiny fraction of the laws considered by state legislatures. The

¹¹¹ Rousseau is the most prominent philosopher to favour direct democracy. His ideas were influenced by Swiss traditions. Later, U.S. reformers borrowed practices that had already been tried out in Switzerland.

¹¹² Some states have an indirect initiative, where a group drafts and qualifies a proposition, then submits it to the legislature for consideration.

odds are against approval: about 60% of these ballot measures have been rejected. Sometimes thought of as the “fourth branch of government” in the United States, a similar initiative process is almost unknown anywhere else in the world.¹¹³

The second, less extreme, device for direct democratic action is the referendum, by which legislatures may *refer* a statute to the voting public for ratification. Because elected officials have a hand in the process, a referendum does not sidestep formal, representative bodies to the same extent that a citizens’ initiative does. All 50 states now allow for referenda in one form or another, and the process has become commonplace.¹¹⁴ In 2000, for instance, there were 133 state-wide questions placed on the ballot by state legislatures, versus 71 placed on the ballot by petition. In 2002, the figures were 149 state-wide referenda, versus 53 ballot questions from the people (IRI 2000, 2002). The approval rate of legislatively referred measures is higher than for initiatives, with about 60% winning voter endorsement (Cronin 1989: 197). Other countries besides the United States make use of referenda, but only Switzerland does so with anything close to the same frequency.

The third facet of direct democracy is the recall, which allows voters to start a process to remove an elected official before his or her term of office expires. Fifteen states and the District of Columbia have the recall. This institution is generally less relevant to fiscal issues (though the recent recall of California’s governor was partly motivated by discontent with his handling of the state budget deficit) and it will not be discussed further. For the balance of this paper, the focus will be on state-wide ballot questions and, in particular, on voter initiatives.

Direct democracy has long been controversial. In Ancient Greece, Aristotle and other philosophers rejected this form of governance because they believed the average citizen is prone to make rash decisions. The framers of the U.S. Constitution felt the same way, and they intentionally set up a representative system to assure the careful deliberation of important collective issues. Further, as Marx famously pointed out in *The Eighteenth Brumaire of Louis Napoleon*, there is a historical link between direct democracy and tyranny, with dictators often using simplistic referenda as a means to secure or renew their power. Despite the fears and objections, Americans have come to embrace direct democracy as a legitimate alternative or supplement to other lawmaking institutions.

An odd coalition made up the direct democracy movement in the early days. In most states, the first proponents were on the Left, and included labour unions and suffragists. Conservative temperance organizations and religious groups also took up the cause of direct democracy as a means to circumvent the establishment or, at a minimum, to force it to pay attention to widely held but out-of-favour views. This bimodal pattern continues today, with many ballot issues springing

¹¹³ New Zealand is the only other country with a similar initiative process, but has only used it twice (Qvortrup 2001). Switzerland also has a federal initiative process, but only for constitutional amendments, not for ordinary legislation. Several German *lander* provide for citizen initiatives, but they must pass through legislative review first. See Dubois and Feeney (1998: 51-66).

¹¹⁴ A somewhat different type of referendum is the popular referendum, where a group petitions to have a law already passed by the legislature submitted to the voters for approval.

from the far sides of the political spectrum. Rightwing issues (tax limitations, mandatory sentencing, school vouchers) have attracted the most attention, but leftwing causes (animal rights, medical marijuana use, environmental controls) also have resonated with the electorate. Elite opinion (political leaders, judges, editorial page writers) tends to reject as simplistic ballot proposals from all quarters.

Citizen initiatives span a range of specific issues and causes. Most are unrelated to the public purse, and concern election reform, public morality, business regulation or other non-financial problems. Over one initiative in four, however, is about a revenue or tax measure (Tolbert 2001: 43). Also having a fiscal impact are ballot initiatives that affect access to or management of public schools, health or other social services used by the general population. In 2002, for example, Colorado voters rejected and Massachusetts voters approved initiatives that mandated English language in the classroom. Though not a spending issue per se, any prohibition on bilingual education implies budget savings or, perhaps, more resources for other education programs. English-only policies disproportionately affect low-income students, who are most likely to speak a foreign language at home, though whether the effect on them is more positive or negative is hotly debated. Legislative referenda also cover a diverse range of issues that regularly embrace fiscal affairs. Mandatory questions on proposed state bond issues are very common. The New York State Constitution since 1846, for example, requires state-wide voter approval for the incurrence of public debt. Provisions for mandatory questions on proposed levying or increases in taxes are found in many state constitutions, as well (Zimmerman 2001: 26-27, 230).

PRO-POOR FISCAL POLICY

It is not hard to sketch the outlines of fiscal rules and budget systems that serve the Millennium Goals. A recent British White Paper (2000) defines “pro-poor policies” as “decisions, programs and processes that put poor people at the centre of development policy and focus on empowering and enabling poor people to take charge of their futures.” While this definition is too vague to have operational meaning, it implies that pro-poor budgets should meet two broad standards.

First, fiscal outcomes ought to work for the have-nots in society, not just the haves. On the revenue side, taxes should be progressive (based on ability to pay, with the rich paying a greater share of income) and high enough to pay for an expansive public sector. Some borrowing is called for, particularly for capital improvements to schools, hospitals and similar facilities. On the spending side, pro-poor budget outcomes mean generous funding to run social service programs. Finally, income and expenditure should be roughly in balance to avoid long-term credit problems, which might disrupt social services in the future.

The second criterion of a pro-poor fiscal policy is that an inclusive process exists for establishing tax, debt and expenditure priorities. Recognizing that “the

poor” is a diverse category, we should observe widespread access to and participation in fiscal policy. Elites should not dominate budget decisions.

Fiscal Outcomes

To what extent has U.S. direct democracy met the first standard of pro-poor fiscal policy, that it has egalitarian results? Many successful fiscal initiatives in the United States are aimed to limit taxes (often to make them more regressive, too) and cap government spending. These fiscal constraints generally reward the well-to-do and penalize the working poor and the unemployed, who tend to pay few taxes while making heavy use of government services. California’s famous Proposition 13 is a case in point. Passed in 1978, this ballot question provides property tax relief for homeowners — few of whom would classify as low-income. Kutner (1980) called the initiative a “revolt of the haves” in the title of his book on Proposition 13. Upset by rising property taxes, California voters opted to check the capacity of local governments to raise revenue, which forced cuts in municipal services, including schools.

There is not much for socially excluded individuals in this popular law. Proposition 13 encourages local governments to favour retail development, which produce sales-tax receipts, over other residential or commercial projects, which might provide housing and jobs but only limited property-tax payments. A key feature of Proposition 13 allows reassessments to market value only when a property changes hands, creating an incentive for property owners to sit on real estate they might otherwise want to sell. Moreover, owners can deed their homes to children or other close relatives without changing the assessments. Therefore, Proposition 13 rewards established property-owning families at the expense of first-time homebuyers, who must pay market-rate property taxes. With the supply of new and used housing artificially restricted, and prices soaring, non-property owners also have an increasingly difficult challenge breaking into California’s housing market. Finally, commercial proprietors gain disproportionately from Proposition 13, because they tend to hold onto their properties for long periods (Schrag 1998).

Populist mythology to the contrary, law-making assemblies are not averse to restricting taxes or putting a cap on spending. One study finds, however, that tax and expenditure limitations enacted by state legislatures are apt to be less restrictive and contain more loopholes than those passed by citizen initiative (New 2001). Sometimes elected representatives limit taxation to preempt possible petition drives. For example, when faced with the likelihood that an initiative known as the Taxpayer Bill of Rights would succeed in the upcoming election, the Colorado Legislature passed a new statutory expenditure limit in 1991. Another scenario is for the executive to use the initiative process to discipline or bypass a recalcitrant legislature. That is what happened in 2000 in Massachusetts, when the Republican Governor backed a tax-cut initiative (which the voters ultimately approved) after Democratic legislators balked at similar tax cuts, fearing the repercussion on social and education expenditures. Such events do not mean that every tax initiative is

an attack on the poor, or that the body of voters supports every proposal to hinder government's taxing authority.

The passage rate for citizen tax initiatives is roughly one in three — about the same rate as all citizen initiatives. Legislative referenda on revenue issues likewise have varied results. The Initiative and Referendum Institute (2000: 3–4) reports the following outcomes from the last Presidential Election year: Tax cutters suffered some big defeats with voters in Alaska (property tax relief), Colorado (lower taxes on certain items) and Oregon (allowing for the full deduction of federal income taxes off your state taxes) choosing not to go along with these changes. However, these losses are offset by big victories in Massachusetts (reducing income taxes), South Dakota (abolishing the inheritance tax) and in Washington State (declaring null and void certain tax or fee increases adopted without voter approval by state and local governments). The electorate is much more willing to endorse additional government borrowing than it is to approve tax hikes. In 2002, for example, voters around the United States approved nearly 86% of bond authorizations considered on ballots. Two-thirds of the bonds would finance education facilities (Finestone 2002). School construction projects are likely to help reduce poverty, all other things being equal. But the debt does need to be repaid, so there are opportunity costs for other pro-poor programs.

Voters are also amenable to greater government spending — though again without necessarily considering how to pay for it. A good recent example is California's After School Education and Safety Program Act (2002). The act, which had noteworthy support from actor (later Governor) Arnold Schwarzenegger, intends to make after-school programs available to every child in California's elementary, middle or junior high school. This is clearly a pro-poor outcome, but since the initiative does not provide any new revenues, funding will have to come out of other government programs. Poor people may not be net beneficiaries once these other cutbacks are factored in.

On balance, successful initiatives seem particularly tilted against the poor. Some of the most striking proof for this assertion comes from Matsusaka's (1995) comparison of initiative states and referendum-only states over a 30-year period. He discovered that initiatives led to significantly lower taxes and spending, after controlling for other factors. In initiative states, broad-based taxes were lower than in referendum-only states, while fees for services (such as state college tuition) were higher. Lascher et al. (1996) also find evidence that initiative states have less progressive taxation systems than other states. In addition, initiative states spend less on welfare and public education.¹¹⁵ A final adverse outcome from direct budgetary participation is its tendency to undermine fiscal discipline. Alt et al. (2001) report that initiative states have significantly higher public debt than other states. Unchecked deficit spending has potentially harmful repercussions on all residents, including the poor.

¹¹⁵ Also see Zax (1989). Camobreco (1998) makes a contrary finding.

Again, California illustrates the problems. Voters there have taken away government revenue and mandated new government programs (as the after-school program mentioned earlier). The burden of budget cuts must then fall entirely on the unprotected areas of the budget, which is bound to rile one constituency or another. Caught in a fiscal squeeze, the state has tried to buy time through extra borrowing, but the day of financial reckoning must eventually come. California's credit rating is currently the lowest of any U.S. state's — just above “junk bond” status (Kasler 2003). Were a developing country to follow similar policies, the international financial institutions would undoubtedly insist that it adopt a structural adjustment program to bring revenues into line with expenditures.

Inclusive Decision Processes

What about the second criterion of pro-poor fiscal policy, whether economically disadvantaged persons have an important say in deciding the amounts and purposes of government spending? Again, U.S. direct democracy comes up short. Poor people are prone to be inactive bystanders in election contests over public finance. Because they may not be registered to vote, many low- and medium-income adults are ineligible to sign the petitions that qualify initiatives. We should not romanticize how these qualification drives work, either. As a rule, registered voters are the targets, not the sources of initiative campaigns. Most qualifying initiatives originate from an interest group or a wealthy individual — some of whom, such as George Soros, are actually quite sympathetic to poor people's issues (Broder 2000). Successful volunteer drives to circulate petitions and gather signatures are rare. A careful reading of history reveals this is nothing new: No Golden Era of volunteerism ever existed for the initiative process (Smith and Lubinski 2002). Special interests and paid experts have always dominated the qualification stages of ballot questions.

The signature-gathering phase is intended to weed out frivolous proposals. Yet, individuals sign ballot petitions for many reasons, and their signature need not signify a favourable opinion about the substance of the request. Many qualification campaigns try not to describe issues in too much detail. Often, people endorse a proposed question simply because they think voters ought to have the opportunity to decide the issue later. Therefore, it is entirely possible for fiscal questions that enjoy thin or lukewarm support to qualify for the ballot — where they always have a chance of prevailing due to the vagaries of voters' behaviour.

Once an initiative has been qualified, or a referendum readied for popular approval, every citizen must make three important decisions: whether to vote at all, whether to vote on the ballot question, and how to vote on the question should he or she choose to answer it. American election turnout is low by international benchmarks, and people of lower socio-economic status are the most likely to abstain. According to the U.S. Census Bureau (2000) fewer than four in ten eligible voters living in families whose total income is under \$10,000 report voting, compared with more than 70% of those with a family income over \$50,000. Some

evidence suggests that the presence of propositions on a ballot may give a slight boost to overall voter turnout (Tolbert et al. 2003). It is doubtful this would have much effect on the fraction of low-income people registering and showing up on Election Day, however.

The voting disparity between rich and poor is especially pronounced for initiatives and referenda. There is a well-known phenomenon of “voter drop-off” — the tendency for voters to skip the ballot questions. The drop-off rate runs between 10% and 20% (Magleby 1984: 86). Studies show that voters with lower incomes are somewhat more likely to behave this way, preferring to vote only for the candidates for public office (Cronin 1989: 76-77). The drop-off problem, combined with skewed voting rates, mean the citizenry does not join equally on deciding most ballot propositions. It is nonetheless conceivable that the final tally on a proposition does reflect poor people’s preferences, if the issue cuts across class lines and the wealthier voters take a stand similar to that of the silent or absent citizens from the other end of the income distribution. Research suggests this rosy scenario is rare. For one thing, tax and spending policies produced by ballot questions need not reflect majority public preferences in the state. The largest part of society often likes alternative fiscal policies better than the ones endorsed by a majority of voters (Camobreco 1998). In a study of California propositions, socioeconomic class was found to affect marginally the likelihood that a voter will end up on the losing side of a ballot question. Poorer voters fare somewhat worse than wealthier voters do, though the relationship is too weak to draw firm conclusions (Hajnal et al. 2002).

Understanding the Pattern of Participation

While U.S. reformers of the early 1900s were not primarily concerned with poverty reduction, they would likely be surprised by how the initiative and referendum have worked in practice. Citizen involvement in fiscal policy has generally failed to “soak the rich” or to reduce deficit spending. Nor have ballot questions proven effective devices for educating and mobilizing low-status individuals to articulate and defend their main financial and economic concerns. It is hard to avoid the conclusion that direct democracy as practiced in the United States has an anti-poor policy bias. No single factor can fully explain why direct democracy has led to these outcomes, but there are several partial explanations. Here are some possibilities, in no particular order:

Influence of money: Money is critical in qualifying ballot questions. Most initiatives never make it through the qualification stage. Between 1988 and 2000 in Oregon, for example, just one in eight volunteer-only initiatives succeeded in becoming certified for the ballot. Among the groups for whom money was no obstacle, however, the success rate in qualifying questions approached 100% (Ellis 2002: 50). The cost of placing an initiative on the ballot varies depending on the state, but averages around \$1 million in California, the most expensive state (Waters 2003). Poor people’s organizations may not have deep enough pockets to participate effectively in the preliminary steps of the initiative process.

The power of money is even more evident in defeating ballot questions that have been qualified. As Waters (2003) explains, all the opposition needs to do is spend substantial sums raising doubt about what the proposition might do, which prompts the voters to cast a no vote because they want to be cautious. In 1998, \$400 million was spent on ballot measures across the country, much of it for media and public relations (Engle 2000). Anyone without funds to buy television and radio time, to pay for direct mailings and phone calls, or to canvass door-to-door is at a marked disadvantage in getting out a message on a ballot question. For sure, the high-spending side does not invariably get its way on fiscal or other matters put to the public. In Oregon in 1996, for instance, the tobacco industry was unable to block a cigarette tax increase despite outspending proponents by ten to one (Gerber 1999: 61). On balance, however, well-heeled groups have a strong edge in stopping ballot questions they believe will hurt their business or other interests. Poor citizens tend to be onlookers not participants in these struggles.

Lack of organization: The individualistic goals of populism and progressivism notwithstanding, we should not expect unorganized amateurs to determine what questions make it onto the ballot — any more than we should expect amateurs to control the legislative process. Gerber (1999) dubs the professionalization of direct democracy the “populist paradox.” In truth, there is nothing illogical or inconsistent about elites and experts taking over the initiative process. Direct lawmaking takes planning, and established groups are in the best position to sponsor ballot issues and garner support for them. Poor citizens tend to lack organizational assets that might capitalize on their numbers and offset their financial disadvantage. They are disunited because of language, culture and religion. They no longer work in large worksites and factories, where they might develop a common awareness or class-consciousness. It is therefore hard to rally them around complicated fiscal issues. They cannot compete on an even footing with better-led, better-prepared groups.

Uncertainty about the issues: With respect to most political issues and economic policies, the average American voter is badly informed. Some evidence suggests that the initiative process may lead to greater general political knowledge among the electorate (Tolbert et al. 2003). Nonetheless, ballot questions are the subject of widespread confusion and misunderstanding. Less-educated, lower-income people are the least likely to be familiar with the complex implications of many specific questions, which adds to their low voting and high drop-off tendencies, discussed earlier. On ballot questions, constituents also have trouble translating their views into votes, leading many to vote *against* their intentions. For example, 60% of Massachusetts voters agreed in principle with a graduated state personal income tax. But when faced with the actual language of a proposition to introduce a graduated income tax, support dropped to 43% (Magleby 1984: 116). Because of education level, a lower-income person probably has a greater likelihood of making this type of mistake.

Confusing language: Contributing to the air of confusion, many ballot questions are very long and written in technical language. Sometimes the wording is

ambiguous or deceptive on purpose. Seldom is it obvious what the effect of a positive or negative vote will be. Like most people, low-income citizens rarely look carefully at the official brochures provided by government to provide objective information on ballot questions.

Misleading campaigns: Additional obfuscation comes from the opposing campaigns, with their pollsters, media experts and political strategists. Adversaries on a ballot question will distort and simplify, raise peripheral issues and play on the voters' prejudices and fears. Voices that seek merely to illuminate and clarify the issues may be drowned out or ridiculed. To the extent that a poor person relies on television for political information, he or she is more likely to be taken in by political advertising.

Economic "irrationality." Even if poor people were well-informed and they voted in large numbers, there is no guarantee they would support their "objective" interests on ballot questions. Voters try to satisfy many values in the voting booth, not simply to maximize personal income. For example, an overwhelming number of South Dakotans repealed the state's inheritance tax, even though just a handful of wealthy residents ever paid it. The loss in revenue contributed to a state budget deficit the first year it took effect. Perhaps voters in South Dakota were motivated by a sense of fair play or by respect for the deceased, rather than by their own pocketbooks.

Apathy: Low-income Americans often feel powerless and alienated from the political system. Experience has taught them that politics has no effect on their lives. Ballot questions do not change these attitudes very much. The barrage of overstated charges and counter charges on some propositions may conceivably reinforce a widespread sense of skepticism or indifference about voting.

STRENGTHENING THE VOICE OF THE POOR

There are no easy ways to tinker with the U.S. model of direct democracy to open it up to persons from the lower income brackets. One seeming solution would be to impose spending limits or provide public funding to level the field for ballot measures. At present, most states only require that donations be reported, but without caps. The difficulty, however, is that any regulation of political spending would favour the status quo, since it is less expensive to block an initiative than it is to pass one. Control of political advertising might also violate constitutional protection of free speech. U.S. experience with campaign finance reform for presidential and congressional elections suggests that private money would probably find its way back into the initiative and referendum process, anyway.

Another reform that looks good at first glance would be to use the Internet to qualify ballot questions. The United Nations (2003) has been particularly interested in E-government, but the approach is problematic. On-line petitioning would obviously help financially strapped groups gather the necessary signatures. The drawback would be many more propositions cluttering the ballot, introducing

even more mystification and apathy than exists under the current system. Besides, poor people are the least likely people to have access to the Internet.

Given these snags, emerging market countries should not look to country-wide direct democracy as a wonder drug to reduce poverty or stabilize national fiscal policy. A more reliable approach would be to strengthen the standard representative institutions of governance. U.S. state governors have sometimes stood up on matters of social equity, and the judiciary has occasionally defended marginalized groups by declaring voter-initiated laws too vague or unconstitutional. Even the legislative branch has proven the better safeguard of poor people's interests compared with the initiative process. Legislatures are likely to lean more toward the poor when they reflect the full range of public opinion. Regular political institutions could be bolstered through electoral reform (proportional representation, mandatory voting), campaign finance reform (public funds, spending caps), lobbying reform (public disclosure) and term limits. In nations where big disparities exist in income and social status, however, new rules for representation might not make much of a difference in poor people's influence.

The progressives and populists who introduced direct democracy overestimated the political capacity of individuals. Because better organized groups in society usually try to take advantage of the less organized, real power for the poor depends on their having strong organizations. The most influential political participation does not take place one-by-one in the ballot box, but collectively through groups that speak up for specific constituencies. Solitary people lack the time or expertise to monitor and intelligently challenge ballot proposals — and ordinary legislation, too. They need organizational help to assemble and communicate their interests. The U.S. experience with direct democracy shows what can happen to poor people who lack effective agents working on their behalf.

Labour unions once fulfilled this advocacy function for lower-income Americans. Even today, unions can stop ballot initiatives when they marshal their members, as occurred with the recent "payroll protection" initiative in California (Broder 2000). However, union membership is down in the United States, and unions have not been as active recently in grassroots organizing as they have in the past. Conditions may be different in some developing or transitional countries today. Community organizations, charities and churches are other types of organizations that frequently lobby on behalf of the poor — both in the United States and around the world.

The United Nations (2003) has been encouraging participation of civil society in government meetings and workshops. But poor people's organizations are likely to have greater success by seeking alliances with middle-class groups outside of government, to identify and promote fiscal programs with broad political appeal. While the give-and-take of pressure group politics is never reliably pro-poor, societies are unlikely to move toward the Millennium Goals unless there is a wide coalition of support for anti-poverty policies that includes sympathetic elements of the middle and upper classes.

Stable political parties, particularly those with a leftwing ideology and a working class or peasant membership base, have been another important element in pro-poor government programs around the world (Moore and Putzel 1999). One of the incongruities of U.S.-style direct democracy is that it was consciously intended to *weaken* parties. That is exactly what has happened (though there are many causal factors, not just direct democracy). The Democrats in particular have grown fragmented and undisciplined. When U.S. political parties were more united, propositions did not stand as much of a chance of making it to the ballot. Politicians saw citizen-enacted legislation as a threat to their control and took steps to head off ballot questions. Nowadays, party leaders often use the initiative and referendum process to gain partisan advantage. The poor seem to fare better under a less directly participatory, but more predictable, partisan system for establishing budget priorities.

CONCLUSIONS

U.S. direct democracy has not furnished “power to the people” in quite the ways its original advocates hoped. The privileged few, not the common citizens, have taken the greatest advantage of these plebiscitary institutions. Resulting fiscal policies have often been imprudent about balancing government income and expenditure. Populist reformers elsewhere in the world would be advised to come to terms with these facts ahead of time so they will avoid the mistakes made in the United States.

Responsible and pro-poor citizen participation works best through organizations, including political parties and membership-based groups. Organizations are in a better position than individuals are to look at the tradeoffs among taxation, debt and spending, rather than treating these issues in isolation. When have-nots band together, they can have more bearing on budget decisions than they can on their own, trying to make up their minds whether to sign an initiative petition or to vote yes on a ballot question. Giving each voter a specific say in fiscal matters is no substitute for collective action. Mainstream representative institutions are usually the most promising avenues for arriving at prudent, pro-poor budget decisions.

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DISCUSSION OF**“Plebiscites and the public purse:
U.S. experience with direct democracy”
by Goldsmith***Floor Discussion*

There was general agreement with the main message of this paper: budgets produced by direct democracy are not particularly pro-poor. One participant pointed out that with universal programmes, one obtains a cross-class alliance. With targeted programmes (welfare), expenditure gets cut. Food subsidies in Sri Lanka and public pensions in the USA are examples of universal programmes that have strong support, so are resistant to budget cuts. In contrast, targeted benefits tend to be cut by voters in direct democracy. In fact, when food subsidies in Sri Lanka were transformed into a targeted programme, their value was allowed to deteriorate in real terms. In any case, why should we expect majority rule to produce a pro-poor outcome? It seems better to rely on participatory budgeting, which gives voice to the poor, and works through existing institutions, to produce this outcome. One participant suggested that pro-poor leadership training might also be needed.

Suggestions for Further Readings

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Internet Resources

IMF "Poverty Reduction Strategy Papers (PRSP)"	http://www.imf.org/external/np/prsp/prsp.asp
The International Budget Project	http://www.internationalbudget.org
OECD "Government-Citizen Relations"	http://www.oecd.org/department/0,2688,en_2649_34275_1_1_1_1_1,00.html
OMB Watch "Promoting Government Accountability & Citizen Participation"	http://www.ombwatch.org/
World Bank "Participation and Civic Engagement"	http://www.worldbank.org/participation/
World Bank "Poverty Reduction Strategies and PRSPs"	http://www.worldbank.org/poverty/strategies/

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