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Part III  Country Case Studies on Civic Participation in Subnational Budgeting

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The Constitution of Bangladesh is highly democratic. It pledges the ownership of the republic to the people. Despite this formal recognition of the people’s power, the actual decision-making power of the citizens remains elusive. The politician-bureaucracy nexus remains very strong — the two groups look out for each others’ interests.\(^1\) At the present time, business interests actually take precedence over politics in Bangladesh. While people regularly vote and send their representatives to local and national governments, the institutional structures remain archaic, allowing very little scope for citizens to make the actors involved in governance accountable to them.

Besides the problem of institutional weakness, the political culture is not conducive to democratic governance. Even the elected representatives are not aware of the jurisdiction of their power and that of the implementing agencies. As a result, there is overlapping of the exercise of power at every tier of government. Another weakness is that the role of local governments is not well-defined. A stable local government structure has yet to emerge in Bangladesh. The end result has been over-centralization of governance at the national level. This too has worked against people’s participation in decision-making, more so for the poor who are traditionally at the margins of society.

The Interim Poverty Reduction Strategy Paper (I-PRSP) appropriately gave emphasis to the participatory approach in designing a pro-poor strategy of development, both nationally and locally (see Annex 1). A full-blown PRSP now being prepared will involve stakeholders from different segments of society. The annual budgets (both of national and local governments) are the most important fiscal tools for the mobilization and redistribution

\(^1\)This is mainly due to the criminalization of politics and overwhelming corruption in the bureaucracy, which is confirmed in a number of World Bank publications. For example, see World Bank 2002.
of resources necessary to speed up economic growth and achieve poverty reduction. It will be interesting to observe how PRSP creates space for participatory budgeting.

The existing process of budget preparation in Bangladesh is not at all straightforward, efficient or transparent, let alone is it a vehicle for effective participation of the poor, women, vulnerable, and voiceless who are not well organized (Rahman et al 2002). On the other hand, the organized richer groups in society have better access to political power and bureaucracy. They can always lobby to promote their own interests before the finalization of the national budget. Meanwhile the poorer groups have virtually no influence on macroeconomic policies set forth in the budget, even though these have profound implications for their livelihood.

There are two types of local government institutions (LGIs) in Bangladesh: urban and rural. At the urban level there are two forms of local governments: Paurasabha and City Corporation. At the rural level there are three: Union Parishad (the lowest tier), Upazila (sub-district) Parishad, and Zila (district) Parishad. At present there exist three elected local governments: Union Parishad (UP), Paurasabha, and City Corporation. It would be reasonable to expect that civic participation in local level planning and budgeting takes place in these LGIs. The elected representatives are supposed to be accountable to the people for the way they spend the money paid by the local citizens as taxes.

In fact, the LGIs are very weak in providing basic services to the citizens and promoting good governance in their constituencies. Two fundamental reasons account for this. First, there is a low level of human capital in the local government bodies, and second, there is no participatory decision-making. This has resulted in inefficient LGIs despite the fact that local government institutions have a huge potential to achieve sustainable poverty reduction and economic and social development in Bangladesh, particularly among poorer segments of society. The quality of basic utilities and services provided by LGIs and other government agencies is not at all satisfactory (World Bank 2002). Yet despite these serious shortcomings people do participate enthusiastically and in great numbers during elections, demonstrating their interest in fostering democratic governance at the local level.²

There are no formal (i.e., legal) mechanisms or institutions for civic participation or the citizens' voice in local government. This lack would suggest poor governance at the grassroots level. Also, the poor quality of economic governance does not ensure that taxpayers are receiving value for money. Citizens pay taxes directly and indirectly to local governments. A considerable portion of tax revenues comes from the central budget which collects huge amounts of VAT from the citizens of the country -- an indirect form of taxation.

In order to make LGIs truly capable of alleviating poverty and achieving Millennium Development Goals (MDGs), their budgets need to be more pro-poor and participatory. There are various means to achieve this: participatory needs assessment, participatory planning, resource mobilization, and the appropriate designing, implementation and oversight of development projects. If citizens were aware of budget issues and mobilized around the budget-making process, this would accelerate change at the local level and have a positive effect on governance at the national level too.

Against this backdrop, this paper has been organized to explore the state of civic participation in subnational budgeting. In the next section we discuss the subnational

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²For example, in 1997 Union Parishad elections, more than 60 percent of eligible voters cast their votes. See FEMA 1998.
experience of civic participation in policy-making and the budgetary process. In the third section, capacity-building issues of subnational budgeting are covered. Finally we draw conclusions from these experiences.

Civic Participation in Subnational Budgeting

Civic Participation Approach
The process of civic participation\(^3\) in public expenditure, or budgeting, has four key stages that occur in a cyclical manner (Wagle and Shah 2002):

1. *formulation* – in which participation can help in the preparation of a priority list of conflicting demands. An example is the participatory budgeting that takes place in Porto Alegre, Brazil\(^4\);

2. *analysis* – involves post-budget civic review of the impact and implication of different policy proposals and allocations of the budget presented. Examples are civic participation in improving budget literacy by Institute for Economic Affairs in Kenya, DISHA in India, and IDASHA in South Africa;

3. *tracking* – involves identification by civic groups of the hard-to-pin-down bureaucratic channels through which funds flow after budget approval. Uganda’s Public Expenditure Tracking System, G-Watch project in the Philippines, and the Majdoor Kishan Shakti Sangathan of Rajasthan, India are examples of such initiatives that may upset the status quo by allowing a more efficient use of public funds for the poor; and

4. *performance evaluation* – is a type of evaluation where the performance of selected agencies is assessed using report cards. Report Card of Public Affairs Centre in Bangalore, India is an example.

Civic participation in budget-making at the subnational level is more developed in the case of municipal budget-making in Porto Alegre, Brazil. The other stages of civic participation are mostly related to national-level budgeting.

Civic participation in subnational budgeting in Bangladesh has three essential components: (i) participatory development planning, i.e., where to spend public money for local development is decided directly by the community members and the representatives of NGOs; (ii) participatory open budget session, where local people freely discuss the proposed budget allocations and offer their comments and recommendations for the final budget; and (iii) participatory monitoring of implementation of development schemes. However, participation in budgeting may be best understood in the context of the participatory planning process.

Organization of participatory policy-making and budgetary processes
In Bangladesh policy-making and budgeting processes are not participatory in any effective way at the national level even though the national government is elected by a popular voting system. However, the government of Bangladesh, the United Nations Development Program (UNDP), and the United Nations Capital Development Fund (UNCDF) jointly initiated a project called “Sirajganj Local Government Development Fund Project” (the Sirajganj

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\(^3\)Civic participation is a process that organizes citizens or their delegates to influence, share and control public affairs and development initiatives, implementation and resources (Wagle and Shah 2002).

\(^4\)See Wampler 2000 for details.
Project, for short). This project has been organizing participatory planning and budgeting for five years since its beginning in July 2000.

Participatory planning and budgeting events take place at the Union Parishad (UP) level of Sirajganj district. Another program, the Hunger Project,\(^5\) initiated public discussion on the proposed budget by organizing one-day open budget sessions. These took place at 25 Union Parishads all over Bangladesh in 2002 and at 27 UPs in 2003. During the sessions ordinary people raised questions on tax proposals and development and requested various development programs to meet practical needs.

A similar type of exercise titled “Open Budget Hearing” was carried out in 2003 at Ramjan Nagar Union of Satkhira district\(^6\) by a local NGO called Agragati Sangstha. In that program the UP chairman discussed the budget of the UP before some 500 people. Local citizens, both men and women, asked questions about revenue and development expenditures. The program created enormous enthusiasm among the local people who are indeed far away from the capital city and also far-removed from development innovations and the opportunity to participate at the decision-making level. The program was a component of a project called “Transparency and Accountability of Union Parishad” financed by CARE Bangladesh. Local people present at the event expressed the view that this type of innovation can really make budget-making more transparent and accountable, especially with UPs in peripheral regions in Bangladesh. Encouraged by the success of the program, Agragati Sangstha initiated open budget hearings at 7 UPs including Ramjan Nagar Union in the same district in June-July 2004. This activity had the active support of the UPs. The NGO also helped formulate five-year plans for these Unions. In fact, this is the best output among the participatory budgeting exercises in Bangladesh.\(^7\)

Another activity, the Capacity BUILD project of CARE-Bangladesh,\(^8\) is designed to introduce democratic principles and a heightened sense of civic duty to support the larger government goal of decentralizing public decision-making. This intervention targets 153 UPs throughout the country and works to instill an awareness of the roles and functions of the locally elected bodies. The intervention supports capacity-building activities both with the elected officials and UP secretaries (administrative officials) to improve their management skills. It also creates stakeholder groups in local communities that meet regularly with UP members, helping to increase the transparency and accountability of local government. The activity promotes the participation of marginalized and vulnerable groups (mostly poor) in local level planning and puts a specific emphasis on the public role of women in government. It also tries to enhance the institutional capacity of local government, particularly the UP, to plan and coordinate effective development initiatives with community participation. All support the aim of fostering local level transparency and accountability. Through these efforts, the program seeks to change prevailing attitudes and behaviors of the local people that constrain the emergence of representative government. At the same time, this intervention helps pave the way for the participation of women and marginalized groups in

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

\(^6\)This Union is adjacent to Sundarban, the world’s largest mangrove forest.

\(^7\)Currently Agragati Sangstha is developing a training module for capacity-building of UPs, in reality peripheral Unions like Ramjan Nagar Union.

\(^8\)This project is one of the major components of their five-year program titled “Integrated Food Security Programme (IFSP)” which started in 1999.
civil society in local governance. Specifically, Capacity BUILD Project promotes civic participation in Union level planning in these ways:

- improves UP capabilities by providing training to the elected local government officials in management skills and community participation methods;
- provides training to the UP members in development needs assessment techniques, resource mobilization, and interactive community participation in the formulation of development plans; and
- promotes representation of vulnerable groups in UP development planning process through formulation of stakeholder groups (CARE, 2002).

The Sirajganj Project is the only initiative which covers most of the aspects of civic participation at the local level of expenditure policy-making and budgetary processes. That is, it looks at where, why, and how public money is spent.

PARTICIPATORY PLANNING

The Sirajganj Project organizes its participatory budgeting activities in different steps. The Project has developed a kind of participatory planning and budgeting system, which provides a process to prioritize schemes identified by representatives of all the people of the community.

In the dry season, from November to January, participatory meetings are held to form different committees, e.g., Ward Development Committees (WDC), Union Development Committees (UDC), and Scheme Supervision Committees (SSC). Afterward, the participatory planning sessions are held at ward level. These sessions are conducted by WDC, which is chaired by the UP member. A Union Facilitation Team (UFT) facilitates the participatory meetings. The meetings are usually held between April and June each year.

The participatory planning process is based on activities intended to establish rapport within the communities which is further strengthened by PRA exercises undertaken at ward level. At the outset a transect walk is often undertaken to identify problems and build rapport among village members. The ward level participatory process that follows is usually a two to three day event involving between 200 and 500 people. In most of the Unions the participants are divided into three or four groups, each of which is to identify problems and suggest possible projects. There are generally separate groups of women to prioritize gender-sensitive schemes. This activity is called “mass gathering.” The specific activities undertaken in this mobilization are shown in Chart 2.

Visits by the members of the WDC to those schemes that have been prioritized at the ward level have also been started. These visits allow a preliminary assessment of the feasibility of the proposed schemes. In certain cases schemes have been dropped due to technical problems such as lack of adequate supply of earth for construction. These problems are then explained to the community, and priorities are adjusted accordingly. Preliminary cost estimates are also made at this time and are entered on the proposal form of the schemes.

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9 UP is the lowest tier of the LGIs in Bangladesh, and a UP is divided into nine wards. Each has an elected representative called “member.” But a ward has neither an office nor any administrative authority.

10 These committees are not, however, part of the local government. Rather, these are formed for the convenience of participatory development planning and implementation of Sirajganj Project.

11 This incorporates some local educated, unemployed people, ranging from 5 to 7 in each Union. They are trained by UNDP on how to apply Participatory Rapid Appraisal (PRA) at the ward level in order to prioritize local level development needs. They work as volunteers in the event.
The scheme selection ultimately rests with the Union Development Committee (UDC) for subsequent implementation. Each Union is provided with no more than a $6,780\textsuperscript{12} block grant for the implementation of the development schemes for each year. Given the resources constraint, the scheme selection finally has to be directed at the union level where local representatives also take part in decision-making based on certain criteria.\textsuperscript{13} However, if some of the priority schemes cannot be accommodated, the next year’s priorities may be adjusted accordingly.

The project team has also developed a screening matrix for the UDC to use in the final selection. This includes criteria such as: contribution to poverty alleviation, environmental impact, impact on women, and so on. UDCs consider this matrix as well as the priorities of the WDCs in their final selection exercise. However, the UP chair and members usually make final selection of the schemes in a UP after they have held discussions among themselves. Once the schemes are finalized, no one can change them. Note that the schemes are usually selected on a priority basis in order to accommodate the $6,780 block grant.

\textsuperscript{12}As per current exchange rate (1 USD = Tk 59). This rate has been used throughout the paper.
\textsuperscript{13}However, this money is given by UNDP irrespective of what government allocates through revenue and development budget to a UP.
PARTICIPATORY OPEN BUDGET SESSION

Sirajganj Project has been carrying out one-day open budget sessions since 2001 in participating Unions. In the first year, the focus of the sessions was to ensure that all the UP representatives and the different committee members knew about the budget and made their choices heard. But from 2002 onward the sessions emerged to be one of the key accountability exercises of the UPs. The UP members informed the community about the budget preparation of the union and shared some of the salient features of the proposed budget. They invited a group of citizens to participate in the session.

The open budget sessions are organized at the Union level in May. Around 80-200 people attended such meetings. Prior to this session the budget is prepared by the UPs, typically by May 15. The budget is then displayed on a public notice board. There is a fixed date to discuss the draft budget and to finalize the budget before it is sent to the deputy commissioner (DC) for approval. On that date participants review the budget along with the annual investment plan that comes from participatory planning at the ward level. Community representatives may ask for clarification of revenue and expenditure items in the budget. They review other relevant documents and make comments and recommendations for changes to the budget. After discussion in the open budget session, changes may be made. The final budget is prepared by the UPs and approved in their full meeting. Then the final budget is made public by posting it on a notice board.

The open budget session is important in a number of ways. First, it creates an opportunity to address the people’s actual needs. These include their development needs as well as their need to have access to the UP decision-making process. The open session also creates an opportunity for UPs to collect more revenue by motivating local people to pay their taxes. This is significant given that very limited resources are received from outside. The session also gives UPs the chance to appeal for community support in implementing development projects. They are more likely to get support when they can show real transparency and accountability in their activities through open budget sessions.

PARTICIPATORY MONITORING OF IMPLEMENTATION

Schemes require approval from the Upazila Development Coordination Committee (UDCC). Technical designs and final approvals are obtained from the LGED engineer. Government regulations require that contracts greater than $847 be tendered by commercial contractors. Management of contracts is generally undertaken at the Upazila level by LGED or other line departments. Unions feel that levels of corruption are higher for such works and consequently quality is significantly compromised. Complaints at the Upazila level about work quality are generally ignored (UNDP 2003b).

The Infrastructure and Service Delivery (ISD) arrangement of Sirajganj Project utilizes committees formed with the explicit purpose of managing and monitoring implementation. While WDC handles the financial management aspects, the Scheme Supervision Committee (SSC) monitors the work. The latter is, however, consulted prior to

14This information was collected by interviewing Ms. Durafsan Chowdhury, Program Officer of UNDP Dhaka Office for the Sirajganj Project UPs.
15The “political-bureaucracy nexus” is at play. Contractors are closely linked to political parties or are themselves politicians. They do not have to compete for contracts and do not care about work quality. Corruption of Upazila level government officers has detrimental effects on construction projects at Union level. UP can do nothing to control work quality because development is mainly a top-down approach here.
making final payment to the contractor. Participatory planning and budgeting has created a sense of local ownership and involvement in the implementation of the Project schemes. This has led to the provision of additional labor, more financing for projects, and improvements to services such as road construction in order to satisfy peoples’ needs.

**Major players and their roles**

The major players in participatory planning and budgeting processes in Sirajganj Project are local citizens. Citizens take part through committees which are formed with the purpose of ensuring citizens’ participation and encouraging them to play key roles in the process. Among committees, the ward development committee is the most important.

**TABLE 1** Major Players and Their Roles in Participatory Planning and Budgeting in Sirajganj Project

<table>
<thead>
<tr>
<th>Committee</th>
<th>Composition</th>
<th>Role</th>
</tr>
</thead>
<tbody>
<tr>
<td>Union Development Committee (UDC)</td>
<td><strong>20 persons</strong>: 13 UP chair and members; 1 school headmaster, 1 block supervisor; 2 women representatives of NGOs; 1 co-operative member; 1 family health worker.</td>
<td>1. Overall management of the Sirajganj Project process</td>
</tr>
<tr>
<td></td>
<td></td>
<td>2. Final scheme selection</td>
</tr>
<tr>
<td></td>
<td></td>
<td>3. Supporting the UP</td>
</tr>
<tr>
<td>Ward Development Committee (WDC)</td>
<td><strong>7 persons</strong>: UP member (chair); UP female member for Ward (deputy chair); 2 respectable persons in village; primary school teacher; NGO group member; female member of VDP/social worker</td>
<td>1. Participatory planning</td>
</tr>
<tr>
<td></td>
<td></td>
<td>2. Financial management of scheme implementation</td>
</tr>
<tr>
<td></td>
<td></td>
<td>3. Scheme monitoring</td>
</tr>
<tr>
<td>Scheme Supervision Committee (SSC)</td>
<td><strong>7 persons</strong>: 3 male beneficiaries, 2 female beneficiaries, 2 respectable persons in scheme area</td>
<td>1. Supervision of scheme implementation</td>
</tr>
<tr>
<td></td>
<td></td>
<td>2. Informing local people about progress</td>
</tr>
</tbody>
</table>

*Source: UNDP 2003b.*

**CHART 3** Major Players and Their Roles

[Diagram showing the roles and responsibilities of UDC, WDC, and SSC in the participatory planning and budgeting process.]
**Major actors in participatory policy-making and budgetary processes**

The first step of the participatory planning and budgeting process in Sirajganj Project is short-listing development schemes. This occurs through the participatory processes of infrastructure mapping, problem identification and prioritization, and scheme identification and prioritization. This is done at two- or three-day long participatory meetings at the ward level.

By means of a public announcement, the UP members invite the local people and representatives of various citizens groups to participate in the mass gathering. The local UP members chair the participatory meetings. The Union Facilitation Team (UFT), whose members are trained by UNDP in carrying out Participatory Rapid Appraisal (PRA) exercises, facilitates the meeting in the different steps. On the final day, the meeting usually lasts for an entire day. After short-listing, the scheme proposals are brought to the UP level meetings so that the final selection can be made. This involves a long discussion among UDC members. Then the short-listed schemes are sent to Upazila Project Coordinator (UPC) to assess their technical feasibility and cost estimates by Upazila engineers. After this the schemes are submitted to the National Project Director (NPD) by way of the Assistant Director Local Government (ADLG). After the final approval by NPD, the funds go directly to the UP account. The account is handled by the UP chair, one female member and the secretary of the Parishad. The projects start as soon as money is made available to the UP. WDCs look after financial management of implementation and they monitor the projects. SSC (Scheme Supervision Committee) members are involved primarily in supervising implementation and informing local people of progress.

**Civic Participation Mechanisms**

**Formal mechanisms of civic participation**

The preparation of the national budget is essentially a bureaucratic process. It cannot involve the significant participation of people. There is, however, a handful of organized groups which may be consulted prior to the government’s taking any budgetary decision. These include the Metropolitan Chamber of Commerce and Industry (MCCI), the Federation of Bangladesh Chambers of Commerce and Industry (FBCCI), trade unions, co-operatives of small traders, economists, newspaper editors, and the like. But the scope for such consultation is very limited. Under the present procedure of budgetary decision-making which is carried out by bureaucrats, people’s aspirations rarely coincide with the interests of bureaucrats, business groups, members of Parliament, and select members of civil society groups.

In an attempt to get input from a broader range of interested parties, the National Board of Revenue (NBR) has been arranging separate pre-budget “consultative” meetings with various groups. The purpose is to seek their points of view and their proposals in advance of the preparation of the budget. Since the early 1990s there have been provisions for bilateral meetings between the NBR and other representative bodies. The bilateral interactions allow the board to carry out a comprehensive review of the proposals and discuss the logic and rationale of provisions in the context of a much smaller forum than the consultative meeting allows (Rahman 2002).

No general pattern or formal mechanism has been established to allow for civic participation in policy-making and budgeting at the local level. Even local government ordinances do not encourage civic participation. Only on budget announcement day do local government bodies invite a few local elites, representatives of pressure groups, political
leaders, and journalists to a small in-house discussion on the proposed budget. The finance committee then may make amendments to the budget.

**Informal mechanisms**
There are cases of so-called “humble prayers” from business and producers’ groups who seek to reduce or even eliminate the tax imposed on them by the national budget. This may happen after the budget is tabled in the national Parliament. National daily newspapers publish the budget document on the following day. The business interests generally argue that if a tax is not reduced or even eliminated, the affected industry, which they represent, will be ultimately destroyed and the economy will suffer a terrible loss. Depending on the strength of these lobbying efforts, the finance minister may consider their arguments and revise the tax proposals accordingly. This is not an uncommon at the national level — there are no such examples at the subnational level because the tax, rates, fees and cess are fixed by the local government ordinances.

**Factors affecting citizens’ participation in local budgeting**
As mentioned earlier, the degree of citizen participation in local level budgeting is very low in Bangladesh. In municipal and Union Parishad budgeting, only community leaders such as political leaders, journalists, and teachers are invited to comment on the proposed budget on budget declaration day.

- **Transportation**: In the participatory budgeting exercise of Porto Alegre, the citizens’ delegates are provided with transportation to budget meetings. But no transportation is provided in Bangladesh. Since the invited groups do not represent all segments of society, it could be argued that full participation of the citizens is not ensured in Sirajganj Project’s participatory planning and budgeting exercises or The Hunger Project’s open budget sessions.

- **Education**: Education is one of the most important factors that determine the participation of the citizens in the budget discussion. Journalists and teachers are among the educated and tend to be fairly well-informed. The majority of political leaders who participate in the event are also likely to be educated. Therefore, education is the factor that determines not only whether a citizen participates in the local level budget meeting, but also ensures a lively and effective discussion of the budget.

- **Political factors**: The relationship of the local government bodies to the party in power affects the size of the local budgets as well as the nature of citizens’ participation in budget discussions. If an elected representative of local government comes from the ruling party, this usually results in a generous budget proposal. At the same time, political leaders from the ruling party who participate in the meeting are likely to be favorable towards the proposed budget. But if the UP or municipality chair or city corporation mayor comes from a party out-of-power, local governments tend to receive less money in development funds from the national budget. The size of the proposed local budget is adversely affected. In this case, participants in the discussion from the ruling party are likely to criticize various aspects of the proposed budget severely. This is so common that it has almost become part of the political culture of Bangladesh.
Despite this generally bleak picture, citizens in the Sirajganj Project participate fully. They receive no help with transportation, they may not have a high level of education, and political factors may not work in their favor. Still, they take part in planning and budgeting. Even in the open budget sessions of the Hunger Project all citizens participate freely if only due to the fact that they have the opportunity, thanks to the UPs’ invitation. This means that if people get the chance, they will participate in policy-making and budgeting processes. There is a significant demand for participatory budgeting at the grassroots level.

**Origin of civic participation activities**

A UP gets an average of $6,780 (USD) for development works in its locale. This includes funds for education and health expenditures. A UP gets this money through line agencies and departments. The majority of the money goes through the Local Government Engineering Department to develop local infrastructure such as building roads and culverts. There are no discussions with local citizens either before or after the central government disburses funds. Nor is there any attempt to assess local needs. This is due to the fact that the central government specifies where and how the money is to be allocated and spent, and accordingly a UP places a budget in a given framework before the higher government authority. Given this background, UNDP initiated Sirajganj Project with an active partnership of the government of Bangladesh. The plan was to incorporate ordinary people in the local development process in a participatory way.

In another approach, the Hunger Project initiated open budget session with the hypothesis that UP could be the most important instrument of local level poverty reduction, social development, and women’s empowerment if it has sufficient financial autonomy. But a UP’s budget is highly centralized and there is no scope for people’s participation. For this reason, Hunger Project started open budget sessions at the UP level. They hope to sensitize local people to their stake in national and local budget planning. Indeed, they are preparing the ground for a demand-driven local budgeting process through civic participation.

**Level of participation**

Ensuring local citizens’ participation in the development planning process is one of the key dimensions of Sirajganj Project. Sufficient participation of women and the poor (especially the very poorest people) is required in the identification and prioritization of development projects. As noted earlier, 200 to 500 participants attend the participatory meeting. They actively participate in discussions and give opinions quite forcefully.

There are some indications that participatory planning sessions at the ward level cannot always ensure enough participation of women. Often, powerful outspoken men marginalize the women, particularly the poor and vulnerable ones. Men always seem to overwhelm women when a group is making decisions about how to spend limited resources. Projects preferred by men get prioritized while women-related problems are pushed to the background. Other reasons that women’s participation in UP planning is limited may be due to a conservative social culture and values. Also, women’s lack of education and lack of experience with public speaking may work against their taking a stronger role (UNDP, 2003a). The election of women directly as members of UP has not yet changed the scenario. There are no specific budget allocations for these female members. Certainly women show

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16As mentioned earlier, in the open budget sessions the number of participants has been low, 80-200, compared to planning sessions.
great enthusiasm. However they were not able to fulfill the promises they made to the voters. The demand for more gender-sensitive budgeting is gradually gaining ground at the grassroots.

All segments of society, including the poor, women, and elderly, were equally vocal in the Hunger Project’s day-long open budget session. They raised issues related to their common problems and requested that their concerns be addressed in the budget.

**Mechanisms of heterogeneous groups’ participation**

The Sirajganj Project takes special account of the participation of women in the planning and budgeting process. Women’s participation in the decision-making process is ensured in the project implementation strategy. Female UP members chair one-third of the ward development committees. At least 30 percent of development schemes and corresponding funds are allocated for women. Women’s participation in the participatory planning processes is also guaranteed. Until November 2003, women accounted for 34 percent of the participants in those processes. Women Development Forums (WDF), at Upazila and district levels, create opportunities for women members to share their problems, identify solutions, and advocate for policy change and capacity-building.

The participation of other marginalized groups, such as youth, ethnic minorities, the disabled, elderly, and disadvantaged people, is not considered a priority in participatory planning and budgeting in Sirajganj Project. All local citizens are invited to participate in the committee formation, participatory planning sessions and open budget meetings. In the case of the Hunger Project’s open budget sessions, all the people are invited by public announcement. The level of participation in these sessions is very high.\(^\text{17}\)

**Impact of Civic Participation**

**Empowerment and inclusiveness in decision-making**

Empowerment and inclusiveness in Sirajganj Project in decision-making are affected as follows.

**IN PARTICIPATORY PLANNING SESSIONS**

The planning exercise is organized at the village level. The purpose is to identify the problems of the community, prioritize the issues, and determine the potential solutions. The planning sessions are fully participatory, and the community takes decisions independently. This is the key to community empowerment. The poor get access to the decision-making process through this exercise. The community is empowered to get involved in the decision-making process. Also they get informed about different socio-economic problems, they develop the ability to analyze them, and contribute to the socio-economic development of their community.

Sirajganj Project has sought to ensure that women and the poorest are given voice within the planning process and that their priorities are reflected in the selection of the final projects. In the case of women this has been achieved through ensuring that at least one-third of the projects selected reflect women’s needs. Process-based mechanisms to achieve these

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\(^{17}\)Field visits to some Unions where open budget sessions were held, including Fatepur and Nagbari Unions in Tangail districts, reveal this fact. Also see, Rahman, A. 2002: *Civil Society and Democracy in Bangladesh: A Few Developmental Concerns*. Dhaka: ADAB. December 2002.
gender-sensitive objectives have included: the use of separately colored cards to show women’s needs, special planning groups for women, and screening for women’s interests during final selection.

**IN ORGANIZING DIFFERENT COMMITTEES AT LOCAL LEVEL**

Union development committees (UDC), ward development committees (WDC), and scheme supervision committees (SSC) are organized at the local level. In all participating Unions, workshops are held to disseminate information about different services. UDCs are organized to facilitate community involvement in development activities and to assist with screening, monitoring, and supervising the development schemes. Of the twenty members, 13 are UP representatives and 7 are professionals working at Union level. The ward development committees (WDC) and scheme supervision committees (SSC) are also organized through ward level workshops in which community representatives participate. Each committee has seven members; the ward development committee has 2 Union representatives and 5 community representatives, the scheme supervision committee, 7 community representatives. These exercises of selecting representatives in a free and fair manner have led to a sense of community empowerment.

**OTHERS**

The poor participate in committees, meetings, planning sessions, scheme planning, implementation, monitoring, maintenance and operation. Direct funding to the UPs makes them accountable to the community. As a result, the communities become vigilant and make certain that work is of high quality. They do this because they are directly involved in implementing and supervising the annual budget schemes which they themselves proposed. That is, greater ownership of the community members in local level development is increased through participatory policy-making and budgeting in Sirajganj Project.

The Hunger Project’s open budget session has given a more effective voice to the women, poor, and, for the first time, elderly citizens. On budget presentation day they have the opportunity to question representatives on issues that ‘ought to be’ and ‘ought not to be.’ That is, they can take a more constructive role.

**Effectiveness of expenditures**

Because of community supervision and monitoring, the development schemes implemented under the Sirajganj Project are capable of making substantial differences in the use of materials, labor, compliance with technical specifications, and other inputs.

On the other hand, Project Implementation Committees (PICs), traditionally formed to implement the Annual Development Program (ADP) and Food for Work (FFW) schemes, generally undertake limited levels of official supervision. In addition, there is less interest from the community because of their very limited involvement in the planning process. The PIC is a short-lived body compared to the WDC -- the PIC lasts only for the duration of the scheme itself. The PIC has a smaller composition and a greater geographical spread than the scheme supervision committee (SSC) whose members tend to live in close proximity to the project. In Sirajganj Project, as mentioned earlier, WDC handles the financial management aspects and the SSC monitors the work and is consulted prior to final payment. The separation of financial management from quality monitoring serves as an additional tool for
quality control. Finally, placing responsibility for both implementation and maintenance with the WDC, which is a permanent community structure, promotes greater continuity.

Again, improvement of accountability is one of the core objectives of Sirajganj Project. The Project has introduced an annual performance review process that operates in the manner of a citizens’ report card. The review is held at a public meeting, usually attended by 80-120 people. The Upazila Project Coordinator (UPC) acts as facilitator. The citizens are asked to assess the effectiveness of the UP by marking its performance against a range of criteria. Categories of assessment are (Alam 2003):

- The opening of the UP office;
- Tax collection status;
- Finance and accounts;
- Scheme implementation; and
- Additional competencies including participation of female members, public budget preparation process, etc.

The Participatory Performance Assessment represents a major accountability initiative under the Sirajganj Project. This exercise is conducted in an open public forum where the community members are invited to comment on and question UP performance. The assessment results in grading performance so that it is linked to scheme eligibility for the following year. This has been shown to act as an incentive to improvement. In addition, a major benefit of this process is the dissemination of information on how tax compliance and collection are linked to service delivery.

Post Completion Scheme Assessment Reports provide a formal mechanism for improving accountability. Scheme Notice Boards and Public Information support better public information on schemes and UP activities. Scheme Assessments and Participatory Planning Reviews are the accountability mechanisms that have a project-specific focus.

Under the Sirajganj Project, civic participation in budgeting has brought about the following changes in service delivery and spending at the Union Parishad level:

- In July 2000, of 19 UPs, 11 UP offices were not being used for UP business. Houses of chairmen or other places were used for this purpose. Now all UP offices are used for the official work of the UPs. Also, UP offices remain open during the office hours, whereas in the past offices had irregular hours. Budget meetings were held in due time in all of these UPs.
- Some initiatives have been taken to increase UP revenue to implement the development activities identified by the community members (especially poor males and females). Some UPs have also developed comprehensive local revenue generation strategy with the help of the project team already enhanced their revenue income substantially.
- Poverty reduced through access to basic services and infrastructure for rural population of Sirajganj district.
- Community involvement in planning, implementation, supervision and monitoring ensured efficient use of resources and created ownership of the people.
- Operation and maintenance of the implemented schemes (infrastructural development – e.g., construction of roads and bridges, renovation of flood shelter, market development; basic services – e.g., furniture for school, making sanitary latrine) by the community.
Performance-based budgeting (fund allocation) for UPs proved feasible and welcomed by the community.

WDC involving UP representatives and community found effective in local level development.

Introduction of participatory bidding process at the union level found transparent and made the UPs capable in contractor management.

Transparency and accountability in the UP activities are being practiced, and participatory assessment of UP performance found effective.

In addition, the mid-term evaluation of the Sirajganj Project reveals that transfer of block grant directly to the UP has been widely appreciated by the UP chairs and particularly members commented that for the first time it was possible to achieve cent per cent efficiency in the use of development funds avoiding the system loss through other development funding channels.

Moreover, as a result of efficiency in the fund use, the transparency of the process and the participation of the community members including participatory budget meetings, UPs find it easier to influence increased revenue collection.

Relevance of budget allocations

Tax collection scenarios in the UPs under Sirajganj Project have been improving day by day. Chart 4 shows that, due to civic participation in UP budgeting, tax collection increased in 2001/02 by more than 42 percent compared to the year 1999/00 when there was no civic participation. This clearly suggests that people’s participation in their own development process is positively correlated with their willingness to pay.

It is even more dramatic that, compared to the baseline survey in January 2000, the stakeholder group’s participation in UP planning is correlated with a three-fold increase of the value of internal revenues for ten UPs in October 2003 (CARE, 2003). However, this improvement cannot be attributed solely to civic participation; rather, capacity-building activities for the UPs helped improve efficiency of tax collection considerably.

**Chart 4** Progress in Tax Collection in the 19 UPs, 1999-2002

![Progress in Tax Collection in the 19 UPs, 1999-2002](chart4)

*Source: UNDP (2003).*
National Framework

Administrative autonomy at local level

There is, in fact, no administrative autonomy at the local level in Bangladesh. That is why the local government cannot make their decisions regarding taxes, expenditures, level/range of public services, borrowings, budgets, and staffing.

Local governments, both Union Parishads, municipalities, and city corporations (where the elected representatives exist) and Upazila and Zila Parishads do not enjoy real autonomy to solve the local problems. In order to finance development activities and mobilize resources, the local governments depend on the central government. Likewise, in order to employ manpower or transfer their employees serving the local administration, they are dependent on the central government. All the key personnel who are associated with development work in the municipal areas tend to be staff of the central government. The municipal governments, particularly the smaller ones, do not have sufficient control and leadership over municipal affairs. The challenge here is to create appropriate conditions for the municipal authorities to function effectively (CPD 2003).

Manpower

The efficiency of municipal authorities depends to a large extent on efficient and better-trained manpower. The municipalities in Bangladesh lack organizational capabilities to undertake and successfully complete the massive task of urban development. One of the reasons for such a deficiency is the lack of trained manpower resources available to the local governments. Many of the municipalities remain under-staffed. The central government exerts full control over local level decisions (CPD 2003).

Sources of local government finance

The sources of local government finance are:

- Development grant from the central government, and
- Resource generated internally as tax and non-tax revenue

The local governments receive grants from the central government for various purposes. But of the total resources available to Zila, Union and Paurasabhas about 60 percent are generated internally (Asaduzzaman 1986). The rest comes in the form of grants. There are several mechanisms for internal generation of funds by the local governments. Taxes are imposed as a general obligation on the part of the citizens to bear the cost of running the local government. Rates are levied on the promise of supply of certain services. Fees are charged for actual provision of certain facilities. All local governments charge one or another taxes, rates or fees. Other sources include property incomes, interest incomes, contributions, and others. However, most of the local governments depend on one or two major sources of revenue (local governments’ detailed sources of internal revenues are attached in Annex 2).

Union Parishad

As per Local Government (Union Parishad) Ordinance 1983, Union Parishads’ internal sources of revenue are mainly twofold:

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18However, recent evidence reveals that internal revenues of UPs constitute on average 34 percent of total resources, ranging from 16 to 47 percent (CARE, 2003).
BOX 1 Increasing Village Level Tax so as to Raise UPs’ Income

The government has increased village level tax in order to raise income of UPs after forty-four years. And they are also given a guideline on how to assess and collect taxes. This is the first time after 1960 the professional, business, land and building taxes have been newly introduced. UPs have started to implement this new tax structure from January 2004. However, as a source of revenue to finance development projects initiated by the UPs the previous tax rates were extremely low because it was based on the reality of 1960. Consequently, the UPs as a local government institution have become financially weak day by day. The Government believes that now they will be able to implement small development projects with their own resources generated from within.


1. Taxes and rates (holding, village police, professions, vehicles and animals plus share of local rate), and
2. 11 types of fees (port, market, license, marriage, nationality and birth, slaughter certificate for ownership of animals, boats, tracks and cinema)

Apart from these, there are incomes from pounds and ferries, leases of Union Parishad and miscellaneous other incomes and grants.

UPAZILA PARISHAD

The Upazila Parishad finance is governed by the Upazila Parishad Act 1998. The Fourth Schedule of the Act has identified four of taxes (profession, commerce and industries, amusement, 2 percent of land development tax, and street lighting); several types of fees (fair, exhibition and amusement programs; license and permit, various services from Upazila, 1 percent of immovable property transfer registration fee); lease money from jalmahals (fishing rights), hats (holdings of markets), and ferry ghat (river-port); and other non-specified taxes, rates, and fees as the internal sources of revenue for the Upazilas.

ZILA PARISHAD

The collection of Zila Parishad revenue is regulated on the basis of the Local Government Ordinance (LGO) 1976 that lists 28 items for the purpose of a levy of a tax, a rate or a fee. But Zila Parishads impose only a few taxes, rates and fees under the current law, Zila Parishad Ordinance 1988. The major tax is the Immovable Property Transfer Tax (IPTT). It is levied at 1 percent of the value of deed of transfer of immovable property like building and land. The tax is administered and collected by The Ministry of Land that returns 97 percent of the proceeds to the Zila Parishads. The IPTT rate is, however, very low by any international standard.

PAURASABHA AND CITY CORPORATION

Historically the Paurasabhas are the least dependent on government grants. Municipal Ordinance 1960, later repealed and replaced with the Paurasabha Ordinance 1977, contained a list of a variety of taxes, rates and fees that could be levied by a municipality. Among them, the important sources of internal revenue are the taxes and rates based on property. The property taxes include the one on valuation of building and land and the IPTT within the
municipal boundaries. The rates based on annual valuation of property are those of water, lighting and conservancy. Property-based taxes and rates contribute to a sizable bulk of own-source revenue. There are four such taxes and rates, *viz*, the holding tax levied as a percentage of the assessed value of publicly and privately owned structures (buildings) and three rates charged against a certain percentages of same assessed value of building but levied to defray the costs to the municipality of providing conservancy, street lighting and water supply services for the community. The total taxes and rates account for between one-third to three-fourths of total internal revenue. Among the other taxes, there are fourteen types of taxes that include, *inter alia*, tax on transfer of immovable property, on profession, trade and callings, amusement and advertisement taxes and non-motor vehicle (mainly rickshaw) tax. These are likely to contribute mostly between 7 to 10 percent, but in some cases may go up to 15 percent. Among the other sources, fees charged for specific services, generally at flat rates, constitute a small percentage of internal revenue of Paurasabha. And lastly, income from rental or sale of property owned by the municipalities may be an important source in some cases and has the potential of being so in many cases (Asaduzzaman 1996).

City corporation ordinances define the corporations’ similar internal sources of revenue. These include 18 types of taxes (on building, land, immovable property, import and export of goods, etc.), 5 types of rates (lighting, fire, conservancy, public utility and water supply), and 15 types of fees (school, market, fair and exhibition, license, animal slaughtering, etc.). The important sources of internal revenue are the taxes and rates based on property. Like Paurasabhas, city corporations are also less dependent on the government grants.

Capacity-Building to Support Civic Participation

**Demand Side**

*Capacity-building needs of LGIs*

The principal capacity building need at local level is training. The National Institute of Local Governance (NILG) deals with the training issues of the various local government bodies, from UP to City Corporation. Till now it has prepared only one training manual for UP, the lowest tire of local government in Bangladesh. The other local government bodies also need training manuals and particularly regular training on how to create more scope for civic participation in various development activities undertaken by the LGIs. However, Sirajganj Project has developed 12 training modules that are limited to the UPs under the Project. These are also limited to fulfill the project needs and do not have replicable features for the rest of the UPs in the country due mainly to the fact that the Sirajganj Project area has now a different institutional set-up; and the unions under the Project gets various facilities regularly from both the Government and UNDP.

There is, therefore, a need for permanent institution at local level that will train the elected representatives of the local governments regularly as well as provide necessary information to the citizens about planning and budgeting. In addition, they need greater orientation of information technology.

In order to organize civic participation in local budgeting the LGIs should have a number of educated and trained volunteers according to the size of local government jurisdiction and complexity of work of LGI. They would facilitate effective civic
participation and provide other skill-rated services to the UPs. There are now a number of local NGOs available in rural Bangladesh that can mobilize these volunteers to work with LGIs. In fact, CARE-Bangladesh has successfully mobilized the services local NGOs as partners to utilize the services of such volunteers for improving the capacity of UPs to cope with natural disasters. The model is certainly replicable for enhancing civic participation in local level budgeting.

**Training needs of the different actors and institutions**

First of all, the LGIs need adequate number of trained manpower; especially educated volunteers to facilitate participatory planning at local level and provide overall support to the institutions. An important portion of the volunteers have to be women. The elected representatives of the LGIs, specifically the female UP members, and Paurasabha and City Corporation commissioners should be given training on how to select development schemes within the local government jurisdiction in a participatory way, conduct participatory budgeting and monitoring of implementation of the selected schemes. From the experience of Sirajganj Project it is quite clear that participatory policy-making and budgeting at local level can make LGIs efficient in the arena of utilization of public resources enabling them to render quality service and thus giving a voice to the marginalized groups. This will lead to increasing internal revenue, and assertion of ownership of local people of development activities. Therefore the actors of different institutions should be trained at least on the following issues to actively support civic participation:

- Rationale of civic participation in local level decision-making following the Sirajganj Project experience,
- PRA tools and techniques for capturing people’s perception,
- How to carry out participatory planning session in an effective way,
- How to mobilize greater internal revenue to implement schemes selected by the community members so as to better match local citizens actual needs, and
- Participatory monitoring of implementation of the schemes.
- How to better assess women’s needs and priorities.

**Supply Side**

In order to build capacity to support civic participation in local level budgeting some training materials are currently being developed by some agencies. These include the National Institute of Local Governance (NILG), Bangladesh Academy for Rural Development (BARD), Rural Development Academy (RDA), Sirajganj Project, and CARE Bangladesh. These are listed in Table 2.

**Content focus**

The training materials listed above have different content focus and implications in the process of participatory planning and budgeting. The contents of some of the materials are as follows.
TABLE 2  Training Module to Support Civic Participation

<table>
<thead>
<tr>
<th>Institution</th>
<th>Module Head</th>
<th>Purpose</th>
</tr>
</thead>
<tbody>
<tr>
<td>NILG</td>
<td>Union Parishad Training Manual</td>
<td>A common module to encourage local people’s participation in UP development planning all over Bangladesh</td>
</tr>
<tr>
<td>BARD</td>
<td>Financial and Office Management Training Manual for the UP Secretaries</td>
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<td></td>
<td>Village Police Training Manual</td>
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<td>RDA</td>
<td>Gender Training Module for the UP Chair and Members</td>
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<tr>
<td>UNDP</td>
<td>UDC Training Module</td>
<td>To serve Sirajganj Project purposes</td>
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<td></td>
<td>WDC Training Module</td>
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<tr>
<td></td>
<td>Technical Guideline</td>
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<td></td>
<td>UFT Training Manual for Participatory Planning</td>
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<tr>
<td></td>
<td>Participatory Planning Manual</td>
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<tr>
<td></td>
<td>Scheme Implementation and Supervision Module</td>
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<tr>
<td></td>
<td>Monitoring and Evaluation: Exclusive Training</td>
<td></td>
</tr>
<tr>
<td>CARE</td>
<td>Training Module of Union Parishad Budget and Office Management</td>
<td>For Capacity BUILD project</td>
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</tbody>
</table>

**UNION PARISHAD TRAINING MANUAL**

This module focuses on the people’s participation in local level development planning recognizing that there are fundamental defects in the existing top-down approach of development planning in Bangladesh. It reveals that people’s needs and aspirations are not reflected in the top-down approach, and as the people do not participate and they do not have ownership in the planning, the plans fail to have fuller impact on poverty reduction and overall development. The Manual specifies citizens’ roles in local level planning and implementation as follows:

- Gather or provide information/data
- Assistance for planning and implementation of development project
- Local resources mobilization
- Help reduce adverse effects of natural disasters, e.g., floods, storms, etc.
- Assist to develop rehabilitation programs
- Program implementation and maintenance

**UDC TRAINING MODULE**

In Sirajganj Project UDCs have important roles in final scheme selection from the ward level people’s priorities and supervision of implementation of schemes. The content of the module include:

- UP roles and responsibilities
- Financial management of UP
- Present process of development activities
Responsibilities and duties of UDC
Concept of participatory planning
PRA tools and techniques
Monitoring of different activities

WDC Training Module
WDCs in Sirajganj Project have specific roles in carrying out participatory planning, financial management of scheme implementation, and scheme monitoring. The content of the module include:

- Concept of participatory planning
- PRA tools and techniques
- Role of WDC in PRA
- Transect walk, mapping, problem identification and prioritization
- Initial proposal for schemes
- Visits to the proposed scheme sites

Relevance of the contents in enhancing civic participation
The materials developed by different institutions are focused on the practical needs of the different actors in organising civic participation in local level budgeting. But there are some limitations in the materials:

- UP Training Manual does not contain formal or informal mechanism to ensure people’s participation in local level planning. It does not specify the people’s roles and responsibilities in selection, implementation, and monitoring and evaluation of development scheme. The Manual does not have specific gender related components on how to encourage greater participation of women in local level policy-making and budgeting.
- Many of the other training materials, although written in Bengali, are not developed in a very reader-friendly language. Hence, success of the materials depends on the skill of the trainers, which again is not always available in abundance.
- UP chair is the leader of a Union and plays a crucial role. But any advice about ways to capitalize on his or her leadership and help it flourish in a system of participatory planning and budgeting is absent in most of the materials.
- No attempt has been made to use information technology in a significant manner in any of the above material.

However, UP is only one of the LGIs. There are other LGIs as well. They too are far away from the domain of participatory budgeting. Therefore, there is a general imperative for developing capacity of all the LGIs to develop the institutional skill to undertake activities related to participatory budgeting.

Possible partners for cooperation with WBI
Since there is a huge conceptual and empirical gap in the field of participatory budgeting in general and that in LGIs in particular, WBI should really first concentrate on generating ideas to expand the discourse mapping on this vital topic. There is certainly a need for undertaking
a baseline study to determine the existing supply and demand side situations in this field. It is imperative to know what capacity really exists in the LGIs and what they demand in terms of participatory budgeting. In the light of such findings, some field research and experimentation can be undertaken to provide intellectual support to the LGIs so that they can both improve their capacity and at the same time start demanding from the central government resources to meet the demands of the local people. In the process they would also start motivating the local citizens to pay taxes so that there would be scope for generating matching grant to attract resources from the central government. Also, LGIs should be motivated to form coalitions with local NGOs and other civil society organizations to work together in areas like health, sanitation, education, environment, human rights, and governance. Indeed, Shamunnay, a subsidiary of Unnayan Shamannay, has already started doing such work on an experimental basis. Shamunnay plans to conduct a baseline survey on the capacity of some LGIs, to carry out capacity-building activities with a small number LGIs, and to provide strategically focused training to elected chairs of UPs for participatory budgeting. Also it plans to foster greater civic participation to make both national and local budget truly pro-people in the light of the on-going PRSP exercise. WBI could work with organizations like Shamunnay to enhance civic participation in budgeting at the subnational level.

Conclusion

The budget-making process in Bangladesh is still very bureaucratic and non-transparent. As yet the role of the elected representatives is very limited to prioritizing the development projects/programs. The budgeting tends to be incremental, often heavily pulled by political and other kinds of lobbyists. The local level budgeting is even more non-democratic. It is fully dependent on the whims of central budget-makers. The resources generated from within the jurisdiction of local government are also very limited. The scope for civic participation in local budgeting is indeed very narrow. Yet a few experiments are underway with the government (e.g., Sirajganj Project) and with a non-government group (e.g., the Hunger Project’s open budget session, Shamunnay’s action research). Both show early promising results. These innovative exercises deserve to be further supported on a larger scale to develop more mature models for subsequent replication. This is all the more needed if Bangladesh really wants to make a dent in its fight against poverty, particularly in the light of the road map set under ongoing PRSP process.

There are many positive indications that people would come forward to participate in the fight against poverty. Participatory budgeting both at the national and local levels could indeed emerge as a strategic tool for enhancing civic participation in pursuing a pro-poor development agenda in Bangladesh. WBI could play an interesting role in this creative endeavor.
## Annex 1: I-PRSP’s Medium Term Agenda to Enhance Civic Participation in Local Governance

### Pillar 2: Improving governance for sustaining growth and poverty reduction

#### B: Supporting Local Government and Broadening Participation

<table>
<thead>
<tr>
<th>Strategic Goals/Policy Objectives</th>
<th>Medium Term Agenda</th>
</tr>
</thead>
<tbody>
<tr>
<td>Widen participatory governance</td>
<td>1. Decisions on further decentralization and tiers of local government will be taken.</td>
</tr>
<tr>
<td></td>
<td>2. Decisions will be taken on required tiers of local government and the decisions will be implemented.</td>
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<tr>
<td></td>
<td>3. Encourage building of the poor’s institutional capacity by way of promoting organizations of the poor (CBOs) and organizations for the poor (CSOs, NGOs) to ensure equitable access to public services and strengthen ability to influence policy.</td>
</tr>
<tr>
<td></td>
<td>4. Ensure the independent role of media including press and television as well as civic and human rights organizations as independent monitoring institutions for ensuring transparency and accountability.</td>
</tr>
<tr>
<td></td>
<td>Ensure decentralization and devolution of power through effective local government institutions, appropriately define the functions of these institutions, and take empowerment measures accordingly through appropriate fiscal, administrative and other relevant decentralization/devolution measures.</td>
</tr>
</tbody>
</table>
Annex 2: Internal Sources of Revenue of LGIs

**Union Parishad**

Union Parishad’s internal sources of revenue, *i.e.*, taxes, rates, and fees, are determined by the Local Governance (Union Parishad) Ordinance 1983. The following are the sources:

1. Tax on annual value of house or building which is called Union Rate
2. Tax on transfer of immovable property
3. Tax on profession, business and callings
4. Tax on cinema, drama, and theatre exhibition and other types of entertainment and amusement
5. License and permit fee
6. Lease money from hat-bazar (holding markets) and ferries

**Upazila Parishad**

The central government has framed internal sources of Upazila Parishad finances as per Upazila Parishad Ordinance 1998, Fourth Schedule:

1. Income from leasing hat-bazar, jalmahal and ferryghats at government-determined rates
2. Tax on business and commercial firms, and factories and industries
3. Tax on cinema, and a fraction of tax on theatre and opera
4. Tax on street lighting
5. Fee on fair, exhibition and amusement programs
6. License and permit fee of various trade and professions
7. Service fee
8. 2 percent of land development tax and 1 percent of immovable property transfer registration fee
9. Income from taxes, rates, tolls, fees and other sources of revenue not specified by this law

**Zila Parishad**

According to the Zila Parishad Ordinance 1988, the following taxes, rates, tolls and fees are levied by Zila Parishad:

1. Tax on transfer of immovable property
2. Tax on advertisement
3. Toll on road, bridge and ferry which are maintained by Zila Parishad
4. Rate on public utility works conducted by Zila Parishad
5. Fee on schools established or managed by Zila Parishad
6. Fee on the use of benefit derived from any works of public utility conducted by Zila Parishad
7. Fee on special services rendered by Zila Parishad
8. Any other tax which the government is empowered to levy by law
Paurasabha
According to the Paurashava Ordinance 1977, the government framed a model tax schedule in 1985 that determines Paurashava’s internal sources of revenue as follows:

**Tax:**
- a. Tax on the annual value of buildings and lands
- b. Tax on transfer of immovable property
- c. Tax on the application for construction and re-construction of buildings
- d. Tax on professions, trades and callings
- e. Tax on birth, marriage and adoption
- f. Tax on advertisement
- g. Tax on pet animals
- h. Tax on cinema and audio-visual shows
- i. Tax on vehicles other than motor vehicles and boats

**Rate:**
- • Lighting rate
- • Conservancy rate
- • Rate for the provision of water works or supply of water

**Fee:**
- • Fees at fairs, agricultural shows, industrial shows, industrial exhibition and other public gathering
- • Fees for the slaughtering of animals

Beside these two types of fees, there are other two categories of fees\(^{19}\)
- • Nationality, birth and death certificate fee
- • No objection certificate fee (e.g., for establishing and operating poultry farm, brick field, etc.)

**City Corporations**
Although the Ordinances of the City Corporations are different (The Dhaka City Corporation Ordinance 1983, The Chittagong City Corporation Ordinance 1982, The Khulna City Corporation Ordinance 1984, The Rajshahi City Corporation Ordinance 1987, The Sylhet City Corporation Ordinance 2001, and The Barishal City Corporation Ordinance 2001), the internal sources of revenue have been the same in all the ordinances. According to the Second Schedule of these ordinances the Corporations may levy the following taxes, rates, cesses, tolls and fees:

**Tax:**
- • Tax on the annual value of buildings and lands
- • Tax on the transfer of immovable property
- • Tax on application for the erection and re-erection of buildings

\(^{19}\)These were identified in the course of a field survey.
• Tax on the import of goods for consumption, use or sell in the City
• Tax on the export of goods from the City
• Taxes of the nature of tolls
• Tax on professions, trades and callings
• Tax on birth, marriage, adoption and feast
• Tax on advertisement
• Tax on cinema, dramatic and theatrical shows, and other entertainment and amusement
• Tax on vehicles other than motor vehicles and boats

**Rate:**
• Lighting rate and fire rate
• Conservancy rate
• Rate for the execution of any works of public utility
• Rate for the provision of water works or the supply of water

**Cess:**
• Cess on money of the taxes levied by the government

**Fee:**
• School fee
• Fee for the use of benefits derived from any works of public utility maintained by the Corporation
• Fees at fairs, agricultural shows, industrial exhibitions, tournaments and other public gatherings
• Fees for markets
• Fees for licenses, sanctions, and permits granted by the Corporation
• Fees for specific services rendered by the Corporation
• Fees for the slaughtering of animals
• Any other fees permitted under any of the provisions of this Ordinance
• Any other tax which the government is empowered to levy by law
References


Abbreviations

ADLG  Assistant Director Local Governance
ADP   Annual Development Programme
CARE  Cooperative of American Relief Everywhere
CBO   Community Based Organization
CSO   Civil Society Organization
FBCCI Federation of Bangladesh Chambers of Commerce and Industry
FFW   Food for Work
I-PRSP Interim Poverty Reduction Strategy Paper
LGED  Local Government Engineering Department
LGI   Local Government Institution
MCCI  Metropolitan Chamber of Commerce and Industry
MDGs  Millennium Development Goals
NBR   National Board of Revenue
PIC   Project Implementation Committee
PRA   Participatory Rapid Appraisal
UDC   Union Development Committee
UDCC  Upazila Development Coordination Committee
UFT   Union Facilitation Team
UPC   Upazila Project Coordinator
UNCDF United Nations Capital Development Fund
UNDP  United Nations Development Programme
VDP   Village Development Police
WDC   Ward Development Committee
WDF   Women Development Forum
India

Civic Participation in Subnational Budgeting

Samuel Paul

This paper narrates two case studies on how civil society organizations in India have created new mechanisms and modalities for citizens and civic groups to participate in budgetary processes. The first case pertains to the experience and achievements of an organization based in Gujarat State that has practiced budgetary analysis and advocacy at the state (province) level, mainly from the perspective of the poor. The second case describes the work of a civil society network in the city of Bangalore that specializes in budgetary analysis and dialogue at the city (local) level in a more comprehensive manner. Both cases share similar objectives, but the modalities adopted do vary.

Budgets are widely recognized as the preserve of governments. Ministers, elected representatives and bureaucrats are the key actors in the preparation, approval and implementation of budgets. Typically, people get to know about the budget only from the statements of those in charge of the government or from the discussions in the legislature as reported by the media. Experts and special interest groups, such as business associations, may comment on the budget, but ordinary citizens in most countries tend to be passive onlookers as far as the budget is concerned. The technical and aggregative nature of the exercise and the analytical skills required to understand the budget’s content have turned out to be barriers that most people are unable to overcome.

Recent years, however, have seen several efforts to demystify the budgetary process and content and encourage citizens to participate in the process in at least a few countries. A well known example is the participative budgeting process in the state of Porto Alegre in Brazil. In this municipality in the state of Rio Grande do Sul, the government has institutionalized a mechanism to encourage ordinary citizens and civic groups to participate in the design and monitoring of the budget. Meetings are held in different localities and the inputs generated are reflected in the budgets that are finally approved by the legislature.
The two case studies from India presented below show yet another way for civil society to participate in budget making and monitoring. A noteworthy feature of the two cases is that, unlike in Porto Alegre, the initiative in these cases came from civil society. The lessons from these experiences are summarized at the end of the paper. Before we present the case studies, it is useful to sketch the structure of government and the budgetary process in India.

The Three Levels of Government in India

The government structure in India consists of three levels, namely, central (federal), state (province) and local (both urban and rural). The Indian Constitution specifies the roles and functions of the three levels. The Constitution and amendments further describe the responsibilities of each level. There is also a concurrent list of functions that provide for overlaps between levels, though this has occasionally caused frictions between levels.

The central government is responsible for national public goods such as defense, foreign affairs, monetary policy, and foreign trade. The state governments are responsible for the provision of most public services and internal law and order in their jurisdictions. Local governments provide highly localized services and infrastructure.

The national parliament and the central government have a decisive influence on the generation and allocation of resources at all three levels. By law, the central government collects a major proportion of revenues in the country through corporate and personal income taxes, excise and customs duties, and sales tax/VAT. The states levy their own excise and sales taxes along with stamp duties, land revenue and other ad hoc fees. Local governments rely upon property tax, professional tax and a limited set of license fees. The revenue sources within the powers of the state and local governments are invariably inadequate to meet their expenditure responsibilities. The central government, therefore, allocates grants and loans to state and local governments according to specified conditions.

The Finance Commission is the institutional mechanism for establishing the criteria for central allocations on a five year basis. The Planning Commission of the central government is responsible for the approval and allocation of funds for major capital investment projects for all levels of government. External aid funds and loans are factored into the investment plans and are routed through the central government. More recently, state governments have also been authorized to negotiate some loans from international development banks under the supervision of the central government.

A major consequence of the heavy dependence of state and local governments on the central government for resources is that their financial autonomy and ability to initiate new programs/projects on their own are rather limited. Some states have done better than others in this regard. The less developed states generally tend to be at the bottom of the pile. In the case of local governments, the revenue sources available to them are so few that the autonomy they enjoy is nominal rather than real. They are being increasingly encouraged to borrow from the specialized development banks and agencies in the country for further infrastructure development. The net result is that despite important constitutional amendments that bestow autonomy on local governments, they do not in reality enjoy any financial autonomy worth the name.

In India the financial year for budgeting commences in the month of April. Budgets are normally presented to the legislature in February, a little more than a month before the new fiscal year begins. Budget discussions continue well into the new fiscal year, but early
votes on accounts enable the government to function and commit to expenditures even though the detailed approvals occur only months later. A budget presents not only the revenues, expenditures, surplus/deficits for the year ahead, but also the estimated actual revenues and expenditures for the year that is about to end. The finance minister’s speech outlines new revenue proposals and highlights of expenditures, including new programs and reforms. The media, diverse interest groups and the legislature discuss the budget and its detailed components and provisions for several weeks or even months. The finance minister may take their comments and suggestions into account before modifying and presenting the final budget for approval. Ordinary citizens tend to play only an indirect role in this process.

**Case Study 1: DISHA, Participation in State-Level Budgeting**

DISHA, a well known voluntary organization in Gujarat State in the northwestern region of India, initiated an innovative program for civic participation in budget-making in 1993. It created a unit called Pathey as a focal point for this new activity. It is the Pathey team that plans and organizes the budget-related activities of DISHA and its affiliates. In the rest of the paper, Pathey will be referred to as the promoter of this work although the credit for its launch goes to DISHA.

DISHA was founded nearly two decades back as a trade union and a tribal welfare organization. (The organization goes by its acronym DISHA which stands for Developing Initiatives for Social and Human Action). Gujarat’s northeastern districts have large tribal populations and DISHA’s focus was on improving the status and conditions of this population. Among its early activities were the creation of twenty labor unions and cooperatives in the region, training of tribal youth, men and women, and advocacy work to improve social justice, especially land ownership and participation in decision-making bodies.

In this context, DISHA had studied the state’s tribal development plans and their implementation at close range. The organization had observed that the benefits of the much publicized plans and schemes were hardly visible in the region where the programs operated. The working-class background of DISHA’s founder, Madhusudan Mistry, partly explains why the organization soon adopted an activist and often confrontational mode. Mistry knew that well researched facts and analysis could be an aid in DISHA’s struggles. It is this realization that led to the creation of “Pathey” as a new unit for undertaking budgetary analysis and advocacy work. Pathey soon found that for budgetary analysis to make an impact, the group had to engage in dialogue with the decision-makers. At the same time there was a need to educate the people on the use of this information. When Pathey met with state officials and elected representatives, the latter two groups knew that they were dealing with an organization that had substantial “people power” behind it.

At an early stage Pathey realized that the state budget was key to the resolution of many of the causes and issues that DISHA championed. Of course the budget was the instrument of resource allocation. Many of the issues taken up by DISHA called for increases in public funds. Sometimes funds were allocated, but were later diverted to other purposes or could not be tracked due to leakages in the system. These problems underscored the need to monitor public expenditure and even track the results of specific schemes promised in the budget. Pathey soon found that the issues and struggles undertaken by DISHA could be aided a great deal through the system-wide view that budgetary analysis provided. Pathey’s work thus signified a new strategy on the part of DISHA.
The Scope of Budgetary Analysis

Most experts analyze budgets from a general “public interest” point of view. They start by looking at the totality of the budget and then examine its different parts and dimensions. They may or may not assess the budget from the perspective of the poor. In contrast, Pathey had a clear focus on the poor and tribal peoples and hence on how the budget affected their prospects and interests. For this reason, Pathey devoted only minimal attention to a “comprehensive” analysis and assessment of the budget. Instead, its analysis was very much influenced by the need to identify and address budget items of special relevance to the poor tribal population in the state. The types of analysis and the advocacy campaigns that followed reflected this deliberate strategy.

Pathey’s budgetary analysis was done in-house by trained professionals. In Ahmedabad, where Pathey was located, economists and financial experts were readily available. It was easy for the Pathey team to consult outside experts on specific types of analysis, as and when necessary. The team that analyzed budgets joined hands with many others when dissemination of the information and advocacy work began.

The types of analysis that Pathey undertook can be categorized as follows:

- **Overview of revenue and expenditure** The team presents an overall assessment of the budget by examining categories of revenue and expenditure. Comparisons of estimates and actual expenditures under each category are also attempted. It is also possible to examine whether the promises and plans outlined in the finance minister’s speech in the legislature are reflected in the actual allocations in the budget. Pathey does not attempt an in-depth assessment of the budget as a whole.

- **Department/sector wise analysis** Sectoral/departmental expenditures (for education, health and public works, for instance) in the state budget are examined in detail. The focus here is to identify the extent to which promises and performance match. Greater attention is given to sectors that are more relevant to the poor. Disaggregation of the allocations enables the Pathey team to investigate the extent of funds that are meant for districts and blocks (lower level spatial units). It is this analysis that helps Pathey to see whether the areas where the poor live are being served well or not. Thus, if the allocations in a sector of interest to the poor are inadequate or are declining in districts where the poor live, Pathey raise this as an issue for advocacy.

- **Analysis of specific programs and schemes** Within any government department, there are programs and schemes of particular interest to the poor. Some may cut across several departments or sectors. Identifying these programs and analyzing and assessing their implications are another task that Pathey performs. This work often entails going beyond the budget to obtain information on specific aspects of programs or schemes. As a matter of routine, many state governments propose such programs for various categories of the disadvantaged and minority groups. But the budgetary allocations may or may not match the rhetoric. Detailed analysis of the kind that Pathey attempts is the only way to get to the ground reality.

- **Verification of expenditures through field level research** Whether the budgeted expenditure actually gets spent for the purposes specified in the budget can be ascertained only by verification in the field, either through official records or through interviews with the beneficiaries. For this purpose Pathey undertakes systematic investigations including surveys. The findings are of immense value for advocacy and dialogue with the
authorities. Such analysis clearly goes beyond the limits of conventional budgetary analysis.

Some examples of the types of analysis done by Pathey are given below. A brief list of departments and sectors for which Pathey analyzed allocations appears in the Annex.

- **Analysis of the state education budget** is an example of a sectoral analysis. The education budget covers primary, secondary, tertiary and technical education. Pathey’s focus tends to be on primary and secondary education for the obvious reason that tribal peoples and the poor are more likely to use primary and secondary schools than higher education. Also, primary and secondary schools happen to be more visible to the tribal population. To make this analysis useful, Pathey breaks down the education budget by district (spatial unit).

- **Analysis of the Tribal Sub-Plan**, a program included in the budget, illustrates how Pathey zeroes in on a part of the budget of direct concern to the five districts of the state that are predominantly tribal. The Tribal Sub-Plan is a multi-year plan that has central government support. The annual budget reflects the part of the plan that is meant to be achieved during the year. The analysis examines the profile and progress of the districts involved so as to make a judgment on the adequacy and appropriateness of the allocations.

- **Expenditure monitoring** has been carried out as a follow-up to the budgetary analysis of specific projects and schemes. For example, Pathey asked the elected heads of villages to confirm whether certain projects included in the budget were actually implemented as promised. The results were then factored into the final assessment and discussed with the authorities. In one study that involved expenditure monitoring, Pathey discovered that allocations had not been properly utilized in 500 villages. Pathy brought this to the attention of the government.

- **Pathey** has studied district budgets in tribal districts to see whether expenditures match for the specified purposes. These budgets are derived from the state budget. Hence Pathey believed that district level expenditure analysis could shed useful light on how the funds flowed to lower levels and how they were spent. The scope of the analysis covered education, irrigation and certain welfare schemes.

- **Pathey** has analyzed expenditures on major national programs. The state budget reflects national program expenditures within its jurisdiction. An example is a national employment generation program called Jawahar Rozgar Yojana that operates at the village level. This program is critically important for the poor and tribal populations for which DISHA works. Budgetary analysis shed light on the operational achievements and deficiencies of the program. This was useful when Pathey entered into dialogue with local and state authorities.

**Dissemination and Advocacy**

The main objective of DISHA and Pathey was to use the findings of their budget analysis to demand better fund utilization and improved services for the poor from state and local governments. However, ordinary people, especially the poor, were not equipped to make good use of the information Pathey provided. To help, DISHA brought in a number of non-governmental groups and trade unions with similar concerns to create a coalition. Together
DISHA and the groups pushed for dialogue with the government, its agencies, and elected representatives.

DISHA was in a good position to create a coalition of voluntary groups in the tribal region. In the 1980s it had organized several trade unions and farmers’ groups at the village level. With DISHA’s support many of them had undertaken struggles for the betterment of their living and working conditions. Creating a joint platform for dialogue and action was not difficult in this setting. What was needed first, however, was to make the groups’ leaders aware of the budget analysis and then to motivate them to engage in collective action. DISHA and Pathey held meetings and training sessions to help prepare the local people’s groups and equip them to play their new role.

As a prelude to advocacy, Pathey launched information campaigns to educate the elected members in the state legislature and public officials on the findings of the budget analysis. It prepared “briefs” for each of the analyses done on the budget. Thus, one brief might concern the finance minister’s budget speech and the extent to which actual allocations reflected his statements and promises. Another brief might highlight the errors and inconsistencies in the budget document. A third might highlight the findings of a sectoral or departmental budget or program. Each brief had a clear focus and was presented in a language and style that was appropriate to the target audience.

Equally important was the selection of target audiences for the briefs. As a matter of strategy, DISHA and Pathey decided that their primary focus would be the legislature, as it was the body responsible for approving the budget and deciding on the state’s policies. There was then the question of whether the briefs should be sent to all elected members or only to opposition members who could then challenge the government. The organizers decided to send the documents to all elected representatives and their political parties. This practice turned out to be the proper route as the elected members felt that this was a fair and transparent procedure.

Next the briefs were distributed to the media. This component of advocacy reinforced DISHA’s ability to deal with the legislature. The newspapers promptly highlighted key concerns, making it difficult for the ruling party or the opposition to ignore them. Media attention also opened up the debate more widely, encouraging concerned NGOs, researchers and other citizens to join the fray even if they were not working on tribal issues. The wide publicity given to the briefs was one reason why the government could not brush them aside.

A third strand in advocacy was to motivate the labor unions and the village level citizen groups to meet with the district level authorities to discuss issues treated in the briefs and other Pathey studies. Some of the disaggregated findings came in handy for this purpose. Thus, if the government programs in some districts had deficiencies or their expenditures were lagging behind others, the local groups, with DISHA’s assistance, would take up such matters with the authorities. This was advocacy and the use of budgetary analysis at the grassroots level. It opened up a new way for the poor to demand increased public accountability. By themselves, the poor and the tribals might have found it difficult to engage in such dialogue. But their partnership with DISHA and Pathey empowered them to make use of analysis to further their interest and solve their problems. This kind of advocacy could be carried out only at the local level. The interactions with the legislature and senior public officials were managed by DISHA and Pathey on behalf of all the people’s groups that were part of the larger coalition in the tribal region.
In brief, the target audiences reached by DISHA and Pathey in the course of their budget-related campaigns were the following:

- Members of the state legislature
- The chief minister and his cabinet of ministers
- Senior government officials
- District/panchayat (village) level officials
- Research and academic institutions
- Non-governmental organizations
- Social and community leaders
- Print and electronic media

DISHA estimated that nearly 2,000 persons in the above categories received its budget briefs. Detailed budget analyses and follow-up notes were distributed to 1,000 persons. Written responses and queries were received from only about 12 percent of the people in the target groups. However, DISHA reported that many more people did discuss the reports on the phone or in personal meetings.

**Assessment of Impact**

It is not easy to assess the impact that budget analysis and advocacy has made on policy-making and actual budgetary allocations in Gujarat. Many factors tend to influence complex political decision-making.

DISHA kept track of how the recipients of budget briefs used the information in early campaigns. The evidence shows that one in three persons used the information to take follow-up actions in relation to the budget. One in five used the briefs to draw the government’s attention to specific issues raised in the reports. Four out of ten saw long-term value in the information or used it to prepare speeches or make suggestions for further analysis and action. More than two-thirds of people stated that they used the information for these different purposes within a week or less. This shows that the information provided by the analysis met immediate needs or stimulated speedy responses by the target audiences. Only a minority (one in twelve) failed to specify how the information was used.

Also, DISHA carried out a survey of the legislators. It found that the vast majority of them welcomed the independent budget analysis done by Pathey. More than a third of them confirmed that the analysis and briefs were useful in the legislative debates. The respondents included senior leaders of all parties. A quarter of them reported that they found the reports informative and useful for proposing further actions and discussion within their parties. Whether these positive responses had a direct influence on policy-making is difficult to verify.

In respect to the media’s attention to the budget analysis, there is substantial evidence to show that the print media played an active role. They paid particular interest to deficiencies in budget documents. For instance, they reported on inconsistencies and errors, gaps between estimates and actual expenditures, and evidence of regional disparities. Discussions in the legislature on such issues were also newsworthy. The media thus played a major role in widely disseminating Pathey’s findings to a large audience in the state. This in turn would have had a major impact in terms of molding public opinion.

In summary, the immediate impact of Pathey’s budget analysis, dissemination of information and advocacy work can be characterized as follows:
Members of the state legislature, political parties, and senior public officials made significant use of the findings and suggestions. On the whole, they were positive towards the Pathey initiative. Part of the role Pathey played was to educate legislators and public officials on how to analyze the budget, interpret the findings, and draw conclusions. A period of familiarization seemed necessary before public officials became conversant with the use of the new information. It is difficult to say whether these early responses resulted in changed budgetary allocations and decisions.

Non-governmental organizations, local people’s groups, trade unions, and others also made use of the Pathey findings. Pathey trained and oriented them in the use of budgetary information. These groups were then able to initiate dialogue with the authorities and political leaders. The new knowledge and information seem to have empowered the groups in their interactions with authorities. Their “voice” was heard in decision-making circles.

The media’s role in the dissemination of budget information facilitated the outcomes mentioned above. Media publicity seems to have nudged elected representatives and public officials to pay more attention to the Pathey briefs and other reports. The greater visibility given by the media to the campaigns undertaken by DISHA added to the pressure on the decision-makers.

Did DISHA and Pathey make a positive impact on the budgetary allocations for the tribal districts? Were expenditures increased and services improved in the tribal areas as a result of their efforts? A definitive answer to these questions cannot be offered. So far no one has undertaken a formal, independent assessment. Such assessments tend to be expensive and need to be done under credible auspices. For example, in order to assess whether services have improved, it is essential to gather feedback from the tribal population. In large projects, systematic evaluations are usually done by donors and governments. But in India the work of small, advocacy NGOs is yet to be subjected to such public scrutiny.

Even if the required data were assembled, the problem of attribution would remain. Budgetary allocations for tribal populations and the poor may have increased for a variety of reasons. For example, the state government may have been following the lead of the central government in allocating more funds for tribal peoples. Service improvements may have taken place because of changes in agency leadership in the tribal area, or due to other factors not linked to DISHA’s work. Establishing such causal links and tracking the sequence of events is not an easy task when multiple influences are at work.

Case Study 2: PROOF, A Citizens’ Forum for Monitoring City Budgets

PROOF is an acronym for “Public Record of Operations and Finance.” It was conceptualized by Janaagraha, a civic group in the city of Bangalore in southern India. PROOF can be thought of as a campaign for citizens to participate in the budget process at the city level. The objectives of the campaign were: (1) to demystify the budget process and make it more open and accessible to ordinary citizens; and (2) to initiate periodic dialogues between citizens and the civic authorities on budget allocations, priorities and performance.

Municipal budgets in India seldom attract much public attention. Budgets are debated and approved by the elected municipal councils. As there are no public reviews of revenues and expenditures, people do not hear a great deal about the budgets. Audited statements of
revenues and expenditures become available only much later, often after years. Budget
documents, audited or otherwise, are not made available to the public on a regular basis.
Public awareness of budgets and their implications therefore tends to be low, and public
participation is minimal.

It was against this background that a reform of the accounting and budgeting system
was initiated in Bangalore in 2000 by the Bangalore Agenda Task Force (BATF), a public-
private partnership forum created by the state government of Karnataka. Bangalore is a city
of six million and the hub of India’s high tech industries. Among the reforms proposed by the
BATF was the modernization of the Bangalore Municipal Corporation’s financial
management. As a result the city adopted the “fund based accounting system” that enabled
the Municipal Corporation to respect accounting and financial reporting standards prescribed
by the Governmental Accounting Standards Board (GASB). By 2002, the Corporation was
able to present the budget in this new format, and more importantly, to record and report its
revenues and expenditures in a timely fashion. Quarterly reports of actual revenues and
expenditures are currently available about a week after each quarter.

The availability of budgetary information in a timely fashion was a major factor that
stimulated the promoters of PROOF to launch their campaign. But timely information on
budgets does not necessarily mean that the authorities are willing to discuss details of the
budgets with citizens in a public forum. Here again, the increased transparency and openness
advocated by the BATF helped. This partnership forum had already created a favorable
climate for public debates and public monitoring of the performance of the civic agencies in
the city. Bangalore’s municipal commissioner was himself a member of the BATF, and he
supported the new culture of openness and dialogue in civic matters. The person who
conceptualized and led PROOF was also involved in the activities of BATF. Thus the launch
of PROOF was greatly facilitated by the supportive environment that had developed in
Bangalore’s civic management. This is not to say that PROOF faced no problems along the
way. There were suspicions about PROOF’s motives in the bureaucracy and among the
elected members of the municipal council. But the preparatory work done by BATF certainly
helped to moderate these barriers.

Organization and Strategy of PROOF

In 2002, PROOF had the support of four non-governmental organizations in Bangalore. They
were the Centre for Budget and Policy Studies (CBPS), Janaagraha (Power of the People),
Public Affairs Centre (PAC), and “Voices.” All four organizations shared an interest in the
city’s well-being, civic performance and progress in these areas. They brought different
strengths to the new campaign. CBPS was engaged in budget analysis at the local and state
levels. Janaagraha was a new civic movement in the city. PAC was known for its report cards
on public services and its role as a catalyst for dialogue between the state and civil society.
“Voices” was a non-governmental organization dedicated to developmental communications
and community awareness building.

PROOF’s basic strategy was to create a public forum for reviewing the city budget,
its performance and problems on a quarterly basis. More detailed investigations into specific
aspects of the budget were to be initiated in light of the discussions in this forum. The
strategy included a campaign to inform and educate ordinary citizens about the budget and its
implications, as the public meeting was likely to attract only organized groups and
professionals. The expectation was that the process of discussions and campaigns would
stimulate a greater desire for participation among the citizens and lead to increased public accountability within the municipal corporation.

The different elements of the strategy were to be managed by the four partners. Much of the budget analysis was to be undertaken by CBPS. Janaagraha was to organize the meetings and create a network of civic groups to participate in the discussions. PAC was to generate report cards on services that took up the major part of budget spending. “Voices” was responsible for creating the concepts and campaigns for public awareness-building and media relations. The costs of these activities were to be borne by the partners from their own resources.

Unlike DISHA with its focus on specific parts of the budget, PROOF’s focus was on the budget as a whole. There was no attempt in the campaign to focus only on the poor and the impact of the budget on them. The starting point was an analysis and assessment of the city budget as a whole. This was followed by an assessment of specific components such as expenditures on education and health. Also, PROOF looked at revenue sources such as property tax. A part of the analysis would then examine allocations for services of special interest to the poor. The rationale for this approach was the desire to involve the general population in the budgetary process and debates. An exclusive focus on the poor would have made it difficult for PROOF to achieve this goal.

Scope of Analysis and Advocacy

The scope of the analysis and public discussion at the quarterly meetings organized by PROOF covered the following:

- Financial statements of the municipal corporation
  - Revenue and expenditure statement along with the original approved budget estimates
  - Balance sheets of detailed information concerning assets and liabilities
- Performance indicators
  - Inputs (funds)
  - Outputs (services, benefits)
  - Efficiency indicators
- Performance assessment
  - Overall trends
  - Specific components/allocations

A debate focused on the city budget can generate a great deal of local citizen interest. This is because of the importance of the allocations on the quality of life of the citizens. With the help of the analysis provided by PROOF, civic groups and individual citizens would be able to raise a wide range of issues for discussion, listed below.

Issues Concerning Financial Statements

- What are the main sources of revenue? How have they fared in relation to the budget estimates? Which fared better and which fared worse?
- How are the capital receipts such as sales of assets spent? How do we make sure that revenues from improvement charges get spent on the areas from which they were collected?
Issues Concerning Performance Indicators

PROOF is developing a set of performance indicators as useful tools to measure budget effectiveness. Citizens have raised a number of questions about specific services in the quarterly meetings. They include:

- How much is spent on the education department? What is the expenditure per student by the department? What performance measures, if any, do you use in the department?
- How many hospitals/clinics does the corporation manage? How is their performance assessed? What steps are taken to improve their services? How are the user charges, if any, utilized, and for what purposes?
- How many public works are under way in the engineering department? What is the extent of cost and time overruns in the department? What steps are being taken to improve the efficiency of the projects? What are the performance measures being used?

These questions may be difficult for many citizens to fully understand. PROOF has observed that persons with financial and technical backgrounds have played a lead role in raising these questions in public meetings. However citizens are becoming more knowledgeable in a number of ways. In the course of public debate, people become familiar with issues just by listening to what others have to say. Explanations and examples given by the officials contribute to this increased understanding. Material PROOF distributes to participants also helps the learning process. Finally, PROOF has enlisted qualified accountants and financial analysts to lead training seminars for citizens.

Four quarterly meetings were held in 2002-2003. They were attended by a large number of citizens and civic groups. The mayor of the city, the municipal commissioner and senior officials participated in the meetings. They responded to the findings of PROOF’s budgetary analysis and the questions raised by the audience. So far the process has not shown any tendency to be confrontational, although at the beginning the commissioner was reluctant to attend these meetings. Once he started participating, he was enthusiastic in responding to questions and acknowledged the value of the analysis and the public debate on the budget.
What Did PROOF Accomplish?

By 2003, PROOF had had only a year’s experience. It may not be fair to look for “impact” when it is still gaining experience on the ground. Nevertheless, there are some achievements that are worth highlighting.

- Citizen participation in the quarterly meetings of PROOF has improved with each quarter. Budgets are rather technical subjects. That PROOF was able to attract nearly 200 persons to a meeting that lasted several hours is to their credit. Many of the people who attended represent civic groups and networks. Hence, the dissemination of information on budgetary issues is much wider than the audience size implies.

- Establishing rapport with a civic agency such as a city municipal corporation is not an easy task for a small coalition of non-governmental groups. Despite the tensions at the start, there has been progress in terms of a partnership between the corporation and PROOF.

- PROOF has succeeded in getting the corporation to openly share information on the budget, especially on a quarterly basis. It is the first time that this has happened in an Indian city. The usual practice is for municipalities to discuss these matters in their councils, keeping the budget documents under wraps or making it difficult for citizens to access them. Publicizing financial statements in a public forum is therefore a departure from tradition. The media has been an ally in this process.

- Through its quarterly meetings, PROOF has created a better understanding among citizens about the city budget and the constraints facing the civic authorities. It is, of course, true that this improved understanding has been largely among the more educated and public-spirited among the citizenry.

There have been some criticisms of the PROOF approach and activities. The major points made by various critics can be summarized as follows:

- Some claim that PROOF is dominated by professionals and experts who understand finance and economics. This has led to the charge that PROOF is an elitist campaign. The fear is that the concerns discussed in the public meetings may reflect those of the elites and not of the general population of the city. Critics also point out that elitism gets reflected in the preachy attitude of the organizers of PROOF who seem to tell the city corporation how it should plan and what it should do. PROOF would argue that a strong role for experts is unavoidable, given the technical nature of the work involved in budget analysis.

- While there has been some degree of participation in the discussions by the elected mayor of the city, most elected representatives are not present at the meetings. These people are the real decision-makers in the budget arena. The question is whether a major impact can be made on the budgetary process when the elected representatives are indifferent to the PROOF campaign. To be fair to PROOF, efforts have been made to involve the elected representatives, but their response leaves much to be desired.

- The analysis and findings presented did not address some keys issues relevant to citizens, according to some critics. An example is the absence of any reference to an issue such as corruption in the way expenditures are incurred and in specific programs and projects of the corporation. On the other hand, it could be argued that citizens themselves were free to raise such issues in the public forum.
A frequent comment is that the general analysis and assessment of the budget is of interest to ordinary citizens only up to a point. Much greater public participation could be achieved if ward level budgets were assessed and publicly discussed. Citizens would then be able to raise questions about the services in their neighborhood. This is a valid point that deserves attention. The organizers of PROOF hope to address this issue in the next round.

PROOF’s campaign is in its early stage of development. As they gain experience, the organizers can be expected to rectify some of the weaknesses identified by critics. What PROOF has demonstrated is that civil society groups that are able to marshal the needed technical and advocacy skills can stimulate citizen participation in the budgetary process. Though the outcomes in terms of budget allocations cannot be predicted, there is some evidence that such participation can lead to useful dialogue on the budget between the authorities and citizens, and promote a better understanding of the process and constraints by both parties.

Lessons Learned

The two case studies presented above have important lessons for those who wish to engage in budget analysis and advocacy. Country contexts and political systems do vary a great deal. We do not assume that an approach or method that worked in one setting can be replicated in another in toto. Nevertheless, there are lessons and implications that can be drawn from these experiences for the benefit of civil society groups in other parts of the world.

Budget analysis and its dissemination are often done by professionals and researchers. For broad citizen participation in the process to occur, it is important that voluntary organizations of citizens take the lead or that they work as part of a coalition. Technical analysis of budgets needs to be converted into messages that ordinary people can understand. People need to be motivated to participate in the debates and advocacy work. It is seldom that a research group will have the skills and orientation necessary to perform this mix of tasks. Hence the need for a coalition of forces. If a tight coalition is too difficult to organize, at least a network of organizations and individuals will be necessary to make the campaign a success. The two cases illustrate different ways to accomplish this objective.

Budget analysis and advocacy can be used to serve different ends. This is because the techniques and skills used are versatile, and can be deployed to accomplish different goals. Thus budget analysis may focus on issues of interest to the population at large. It can also be used to assess impacts of the budget on certain segments of the population or certain regions or sectors. Advocacy work can then be tailored to highlight the implications for the concerned groups. DISHA used analysis and advocacy to serve the interests of the poor in one region. Another organization in India used budget analysis to highlight gender issues (See box). PROOF adopted a broader approach.

Budget analysis is merely the starting point of the exercise. To get citizens involved in the process, it is essential to keep the analysis relevant and not let the details become overly complex. Technical quality may be a concern when presenting the findings to professional audiences, but it is of little consequence to the average citizen or activist. Being clear about the audiences one wishes to reach is important. If the sponsors of the
Those who undertake budget analysis should be clear about the target groups they wish to inform or influence. The methods used and the presentations to be made need to take into account the characteristics of each target audience. For example, DISHA prepared budget briefs that were concise so that busy legislators would have time to read them. Press notes were simple enough for ordinary citizens and NGOs to comprehend. Different communications, such as reports or briefs, may have to be prepared to suit the requirements of diverse target groups including policy-makers, professionals, NGOs and citizens.

It is unrealistic to expect that citizen participation in the budget process will lead to immediate results in terms of changing budget allocations and programs. This is because many factors are at work in the formulation and execution of the budget. Stakeholders with varying interests and influences are involved in the process. Citizen participation may lead to greater transparency and questioning of certain aspects of budget performance. Both DISHA and PROOF show how this can be done. But such public monitoring cannot have a significant influence on allocations. It is only if participation extends to budget formulation that such an impact can be achieved. For this to happen, key stakeholders such as policy-makers should agree to the involvement of citizens in the budget formulation process. Porto Alegre is a celebrated case where this has in fact happened.

Budget analysis and advocacy by civic groups can be sustained only when certain enabling conditions are present. The primary condition is that the country is democratically governed and is open to public debate and criticism of those in authority. A relatively free media is another enabling condition. A press that is highly dependent on the state is unlikely to publish information that is critical of the government. Civil society groups that are relatively independent are a prerequisite for budgetary campaigns of the kind described in this paper. It is also essential for the groups to have the basic skills for budgetary analysis and interpretation of findings. It is, of course, possible to import such skills if they are lacking in the country.

Though the basis for civic engagement on budgets is citizen participation, it is difficult to achieve it without the assistance of experts from relevant fields such as economics and finance. Sectoral analysis will call for advice from experts in those subjects. Such experts will also be invaluable for training and orienting citizens in the use of budgetary information. Both DISHA and PROOF organized workshops and meetings precisely for this purpose. Partnerships between civil society groups and professional bodies and experts are essential for the exercise to succeed.

Since impacts are not easy to achieve, it is important that those who plan budget analysis and advocacy adopt a long-term view of their mission. They should be prepared to learn and improve their approaches and methods from the previous campaigns. Creation of public awareness and citizen involvement does take time. Building credibility for the campaign also takes time. Those in authority are likely to look at their critics with some suspicion at the outset and suspect they are politically motivated. Credibility comes only when those who repeatedly watch the campaigns see impartiality in action. Staying the course and sustaining the mission over time will be the key challenge for all those who wish to engage in budget analysis and advocacy.
Capacity-Building for Civic Participation

Budget analysis and advocacy involve four different categories of actors: policy-makers and bureaucrats, budget analysts, NGOs and civic group leaders, and citizens at large. The skills and capabilities required by these actors are not the same. Training will therefore have to be designed and tailored to meet these different needs.

Political leaders and civil servants can be expected to have a general understanding of the budgetary process, its purposes and the mechanisms for fund allocation and budget management. But they may not know much about the rationale for civic participation in the process or intricacies of some of the analytical work. What they require is an orientation to the kinds of budgetary analysis and advocacy that civil society groups are likely to undertake. They need to develop the right attitude towards these interventions and the skills to engage in dialogue with such groups. Seminars and workshops that offer opportunities to get familiar with these activities are probably the best way to prepare them for participation in this endeavor.

The training needs of budget analysts are a more straight-forward matter. In many countries, people trained in economics and finance are available. Similarly the accounting profession can be a source of people with needed skills. The training they require is not in the technical skills for analysis. They need to be oriented to take the citizen’s perspective so that analysis can be undertaken to answer their concerns. Various kinds of budgetary analysis need to be assembled for use in short training programs for analysts. New techniques of analysis pertinent to the investigation of specific budgetary issues can be added to the training material. The focus of the training should be on the use of techniques and concepts that can shed light on issues of interest to both government and the citizen.

NGOs and other partners (civil society leaders) may benefit to some extent by training in certain simple types of analysis. But they especially need to be able to interpret the findings of analysis and their implications for good advocacy work. Since they are more
likely to devote their time to campaigns of various kinds, they should be able to pick up the messages and arguments easily. It is this capability that will help in their dialogues with authorities including elected representatives. In addition, they need to be skilled in advocacy techniques and campaign management. This is an entirely different field and training curricula for this purpose already exist in specialized institutions.

The average citizen needs to learn the basics about the budget and acquire skills in reading reports so that they can ask relevant questions in public meetings and groups. Experts can give seminars on basic concepts that will enable citizens to read and understand a budget. Since getting large numbers of people to attend such sessions is difficult, an alternative is to prepare small booklets that discuss “frequently asked questions.” Media such television and radio can be used to conduct sessions that a large audience at home can listen to. Of the four categories, citizens are the largest group and the most difficult to bring into a structured training setting.

The two organizations discussed in this paper have had some experience with training programs during their campaigns. DISHA organized several training sessions for their partner NGOs. PROOF organized orientation programs for citizen groups in Bangalore. It has also experimented with radio programs to acquaint citizens with various budget-related issues. But written materials were very few and often produced in the local language. A few case studies and assessment of campaigns are available. The scale of the work involved is so small that no effort has been made to systematize and publish the materials used. Instead, the speakers and instructors involved in training may bring their own notes and teaching materials. As the campaigns gain momentum, the case for organizing training materials and publishing them may become stronger. It will be useful at that point to collect and publish case studies and other training materials from different countries and regions.

<table>
<thead>
<tr>
<th>Name of Department (Main Focus)</th>
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</thead>
</table>
| 1  General Administration (Planning)  
   Social Welfare and Tribal Development |
| 2  Education (Access and Women) |
| 3  Home (Social Justice) |
| 4  Industries and Mines (Leasing Wages) |
| 5  Information, Broadcasting and Tourism |
| 6  Roads and Building (Performance) |
| 7  Urban Development (Construction Labor) |
| 8  Health and Family Welfare (Child Care) |
| 9  Power and Petrochemical (Costs) |
| 10 Forests and Environment (Implementation) |
| 11 Narmada and Natural Resources |
| 12 Labor and Employment (Minimum Wages) |
| 13 Ports and Fisheries (Trends) |
| 14 Youth Affairs and Culture (Review) |
| 15 Agriculture, Co-operation and Rural Development (Landless Labor) |
| 16 Finance Resource Mobilization |
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The Philippines

Civic Participation in Local Governance—Focus on Subnational Budgeting and Planning

ALEX B. BRILLANTES, JR.

The passage of the Local Government Code in the Philippines in 1991 (LGC of 1991)—also referred to as the Local Autonomy Act—has been widely considered a major milestone in the history of local governance in the Philippines. The Code radically restructured the relationships between the national (central) government and the thousands of local governments. The restructuring was even more significant considering the decades of centralization the country had undergone during the period of colonization under Spain for three centuries, from the 1500s to the 1900s, and under the United States, for five decades, from late 1800s to the mid 1900s.

The Philippines gained its political independence from the United States in 1946. This time marked the rise of a series of centrally-oriented Philippine administrations that ran the republic from Manila. The height of excessive centralization emerged with the imposition of martial law by the dictator Marcos in 1972, a regime that lasted until 1986 when Marcos was overthrown. The new Constitution, in 1986, provided a framework for the decentralization of powers to subnational governments. Equally important, the Constitution contained measures to encourage civil society to become active in the process of governance. These principles were further enshrined in law by the Local Government Code, enacted in 1991.
Context of Civil Society Participation in Local Governance

A major feature of the devolution process was increased involvement of local communities through non-governmental organizations (NGOs), people's organizations (POs), the private sector, and businesses—sometimes collectively referred to as "civil society."

The involvement of civil society through non-governmental organizations and people's organizations in local development processes has led to a redefinition of the notion of "governance" in the Philippines. Earlier notions of governance referred to government as the primary institution for the delivery of basic services. Government was responsible for the design and implementation of development efforts, especially at the local level. However, due to various factors such as lack of resources, graft and corruption, and over-centralization, government, especially at the local level, has failed to "govern" in terms of delivering basic services. The notion of governance has therefore expanded to include complementary and even alternative service delivery mechanisms and institutions.

The expansion of the notion of governance may also be understood within the framework of decentralization. Decentralization is a process that can hasten and enhance democratization by bringing the locus of decision-making to the lowest level possible and also by expanding the base of participation of the people in the process of governance. Among the major types of decentralization are the following: (1) de-concentration, which is mostly administrative in nature; (2) devolution, which is mostly political in nature and also commonly referred to as "local autonomy"; and (3) de-bureaucratization, which is the process of transferring the responsibility for the delivery of basic services to the private sector, non-governmental organizations and people's organizations, sometimes lumped together as "civil society." Figure 1 represents the various modalities of decentralization— de-concentration, devolution and de-bureaucratization.

The emergence of NGOs in areas that traditionally belonged to government can be seen not so much as a result of the process of expansion (or contraction) of government, but as recognition of government’s inability to deliver services, primarily because of limited resources. Such a situation has been exacerbated by bureaucratic problems including red tape, graft and corruption. This has, therefore, created a necessity for NGOs to participate in areas that traditionally belonged to the realm of formal government. This situation is not difficult to understand if it is considered within the proper historical context.

The basic state policies articulated in the Philippine Constitution of 1986 pertain to NGOs. Specifically, Article II Section 23 provides:

- The state shall encourage non-governmental organizations, community-based or sectoral organizations that promote the welfare of the nation.

The Constitution likewise devotes an entire article specifically to the Roles and Rights of POs. Two sections of Article XIII provide for this:

- Section 15: The state shall respect the role of independent people’s organizations to enable the people to pursue and protect, within the democratic framework, their legitimate and collective interests and aspirations through peaceful and lawful means.

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1This section draws from Brillantes and Bengzon, “Decentralization and People Participation.”
Section 16: The right of the people and their organizations to effective and reasonable participation at all levels of social, political and economic decision-making shall not be abridged. The state shall, by law, facilitate the establishment of adequate consultation mechanisms.

In accordance with this Constitutional provision, the Local Government Code of 1991 provides the legal foundation for the participation of civil society in local governance within the broad context of people empowerment. Under the Code, local government units (LGUs) are encouraged to promote both the establishment and operation of people’s and non-governmental organizations in order to become active partners in the pursuit of local autonomy. The role of NGOs in local development should be seen as complementary to, supplementary to, and supportive of the efforts of local governments. This is the essence of partnership between the government and the private sector.

There are several modes by which direct NGO involvement in local governance can be solidified, as provided for in the Code. For instance, NGOs are allocated specific seats in local bodies, including the local development council, which is considered to be the primary policy-making and planning body for the area. Previously NGOs were permitted to occupy up to a maximum of one-fourth of the seats in these councils. Now under the present Code, the minimum is established at one-fourth. It is not inconceivable to see a situation where NGOs could occupy more than one-fourth of the seats in local development councils. However, such a situation has to be placed in its proper context, more specifically in defining the ‘proper’ role of NGOs in local development.

Other local bodies in which NGOs are allocated specific seats are the local pre-bid and awards committees (PBAC), the local health board, the local school board, and the local peace and order council.

The Code also provides that the LGU may enter into joint ventures, undertakings and cooperative arrangements with people’s and non-governmental organizations. There is a long list of possible joint undertakings: providing for the delivery of basic services, capability-building and livelihood projects, developing local enterprises to improve productivity,
diversifying agriculture, stimulating rural industrialization, promoting ecological balance, and enhancing the economic and social well-being of the people. These provisions have far-reaching implications in that they provide opportunities for NGOs to get directly involved in the delivery of basic services to the community within the framework of local governance. Thus, not only may NGOs function in ways that are complementary and supplementary to local governments, NGOs may even be alternative sources of basic services altogether. Indeed, this can be interpreted as a privatization strategy, for it may be possible for NGOs to provide necessary services in a more efficient and cost-effective manner than government.

Another major mode that would operationalize joint undertakings between local governments and the private sector, including NGOs, is the so-called Build-Operate-Transfer (BOT), as provided for in the BOT law (Republic Act 6957). The BOT scheme is a contractual arrangement between the LGU and a private contractor wherein the contractor undertakes the financing and construction of an infrastructure facility. Depending on the arrangement, the contractor either transfers the infrastructure to the local government immediately after its completion or the contractor operates and maintains the infrastructure.

BOX 1 Examples of People’s Participation and Empowerment

The volunteerism program in Olongapo City, though quite controversial, has demonstrated how the people and the government can work as partners in responding to crises (in this case, the eruption of the Mount Pinatubo), and together work for the rehabilitation of the area and generate livelihood projects.

A “People’s Congress” is regularly held by the mayor of Dumarao, Capiz. It is an expanded municipal development council that brings together the various sectors of the municipality to address pressing local issues and concerns, and to chart out common strategies.

To stimulate citizens’ participation, the municipality of Malolos in Bulacan launched the “Constituent Responsive Governance” project. Under this project, a comprehensive survey of four different areas (health insurance, waste management, real property tax, and community radio) was conducted. The purpose was to measure the awareness level of the community on matters affecting their lives and to gather feedback on the proposed programs of the local government. As a result, the program “Medicare Para sa Masa, Sa Kalusugan Mo, Katuwang Ako” was implemented; activities related to solid waste management were identified and strengthened; the RPTIS Billing Statement was improved; and Radyo Bulacan, the community radio, had its initial broadcast in 2001.

In Naga City, the “People Empowerment” program has the following key objectives: to establish a structure whereby an active partnership between the city government and the people of Naga can be achieved, and to implement the Local Government Code provision on sectoral representation. The LGU has a strong, functional people’s council with almost 200 accredited NGOs and POs. The program’s planning application, the Naga City Participatory Planning Initiatives, was honored in 1998 as one of the ten best practices in the world and was given the Dubai International Award by the United Nations Center for Human Settlements. The LGU was also cited by Asiaweek as one of the most improved cities in Asia in 1999.

Nueva Vizcaya’s “Empowerment of Persons with Disability (PWD)” program organized PWDs into a federation and has made them partners in the implementation of self-sufficiency projects of the province. The federation has since become a regular and voting member of the Social Development Committee of the Provincial Development Council, thus actively participating in local development undertakings.

Source: Brillantes, Innovations and Excellence.
for a period of time and then makes the transfer. Examples of infrastructure projects include construction projects such as highways, roads, bridges, railways, ports, and wharves.

A related provision of the Code on LGU-NGO partnerships prescribes for a local government unit through its local chief executive, and with the agreement of the Sanggunian (legislative council) concerned, to provide assistance, financial or otherwise, to people’s and non-governmental organizations for economic, socially-oriented, environmental, or cultural projects within local territorial jurisdiction. Indeed, civil society has come a long way in its involvement in local governance in the Philippines. This has provided the context and basis for citizen involvement in subnational planning and budgeting.

Civil Society Participation in Subnational Planning

The past decade has seen more cases of civil society participation in local planning processes than in local budgeting. As mentioned earlier, the policy infrastructure for civil society participation in local planning processes was embodied not only in the local government code but in the Constitution as well. The local development councils are the primary bodies at the subnational level responsible for the formulation of local development plans. Civil society involvement in local planning processes is guaranteed with at least one-fourth of the seats in such councils reserved for the NGOs and POs.

Formal Participation in Local Planning

The Local Government Code of 1991 provides the legal framework for the institutionalization of popular participation in local development administration. It puts forth the state’s clear commitment to local autonomy and decentralization. Citizens groups—people organizations (POs) and non-governmental organizations (NGOs)—are encouraged to directly undertake community development programs and participate in decision-making processes. They have substantial representation in local policy-making and planning bodies such as the local development council, the local pre-bid and awards committee, the local health board, the local school board, and the local peace and order council.

As provided in the LGC of 1991, development councils are created at each local government level. Local officials and various sectoral representatives sit at the local development councils. Non-government organizations and people’s organizations should fill one quarter of the seats on the councils. Figure 2 below illustrates the planning process and representation at various levels of the local government in the Philippines.

The past decade has seen a number of “good and best practices” at the subnational level that illustrate successful civil society participation in subnational planning. Most of these practices were in the areas of environmental and ecological management and in social services delivery. The provincial government of Nueva Vizcaya, for instance, has experienced good results from participatory governance in the areas of watershed program management, real property tax collection, and provincial jail transformation. These cases are presented in Boxes 2, 3 and 4.

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The imperative to link plans to budgets has always been recognized. More important, though, is the imperative for people to participate in the formulation of the plans. This was at the heart of the Governance and Local Democracy (GOLD) program implemented by USAID in the Philippines during the late 1980s. Indeed, plans should be accompanied by

**BOX 2 Revival of the Nueva Vizcaya Watershed**

The provincial government of Nueva Viscaya, through participatory planning, succeeded in solving two social concerns with a single policy/program. One was the problem of squatters or illegal settlers in the watershed area. The second was the continuing problem of abuse and destruction of resources in the watershed.

It is not necessary to resort to a drastic solution, such as forcibly removing squatters, when looking for a way to handle a socially sensitive issue. Some local chief executives would opt to eject squatters or illegal settlers from the watershed area. However, the provincial government of Nueva Vizcaya approached the matter differently. Local officials held consultations with the affected individuals, which led to the development of a watershed management program (WMP). The government ended up providing squatters with legal tenure and economic incentives, rather than forcing them to leave. The squatters were encouraged to undertake long-term forest management practices. This program has given the affected communities a sense of ownership. They assumed the role of “social fence” to protect the watershed.

This case shows how the government shifted from its original objective—removing these illegal settlers—to a new objective—embracing their participation in governance and, in so doing, protecting the watershed. In the process, the LGU has provided them with economic opportunity to live by.

BOX 3 Provincial Jail Transformation

The "metamorphosis" of the provincial jail (changed the jail) from a virtual pigsty and snake pit to a model of custodianship that preserves the dignity and well-being of wards through humane and just systems and programs. The holistic approach included values orientation; a health, nutrition and environmental sanitation program; infrastructure maintenance; an income-generating program; sports and recreation; and support for educational and religious activities.

Source: Jimenez, Masulit, and Mendoza, “Celebrating Participatory Governance in Nueva Vizcaya.”

strategies to finance their implementation, without which the planning process would be a meaningless exercise. For instance, to ensure implementation, plans may be self-financed or may rely upon taxes, intergovernmental transfers—including transfers and grants from the central government—or even rely upon loans.

As a result of the approach of not only linking planning to budgeting but, more importantly, placing citizen participation at the center of the planning process, the GOLD project that was implemented in selected provinces of the Philippines resulted in the following outcomes (USAID 2000:11):

- Establishment of investment promotion centers in three provinces as a joint venture between the local government and the chamber of commerce;
- Privatization of poorly managed public enterprises;
- Identification and realization of opportunities for private investment, including eco-tourism in Bohol, an ice-plant in a Capiz fish port, and a pineapple seedling nursery in Nueva Vizcaya;
- Construction of infrastructure needed by businesses and farms;
- Conduct of training in commercial fishing; and
- Development and promulgation of local policies to ensure sustainable offshore fishing.

BOX 4 Streamlining of the Real Property Tax System

The program used the “social marketing” approach, thereby making the real property tax system a social product. Real property tax collection increased by 46 percent. The tax delinquency rate dropped to 12 percent from 32 percent. Increasing the tax collection targets and expanding the tax base improved the real property tax administration. As a result, the real property cost-to-collection ratio improved from 1.49 pesos to 1.00 peso in 1991-96 to 0.87 peso to a 1.00 peso in 2001.

The people of Nueva Vizcaya were adequately informed about the tax program; hence, they supported it.

Source: Jimenez, Masulit, and Mendoza, “Celebrating Participatory Governance in Nueva Vizcaya.”
Civil Society Involvement in Subnational Budgeting

The linkage between planning and budgeting provides the context for engaging participation in the budgeting process. This results in better local governance. As cited earlier, provisions of the Philippine Constitution encourage the engagement of civil society in the affairs of the state, especially in pursuit of improving the quality of life of the people and improving public service delivery. Furthermore, the Local Government Code of 1991, Section 3, provides for enhancing LGU capabilities and participatory governance structures. Specifically, the section states:

- The capabilities of the local government units, especially the municipalities and barangays, shall be enhanced by providing them with the opportunities to participate actively in the implementation of national programs and projects;
- Effective mechanisms for ensuring the accountability of local government units to their respective constituents shall be strengthened in order to upgrade continually the quality of local leadership; and,
- The participation of the private sector in local governance, particularly in the delivery of basic services, shall be encouraged to ensure the viability of local autonomy as an alternative strategy for sustainable development.

LGUs confront two challenges when it comes to budgeting if they are to reach the policy goals and programs outlined in their local development plans. These are revenue mobilization and revenue utilization. “Revenue mobilization refers to the generation of local revenues such as (i) collection of local taxes, e.g. fees and charges, business permits; (ii) proceeds from government services and business operations; (iii) income from assets; and, (iv) funds from grants and aids. Revenue utilization concerns the expenditure management and involves the allocation of local (resources?) in the provision of goods and services for the fulfillment of the function of government.”3

Moreover, most LGUs have inadequate budgets to finance local development and to implement national policies. This is due to the imbalance of allocations among levels of governments, unequal sharing of the Internal Revenue Allotment, an undefined tax base, and low local tax collection.

Despite the Local Government Code passed in 1991, experience has shown that engaging civil society in the budgetary process has yet been fully operationalized. Unlike civil-society participation in subnational planning, civil society participation in subnational budgeting is still lagging behind. The Institute for Popular Democracy points out that “the budget process in many local governments across the Philippines remains prone to patronage, corruption and abuse of power, being highly dependent on informal processes and power relations within and outside the municipal building halls.”4

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3Ernesto E. Tomas, Jr., “Budgeting for Local Governments,” *Conjuncture*.

4The significance of advocating civil society participation in subnational budgeting has been recognized by the NGO community in the Philippines. It is within this context that the Caucus of Development NGO Networks (CODE-NGO) together with the World Bank launched the project “Developing Community Capacities for Pro-Poor Budgeting and Local Government Accountability for Poverty Reduction” in 2002. Earlier in 1988, the Institute for Popular Democracy launched its Democracy Watch that featured, among other things, analyses of local budgetary processes with the aim of making them more participatory and more “democratized.”
The Nueva Vizcaya experiment has identified key lessons for other local government units may. The exercise recognizes the critical value in these approaches:

- Get the people involved in governance. The people know what’s good for them, and they will always participate and collaborate in programs that will contribute to their own good.
- Communication, or "social marketing," is important. At first there may be some resistance to a program, but after people are fully informed and their participation is obtained, they will support the experiment.
- Vision is a vital element in the process of change. The vision of an organization or a political unit has to be clearly stated so that it can guide all efforts to attain its goals.
- Values orientation is needed if we are to change the thinking and the attitudes of people, as well as their way of doing things.
- Leadership must have the political will to carry out the necessary changes. A leader should be competent, intelligent, moral, determined and principled.

Source: Jimenez, Masulit, and Mendoza, "Celebrating Participatory Governance in Nueva Vizcaya."

It is recognized that “improving citizens’ access to information and their participation in the budget process in their respective communities will lead to greater accountability and transparency” (Pulley 2002).

It is within this context that participatory planning and budgeting are imperative among LGUs. Indeed, there is evidence of the need to do more so that the gains achieved by one LGU through participatory governance are sustainable and can be passed along to other LGUs. There should be more efforts to replicate best practices in the area of participatory subnational planning and budgeting. In addition, LGUs have to profit from lessons already learned and understand why traditional planning processes have not redound to better local governance and service delivery. This is the case when the plan and subsequently the budget come from the center—that is, from the local chief executives. The idea really is to “democratize” governance by establishing mechanisms for participatory governance.

Local Budgeting Process in the Philippines: Entry Points for Civil Society Participation in Budgeting Process

The Department of Budget and Management and Commission on Audit Budget Manual of 1993 specify five phases in the local budget process: (1) budget preparation, (2) budget authorization, (3) budget review, (4) budget execution, and (5) budget accountability.

Budget preparation involves the identification and setting of goals, budgetary thrusts, and policies based on the local development plan. The local chief executive, with the assistance of local finance and department heads, is responsible for the preparation of the budget document. Budget authorization begins upon receipt of the budget document by the Sanggunian (legislative council), which subsequently issues an appropriation ordinance. Budget review takes place when the authorized budget is submitted to the reviewing office. The Department of Budget and Management reviews the budgets of cities and municipalities within metropolitan Manila, highly urbanized cities, and independent components of cities and provinces. The Sanggunian Panlalawigan reviews the budget of component cities and municipalities, the Sanggunian Bayan, of component barangays. Budget execution involves the release and actual disbursement of funds for the identified functions, projects or activities.
of the LGU. Budget accountability involves the recording and reporting of actual income and expenditures and the evaluation of performance of the LGU vis-à-vis planned targets.  

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

The next section presents a participatory budgeting framework for local governance.

Participatory Budgeting Framework

Budgeting means drawing a plan—a periodic or annual plan based on local development plans in the case of local government units—in monetary terms. Participatory budgeting refers to the involvement of citizens in identifying local priorities, policies, programs, and projects that require allocation of resources.

This could be viewed in two ways. First, participatory budgeting uses a tool for participatory governance wherein program and project interventions are needs-based. Thus, programs and projects financed by the local government have direct and significant impact on the lives of local constituents.

Second, participatory budgeting could be viewed as a mechanism whereby the citizens are directly involved in the actual budgeting processes—budget formulation, review and approval, execution, and review—thereby ensuring transparency and accountability of the expenditure management of local funds. “Participatory approaches to expenditure management refer to the range of methods, tools and choices that introduce/involve ordinary citizens and civil society in general into the process of allocation, tracking disbursement, and monitoring use of public resource (See Figure 3).” At the end of the day, participatory budgeting contributes to transparency, where people have access to public information; citizen participation; service delivery efficiency; and needs fulfillment.

Participation in subnational planning and budgeting is a key tool in making local constituents understand and appreciate local development initiatives. One innovation could be citizens “deciding who to tax and how much, and how to spend these revenues.”

To a large extent, the idea of participatory budgeting builds upon the opportunity for people to participate in the allocation of resources to priority social policies and to monitor public spending and policy performance. The citizens’ involvement in innovative policy-making processes puts forth the opportunity for the people’s voice to be heard and for people to become empowered. In this way, local constituents gain ownership of policies, programs and projects for local development. Hence, it should be expected, and it is desired, that citizens will have a greater commitment to support social policies and the LGU development initiatives.

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6 Jeff Thindwa, Entry Points for Civil Society to Influence Budget Processes, (World Bank).
7 Ibid.
Engaging Civil Society in Planning and Budgeting for Local Development: The Case of Naga City

**Framework for Local Governance**

Local governance places high hopes on good leadership, effective performance of local officials/workers, and the active participation of groups, community members, and citizens in local decision-making processes. In Naga City there are two components of the efforts of good governance and improvement of service delivery: (1) the City Hall factor; and (2) the people factor. The City Hall factor comprises the elected mayor, local officials, appointed city hall officers, and other employees who work together for Naga City government. The people factor refers to the various sectors that comprise our community—the urban poor, senior citizens, women, youth, disabled people, children, religious, academe, and the media—all share a good part in development.

Engaging civil society in pursuit of development has had a high impact on Naga City. The city works within the conceptual framework for urban governance and recognizes three elements of good urban governance, namely: (i) progressive leadership, which takes into consideration values other than self-interest or “enlightened self-interest”; (ii) partnerships, which increase resources by tapping into partners of the LGU and maximizing potentials; and (iii) participation, including innovations and mechanisms not only to involve groups but also individuals—thus involving all citizens. Both partnerships and participation enable good local governance to become sustainable. With the presence and active participations of citizens and community organizations, gains in good governance are more likely to be continued.
**Formal and informal mechanisms**

The participatory mechanisms for individuals and POs-NGOs in local governance include (i) continuing NGO accreditation, (ii) multi-level consultation mechanisms, (iii) referenda on development issues, and (iv) Empowerment Ordinance.

After the LGC of 1991, Naga City was among the few LGUs to accredit NGOs, which it did in 1993. Naga City also conducted a multi-level consultation, which provided valuable inputs in identifying development priorities as well as the citizens’ stand on policy issues. The city was also the first to implement city-wide referenda on development issues, wherein the result of each referendum served as the basis for the LGU’s decision. Referenda were held on: (i) curtailing the development of a country club golf course; (ii) shelter program; (iii) establishment of a central bus terminal; (iv) floating bonds to finance development; and (v) color-coding trimobiles (a popular mode of intra-city transport).

In 1997, the Naga City People’s Council (NCPC) was created under the Empowerment Ordinance of Naga City. The Council comprises duly accredited business, people’s organizations (POs), and non-government organizations (NGOs) within the city. It has about 40 to 45 active members. In addition to the eight members of the local legislation council, NCPC has one representative on the local decision-making board. The Council has the following functions:

(i) Appoints representative to local special bodies;
(ii) Observes, votes, and participates in deliberations and planning;
(iii) Proposes legislation and participate up to the committee level of Sanggunian (legislative council); and
(iv) Acts as the people’s representative in the exercise of their constitutional rights of access to information on matters of public concern and of access to official records and documents.

Various groups and organizations are involved in other city policy-making bodies. Members of the urban poor, for instance, are part of Housing Board. NGOs and community organizations are active members on the Integrated Livelihood Management Council (ILMC) which oversees the livelihood program of the city. The private sector comprises 50% of the membership of the Naga City Investment Board (NCIB), the Naga City Tourism Council (NCTC), and the Environment Management Council (EMC). Figure 4 lists the various special bodies in Naga City and membership composition indicating NCPC representation in these special bodies.

**Impact and sustainability**

Highlights of the impact of people participation in Naga City include:

- Participatory democracy works in Naga;
- Voices of the people—including the marginalized sector—are heard;
- People are engaged in critical collaboration with key stakeholders and city government (they are not co-opted);
- There is participation in the basic management function of the city—direction setting, policy-making, programs;
- Acceptability and ownership of programs and projects;
### FIGURE 4 Naga City Special Bodies and Membership Composition

<table>
<thead>
<tr>
<th>Special Body</th>
<th>Membership Composition</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Naga City Investment Board</td>
<td>10-member body, 5 come from NCPC, one sits as vice chair</td>
</tr>
<tr>
<td>2. Naga City Urban Development and Housing Board</td>
<td>20-member body, 10 come from NCPC</td>
</tr>
<tr>
<td>3. Solid Waste Management Board</td>
<td>10-member body, 2 from NCPC</td>
</tr>
<tr>
<td>4. Traffic Management Task Force</td>
<td>10-member body, 2 from NCPC</td>
</tr>
<tr>
<td>5. Task Force Tubig</td>
<td>5-member body, 1 from NCPC</td>
</tr>
<tr>
<td>6. Naga City Cooperative Development Council</td>
<td>12-member body, 1 from NCPC</td>
</tr>
<tr>
<td>7. Naga City Disaster Mitigation Council</td>
<td>7-member body, 1 from NCPC</td>
</tr>
<tr>
<td>8. City Agriculture and Fisheries Council</td>
<td>12-member body, 1 from NCPC</td>
</tr>
<tr>
<td>9. Bids and Awards Committee (government procurement)</td>
<td>7-member body, 2 from NCPC</td>
</tr>
<tr>
<td>10. People’s Law Enforcement Board</td>
<td>7-member body, 1 observer from the NCPC, 2 observers</td>
</tr>
<tr>
<td></td>
<td>from engineering and accountancy professions</td>
</tr>
<tr>
<td>11. Local School Board</td>
<td>5-member body, 1 from NCPC</td>
</tr>
<tr>
<td>12. Local Health Board</td>
<td>5-member body, 1 from NCPC</td>
</tr>
<tr>
<td>13. Peace and Order Council</td>
<td>15-member body, 1 from NCPC</td>
</tr>
<tr>
<td>14. Naga City Tourism Council</td>
<td>27-member body, 1 from NCPC</td>
</tr>
</tbody>
</table>

Source: ADB, *Empowering the Poor: Key to Effective Pro-Poor Services.*

- Successful programs and projects occur with the support of the people;
- There is greater promotion of transparency and creation of an atmosphere of mutual trust;
- Successes have received international recognition.

**Tools for success**

Naga City’s comprehensive land use plan (CLUP) is a very important tool which draws upon the directional goals of its people and community. The plan documented the resources available and identified ways to use them effectively. It clarified the roles of the various sectors involved in the development of Naga. This document was produced through coordination and interaction among the local government, sectoral representatives, and national government agencies (NGAs). It enabled people to understand and appreciate their key roles in service delivery improvement and sustainable development. In participatory planning, people share not only the successes but also the failures of the LGU. Hence, they have to work with the government to achieve desired results.

I-governance is the latest method for enhancing citizen involvement in local governance. It is an effective tool for good urban governance. ‘I’ stands for individual and information. It links the two as important factors in sustaining innovative approaches and in enabling better decisions for development. Essentially “I-gov” provides an environment for groups or individuals to work with the local government, and it is especially focused on people who are marginalized. It also provides a venue for participation, transparency, and accountability for the city government. A key feature of “I-gov” is the Naga Citizen’s Charter. “This is a guidebook on key services of the city government. It details the step-by-step procedure for availing each of the city’s more than 150 frontline services, service requirements, the response time for delivery, and the city hall officers and staff responsible for the service. The Charter also contains maps sketching the location of the office handling a
specific service. A detachable customer feedback form is included to generate readers’ feedback on the quality of service being delivered by the city."\(^8\)

The “I-gov” program consists of a basic charter and four information components:

(i) **Naga Citizen’s Charter** indicates the services provided by the city and how one could make use of them;
(ii) **TextNaga** is a feedback mechanism for the people through texting (SMS);
(iii) **Media Network** sets up a partnership with local media, e.g. newspapers, radio;
(iv) **City Website** provides information about the services offered by the LGU (as indicated in the Naga Charter), reports, budget proposals, bids and awards, investment opportunities, programs and projects, and awards received from local and international organizations, among others; and
(v) **ICT Network and Access**, the infrastructure component of the program, aims to establish “cyberschool” and “cyberbarangay” (barangay means village).

The major outcomes of I-Governance have been improved transparency and accountability for the LGU, meaningful people participation, and continuing innovations in governance.

Several significant factors enabled good urban governance of Naga City. First, there was the tradition of active citizens who were willing to participate and had a fondness for political debate and discourse. Also, the legacy of leaders and an effective system of education that produced good local leaders contributed to success. Finally, there was the presence of active, vibrant and pluralist community organizations.

**Next steps**

The next steps for Naga City will be to work with and extend assistance to adjacent local government units. This subject addresses the issue of the need for collaboration and partnership to achieve a wider impact on regional development and national development in general.

**Action Points for Participation in Subnational Planning and Budgeting**

Civil society participation is indeed a challenge to, as well as an opportunity for, better local governance. In view of the imperative for local governance reforms, there should be a continuing effort to improve the enabling environment for participatory governance. Participatory planning has become a key feature of local development planning. No less than the Philippine Constitution and Local Government Code of 1999 provide for this. However, there has to be an effort to institutionalize and put in place mechanisms for civil society participation in local government budgeting processes. This would further “democratize” local development processes. This study has identified action points that would enable participatory budgeting in the subnational governments in the Philippines. These are:

- Identify and design clear points of entry for civil society participation in Philippine local governance;
- There should be a policy that would provide the framework for participatory budgeting;

\(^8\)ADB, *Empowering the Poor: Key to Effective Pro-Poor Services.*
Investment must be made in capacity-building, not only of local governments and civil society, but also of national governments such as the Department of Budget and Management;

- Participatory budgeting cannot be fast-tracked;
- Management has to overcome certain long established systems and procedures;
- Formal systems of accountabilities have to be put in place; and
- Efforts to institutionalize participatory governance through participatory planning and budgeting should tap into institutions already working on the area.

Obviously, citizen participation in the budgeting processes in Philippine local governance has not yet been fully operationalized. There are cases in the international arena that demonstrate how local governments have improved policy choices and program implementation. These could be applied in the Philippines to engage the civil society in the phases of the budget process.

A policy framework for participatory budgeting would provide the necessary entry points for citizen participation in the subnational budgeting process. There are already mechanisms in place which could contribute to a framework for civic participation in local planning.

By incorporating institutions for participatory budgeting into the very infrastructure of local development planning, government could create a practical foundation for citizen participation. Both local government units and civil society would have the critical information they require and are likely to become engaged in the process.

Capacity-building needs to take place not just at the level of local government, but also at the national government level. It would be useful if capacity-building efforts focused on strategies to streamline structures and processes of national government agencies such as the DBM.

Capacity-building efforts should focus on civil society groups as well as government agencies. Useful activities might include designing strategies for active civil society engagement in local governance in general and local budgeting process in particular. This would strengthen the abilities of local officials and civil society/NGOs and make their involvement in budgeting processes more effective.

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

**BOX 6 International Experience in Participatory Budgeting Process**

Porto Alegre in Brazil, for instance, has been noted and become a model for participatory budgeting. Gujarat in India has been noted for the successful engagement of civil society in budget review and analysis. PETS in Uganda is a model for participatory expenditure tracking. And the Philippines (is noted) for its participatory performance monitoring: citizen’s report card.

Among the major capacity-building institutions for local government in the Philippines are the Local Government Academy (LGA) of the Department of Interior and Local Government (DILG) and the Center for Local and Regional Governance (CLRG) of the National College of Public Administration and Governance, University of the Philippines (UP-NCPAG). Also, the Development Academy of the Philippines (DAP), the Institutes for Local Governance, and Centers for Local Governance, a network of local capacity-building institutions throughout the country, are bodies with proven track records. The LGA and the CLRG, in particular, have relevant experience. They have designed and developed modules for subnational budgeting. These five organizations are highly capable institutions and would be effective partners in any cooperative effort with the World Bank Institute.
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Issue Paper. Participation and Civic Engagement Group. Social Development

Russia

Civic Participation in Subnational Budgeting

ELENA KRYLOVA

This paper describes the potential of and challenges to civil participation in regional and local budgeting processes in the Russian Federation. Drawing upon the experience of the “Transparent Budgeting” Program implemented by the St. Petersburg NGO, Tsentr “Strategiya,” in a number of Russian regions, it looks specifically at the mechanisms for public budget hearings and independent budget analysis.

National Framework: Local Government and Budgeting

Government and Public Budget Structure

Russia is a constitutional federation which consists of 89 constituent units (Subyekti Federatsii): 21 republics, 6 areas (kray), one autonomous region (oblast), 49 regions (oblasts), 10 autonomous circuits (okryg), and the cities of Moscow and St. Petersburg.

A decentralization process created a layer of local self-government run by elected governing bodies throughout the Federation. The constitution of 1993 recognizes local self-government as a fundamental element of the governance system and since 1994 a number of federal and regional laws on local self-government have been adopted.

The Federal Law on Local Self-Government in Russia, adopted in 1995, allows various models of local self-government to emerge in the regions. As a result, some entities of the Russian Federation (RF) have local self-government at the level of cities and rayons (similar to American or Canadian counties); others—at subrayon level whereby their rayon governments are a part of constituent unit administration. There is a group of entities that formed a two-tier local self-government—at the rayon and city level, as well as at the level of subrayon (rural settlements). However, among rural settlements, not all have their own budgets.
Despite of the diversity of existing local self-government forms, current legislation provides for one set of local government responsibilities, budgets, and taxes.

As for budgeting overall, in Russia there is the federal budget, the budgets of the federal entities and local (municipal) budgets. The system is built on three groups of principles:

- Integrity of budgets of all levels secured by unified legislation, documentation, etc.
- Autonomy and separation of income and expenses at different budget levels (i.e. principles of government interests)
- Generally accepted principles of transparency, effectiveness and efficiency, which includes the notion that all income and expenses are to be accounted for in budgets (principles of public interest)

It is the third group of principles that is the most contentious. Different interests in Russian society have very different perspectives on these questions.

The budget system of the Russian Federation can be presented in the following scheme:

```
Consolidated Budget of the Russian Federation

Consolidated Budgets of the Federal Entities

Federal Budget

Budgets of Republics, Regions (kray, oblast, okrug) and Cities with federal subordination

Local (municipal) Budgets

Province (County) Budgets (rayon)

Town/ City Budgets

Settlement/ Village Budgets (poselok/selo)
```

The scheme includes consolidated budgets (a code of all budgets, at federal, national-state and territorial-administrative levels) and budgets proper (that are a subject to approval by relevant representative governing bodies).

The budgeting process in Russia is ruled by federal and regional laws, as well as local regulations. Generally, budgeting at regional and local levels represents a unified procedure with the following stages:

1. Budget planning (preparation of draft budgets based on existing development plans, projections of income and expenses),
2. Review, reaching agreement and approval of budgets by relevant regional or local
government representative bodies,
3. Budget implementation by respective executive authorities and reporting to relevant
representative bodies,
4. Review and approval of budget reports by relevant representative bodies.

Typically, each budget cycle is spread over three years: budget planning, review and
approval take about twenty months; implementation—one calendar year; reporting and
approval of reports—five months.

**Local Government Autonomy and Finance**

The principle of the autonomy of regional and local budgets implies:

- The right of regions and municipalities to independently plan, approve, implement and
  control their budgets,
- A prohibition against allocating surplus funds that might result from growth of income or
  savings on expenditure,
- The right to “own income” sources and to decide on the use of funds resulting from these
  sources.

However, in reality, local government budgets are not autonomous. This is primarily
a result of deficiencies in the system of intergovernmental budgetary relations. Two
contradictory tendencies - decentralization of expenditure obligations and centralization of
revenue resources - have been at the core of this system.¹

Observers note that the degree of fiscal decentralization in Russia is much lower than
one may assume by judging from the subnational shares of revenues and expenditures in the
consolidated federal budget.²

The expenditure share of subnational governments, including social funds, amounts to
45% of total government expenditures. The fact that, according to statistics, spending in
some areas (education, health, transportation, roads, communication, environment, leisure
and culture) is largely decentralized and some areas are exclusively funded from subnational
budgets (housing and utilities) does not imply subnational government spending
independence.

Regions’ spending is tightly regulated by higher-level governments. Local
government’s freedom is often restricted, even in decision-making with regard to non-
earmarked funds that come in the form of shared taxes and equalization transfers. In addition,
there is a substantial degree of contradiction in Russian legislation, which makes a clear
assignment of responsibilities to different levels difficult. At the subnational level,
responsibilities in Russia are often assigned to different government levels and institutions
based on “ownership criteria” rather than functional principles.

¹See N. Golovanova, *Financial Foundations of Local Self-Government in Russia: Problems and Prospects*
(Moscow: Center for Fiscal Policy, 2002); R. Desai, L. Freinkman, I. Goldberg *Fiscal Federalism and Regional
Growth: Evidence from the Russian Federation in the 1990s* (Georgetown University-World Bank, 2003); A.
Chernyavsky, *Review of the Municipal Finance Development in Russia in 1992-2002* (Moscow: The Institute of
²E. Andreeva, N. Golovanova, *Decentralisation in the Russian Federation.* (Moscow: Centre for Fiscal Policy,
2003) p.18
The responsibility for assigning revenues and expenditures to and between different tiers of local government rests in the hands of regional authorities. Under a one-tier model of local self-government, both cities and rural settlements would have the same set of responsibilities and the same list of revenues.

Because of a recent decentralization of revenues, the share of subnational proceeds (before transfers) in the revenues of the consolidated federal budget comprises some 36% of the total (24% of regional level and 12.3% of local level). Decentralization has not yielded any significant increase in the powers of local government, since it brought neither greater fiscal autonomy nor the capacity on the part of subnational governments to choose their spending policies.

The federal level preserved powers for defining the rates and bases for most taxes. Even when subnational governments have the right to redefine tax rates, proceeds from such taxes are split among government levels in proportions decided at the federal level.

Table 1 shows that in the distribution of revenues among all budgets, the share of local budgets has dropped while the share of regional budgets has increased. In fact, the regional share has almost doubled in the period from 1996 to 2002. The share of the federal budget grew by some 3%. The distribution of revenue excludes transfers to lower level budgets.

Changes in the structure of municipal revenues are presented in table 2.

<table>
<thead>
<tr>
<th>Year</th>
<th>Federal budget</th>
<th>Consolidated regional budget</th>
<th>Regional budgets</th>
<th>Local budgets</th>
</tr>
</thead>
<tbody>
<tr>
<td>1996</td>
<td>10.8</td>
<td>15.0</td>
<td>4.9</td>
<td>10.2</td>
</tr>
<tr>
<td>1999</td>
<td>11.3</td>
<td>13.9</td>
<td>7.1</td>
<td>6.8</td>
</tr>
<tr>
<td>2002</td>
<td>13.5</td>
<td>14.8</td>
<td>8.3</td>
<td>6.5</td>
</tr>
</tbody>
</table>

*Source: Chernyavsky, 2003:18-19.*

<table>
<thead>
<tr>
<th>Revenue</th>
<th>1996</th>
<th>1999</th>
<th>2002</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tax revenues, including</td>
<td>59.5</td>
<td>69.4</td>
<td>53.5</td>
</tr>
<tr>
<td>VAT</td>
<td>7.1</td>
<td>6.8</td>
<td>0</td>
</tr>
<tr>
<td>Profit tax</td>
<td>11.5</td>
<td>14.6</td>
<td>10.9</td>
</tr>
<tr>
<td>Income tax</td>
<td>16.95</td>
<td>16.6</td>
<td>23.3</td>
</tr>
<tr>
<td>Property tax</td>
<td>9.2</td>
<td>7.8</td>
<td>7.1</td>
</tr>
<tr>
<td>Sales tax</td>
<td>–</td>
<td>2.8</td>
<td>2.5</td>
</tr>
<tr>
<td>Local taxes (excl. individual property tax, but incl. land tax)</td>
<td>–</td>
<td>13.4</td>
<td>3.1</td>
</tr>
<tr>
<td>Non-tax revenues</td>
<td>2.4</td>
<td>3.6</td>
<td>6.0</td>
</tr>
<tr>
<td>Transfers</td>
<td>37.8</td>
<td>26.7</td>
<td>40.5</td>
</tr>
<tr>
<td>Own revenues</td>
<td>–</td>
<td>27.6</td>
<td>18.7</td>
</tr>
</tbody>
</table>

*Source: Chernyavsky, 2003:18-19.*
The individual income tax is the main source of revenue for local government, although it is not secured by law and its distribution among different levels of government has been subject to constant change. The second important tax for municipalities is the profit tax, but like the income tax, the profit tax sharing rates are not fixed and are subject to negotiations with regional governments. The table also shows that the ratio between municipalities’ own and total revenue, as an indicator of fiscal autonomy, has not increased.

As a result of a centralized tax system local taxes comprise only a small share of local budgets. There is also a disproportion in the revenue raising abilities of the cities and the rural areas. Together with the support provided to agricultural areas by the center this factor accounts for the subsidized nature of many local budgets.

Strong central control over revenues has been justified by tax collection cost-effectiveness and such factors as the ability to prevent tax competition among jurisdictions, tax avoidance, etc. As in some other transition countries, a gap between centralized taxation and decentralized expenditure responsibilities results in a disconnect between taxation and provision of public services.

Municipalities in Russia can establish municipal credit and financial organizations, issue municipal bonds and lottery tickets, lend financial resources and borrow from banks and other credit organizations. The Budget Code adopted in 1998 puts a number of restrictions in this area:

- municipal debt obligations cannot go beyond 10 years or exceed the volume of budgetary revenues minus transfers made from the budgets;
- the fiscal year budget approved by the local legislature cannot have a deficit exceeding 10% of budgetary revenues minus transfers made from other budgets; municipal debt service cannot exceed 15% of the total budget;
- municipalities receiving financial aid from higher level budgets cannot issue guarantees exceeding 5% of their budgetary expenditures.

Additionally, the current expenditure of a local budget cannot exceed its total revenue, which implies that municipalities can issue debt obligations only for financing capital expenditure. Despite the requirement to balance expenditure against budgetary revenues, local governments continue borrowing to covering their operational costs. In some cases measures introduced by federal authorities encourage local governments to violate this rule.

Lack of long-term financial plans, debt strategies and criteria for assessing the effectiveness of the use of borrowed resources are often blamed for municipalities’ weak debt management in Russia.

Municipalities in Russia enjoy the right to create extra-budget funds in order to direct financing of local programs. These funds are “purpose oriented” and their formation, structure and management are regulated at the local level.

**Overview of Participatory Mechanisms**

Current Russian legislation and practice provide a variety of mechanisms through which the general public and civil society organizations can influence local decision-making and budgeting processes:

- Organizing local referenda,
Putting forward public legislative initiatives,
Taking part in public hearings,
Participating in advisory/consultative citizen committees and so called “public chambers” (obshestvenniye palati) attached to government bodies,
Attending council meetings that are open to the public,
Creating self-governing organizations based on smaller territorial communities that can take over some local government functions,
Conducting community meetings (skhod grazdan), decisions of which are binding on governments,
Delegating representatives to take part in specific working groups and task forces set up by government,
Participating in planning and implementing of programs and projects funded from public budgets,
Conducting independent government policy and public budget analysis,
Conducting public opinion polls and surveys,
Launching public debates on particular issues,
Conducting lobbying, advocacy and coalition building activities,
Organizing demonstrations in support or protest of the government budget decisions,
Organizing round tables with authorities,
Writing letters of appeal and complains to legislatures and executives, to which authorities are obliged to respond,
Appealing to local authorities through meetings with local government leaders during their “public office hours,”
Appealing to “state-control” organs and the courts in cases of observed budget violations or corruption cases.

Civil Participation Experiences in Budgeting Process

The “Transparent Budgeting” Program

This paper looks at the mechanisms for participatory budgeting introduced under the program “Transparent Budgeting” initiated in 1998 by the St. Petersburg NGO, Tsentr “Strategiya.” The program started with a two-year project “City Inhabitants and Authorities—On a Way to Cooperation, The Budget That Can Be Understood and Accepted,”3 (1998-2002) supported by Ford Foundation. In 2002 the program developed into three other projects:

- Introduction of Transparent Budgeting Social Technology in Russian Regions5 (2002-2004) sponsored by the Ford Foundation,

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3Rus. «Городские зители и власти—на пути к сотрудничеству: Бюджет, который можно понять и на который можно влиять»
4Rus. «Предупреждение коррупции в бюджетном процессе российских регионах»
5Rus. «Внедрение социальной технологии «Прозрачный бюджет» в регионах России»
Increasing Effectiveness of Housing and Communal Services Management Through Citizen Involvement (2002-2003) supported by the UK’s DFID through the British Council.

The program covered a number of cities within the Russian Federation. The focus of this paper is on activities with regard to civil society involvement in budgeting processes in St. Petersburg, Yuzno-Sakhalinsk, Novosibirsk, Velikiye Luki, Pskov, Petrazovodsk, Samara and Murmanks.

According to Ms. Zamyatina, a specialist responsible for the methodological side of the program, many groups support a more transparent budgeting process in the Russian Federation. First, due to the growing economic inter-dependencies of nations in the process of globalization, international financial institutions have been placed increased emphasis on budget transparency and corruption prevention among their country members. The IMF has formalized the requirement for transparency of public budgets through the 1998 Fiscal Transparency Code. While recognizing a diversity of budget systems, the Code stipulates four main principles:

- clarity of roles and responsibilities among budget stakeholders,
- public access to budget information,
- openness in budget preparation and execution, and
- budget integrity that also includes independent scrutiny.

Second, the national and regional governments, under pressure to comply with international budgeting standards, are seeking to ensure that budget spending and the ongoing reforms respond properly to the demands of citizens, that legislatures exercise proper control over public spending, that the economic situation is stable and that regions are attractive for investment.

Third, the rapidly developing non-commercial organisations (NCOs) are interested in opening up the budgeting process to make sure that it accommodates the interests of civil society groups they represent and advocate for. They also tend to see public budgets as an additional source of funding for their activities and eagerly promote the idea of NCOs becoming eligible public services providers, especially in the social domain.

Fourth, interest in the question “Where does the tax payers’ money go?” has grown in the minds of private sector representatives and individual citizens.

While working with different actors, the project has mainly targeted the potential of local NCOs, professional/academic communities and the media to exercise greater influence over the regional and municipal budgeting processes. Its ultimate aims were: a) more effective budget spending, mainly for social programs, and b) establishment of interaction mechanisms between NCOs and local authorities in budgetary processes. At a later stage, the program added an additional focus on anti-corruption goals.

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8. The Russian Federal Law defines the non-commercial organizations as joint interests-based volunteer associations of individual citizens or organizations (judicial entities) created by their own initiative for the purpose of pursuing common goals.
Among the program’s initial objectives were:

- Developing a “budget transparency standard” for Russian cities;
- Proposing methodology for assessing the level of budget transparency and citizen participation in the budgeting process, as well as conducting pilot assessments;
- Introducing applied budget analysis methodologies; and
- Extending the practice of public participation in budgeting, mainly through awareness building and education of NCO leaders, community leaders and the media.

Concepts and Approaches Applied

The program defined “budget transparency” to mean that activities of actors in the budget process are open, i.e. activities are conducted in a way that all existing rules, procedures, criteria for decision-making, and other relevant information are shared by governments with other stakeholders upon their request, and the positions of these stakeholders are taken into consideration during budgetary decision-making.\(^9\)

Achieving this transparency required:

- on one side, well-informed civil society, willing to participate and confident about its engagement in the budgetary process,
- on the other side, local governments willing to involve citizens and equipped with the mechanisms allowing accommodation of public interests in the budgetary process in a constructive manner.

“Public participation” in the budgetary process was defined by the program as a process of regular interaction between authorities and civil society groups (or the general public) that is based on negotiations and that respects the rights and satisfies the interests of local citizens and social groups.\(^10\)

In some areas the program focused at the municipal level, in others at the regional level. It started with the development of a basic education program on the budgetary process (targeting local/regional NCOs, media representatives, and in some areas involving elected council members). On a pilot basis it made an attempt to introduce and closely monitor several mechanisms of citizen participation (applied budget analysis by independent public experts, budget hearings, budget related round tables and seminars with civil society and government involvement). Further, it focused on the elaboration of a method with regard to the practical application of these mechanisms, as well as on the tools for assessing the level of local budget transparency and citizen participation.

Building Knowledge: Description of Mechanisms Applied

**Independent budget analysis**

Dissemination of budget related information even in a user-friendly format is often not enough for NCOs and the general public to be able to understand budget figures and their implications. Budget information that is released to the public by government traditionally contains a list of budget items with assigned expenditures, the planned and actual situation with regard to earned and unearned income, and the balance. The program suggested


introducing independent budget analysis as a mechanism of extracting and presenting budget information that is not obvious and/or is hidden behind the figures.

Budget analysis made by independent experts is viewed as a tool for keeping authorities more accountable. It also serves the purpose of ensuring that local government budget policy takes into consideration the interests of citizens, especially the most vulnerable groups, and draws upon territorial development concerns that are seen as important by the public.\footnote{Ibid p.15}

Budget analysis may focus on answering general or specific question that is of interest to citizens. For instance:

- To what extent does the budget reflect needs and interests of the population?
- What are the trends in financing such areas as health, education, and communal services, and what are the implications for the population?
- How does this year’s budget influence the life of specific population groups (children, youth, pensioners, teachers, poor, etc.)?
- How does the budget promote the economic development of a given area?
- How do changes in taxation impact organisations, businesses, entrepreneurs, and individual citizens?

Budget analysis requires specific knowledge and is conducted by local experts or groups of experts. They can be specialists from NCOs, representatives of local academic circles or professional communities.

Such analysis often involves comparisons of a current budget with previous years’ budgetary plan and practice. It has to be facts-based, neutral and should avoid taking any political sides. It may have a better impact when conducted at the stage of budget planning, but can also take place at any stage of budget implementation cycle.

Results of independent budget analysis are usually:

- distributed among the actors of local budgetary process (in particular council members),
- used by civil society organizations and groups in advocating for their public interests,
- adjusted for general public and published/broadcasted by media, and
- used for monitoring changes in local government budgetary policy.

Experts for policy analysis are usually chosen from local specialists. The fact that results of budget analysis are distributed among local legislature members can make this mechanism an influential tool.

Examples of independent budget analysis conducted under the program include:

**KALININGRAD OBLAST**

- Analysis of the effectiveness of state budgetary support to the Small Business Development Program in Kaliningrad Oblast in 2001-2003 (Kuzin 2003)

**THE REPUBLIC OF KARELIA**

- Analysis of the 1999 budget of Petrazovodsk city (Druzinin 1999)
- Analysis of budget expenditures with regard to improvements in health care services in the Republic of Karelia in 1999-2001 (Druzinin 2001)
Analysis on integration of youth policy into the budget of Petrazovodsk in 2001 (Gubanova 2001)
Analysis of budget income sources in Petrazovodsk city 2001 budget (Gubanova 2001)
Analysis of social programs funded from the budget of the Republic of Karelia in 1998-2001 (Revaykin 2002)
Analysis of the budget implications on drugs-related problems in Petrazovodsk city (Proharova 2003)
Analysis of goals and results of the year-marked social programs funded from the budget of the Republic of Karelia in 2001-2003 (Revaykin 2004)

LEニングRAD OBLAST
Analysis of goals and results of the year-marked social programs as the main element of strategic planning process in Leningrad Oblast (Sergeychuk and Mirzaliev 2002)
Analysis of budget expenditure for resolving the housing and communal infrastructure problems in Vsevolozsky Rayon and the city of Gatchina (Zamyatina 2002)

MURMANKS OBLAST
Analysis of the support provided from public budget to small business support from the budget (Alimov 2000)
Analysis of inter-budgetary relations in Murmanks Oblast in 1998-2000 (Ivanova 2001)
Analysis of social orientation of the budget of Murmansk city in 1999-2001 (Shulaev 2002),
Analysis of the implementation of commitments for social protection of disabled in Murmanks city budget (Proshin 2002)
Analysis of expenses for housing and communal services sector in Murmansk (Yakunicheva 2002)

NOVOSIBIRSK OBLAST
Analysis of the implementation of the Ecological Housing Program in Novosibirsk (Novikova 1999)
Analysis of inter-budgetary currents in Novosibirsk Oblast (Novikova 2002)
Analysis of capital investments in the budget of Novosibirsk Oblast in 2000-2001 (Mitasova 2002)
Analysis of the implications of the city budget on the poverty situation in Novosibirks in 1996-2002 (Klistorin 2003)
Analysis of inter-budgetary relations in the context of public interests—example of Novosibirsk Oblast municipalities (Klistorin and Sumskaya 2003)
Analysis and justification of budget expenses for ear-marked programs (Klistorin 2003)

PSKOV OBLAST
Overview of the situation with local budgetary process and its dependency on upper-level budgets in Velikiye Luki city (Antonyuk 1999)
Analysis of existing taxes regulating norms in Pskov Oblast (Fedorova 2002)
Analysis of the regional tax policy in Pskov Oblast (Fedorova 2002)
Analysis of existing investment climate in Pskov Oblast and its impacts for the budget (Fedorova 2002)

Analysis of economic development stimuli for municipalities with the purpose of enabling authorities to better respond to population social needs in Pskov Oblast (Dubin 2003)

Analysis of budget funding of social protection institutions—the example of the hostel for elderly and handicapped (Beskrovnaya 2002)

Budget analysis with regard to provision of free medical assistance to the population of Velikiye Luki (Dyubin 2002)

Analysis of Velikiye Luki municipal budget from the perspective of existing youth policy (Dyubin 2002)

Analysis of public participation in development and implementation of year-marked programs and projects funded from the budget of Velikiye Luki (Bogdanov 2003)

Economic and social justification for increasing budget funding for water and sewage systems in Pskov Oblast (Fedorova, Prokopyeva, and Mikheeva 2003)

SAKHALIN OBLAST

Budget analysis of the implementation of small business support program in Sakhalin Oblast (Kim En Soon 2002)

Analysis of the implementation of state programs supporting local production sector (Kim En Soon 2003)

SAMARA OBLAST

Comparative analysis of Samara city budget 1999-2000 (Kondratenko 2001)

Analysis of the implementation of state employment policy for socially vulnerable population groups and the role of public control (Orlov 2001)

Budget analysis with regard to implementation of children’s rights and interests in Samara Oblast (Bondarenko and Fomenko 2002)

Analysis of the implementation of youth policy in Samara Oblast (Orlov 2002)

Analysis of funding of programs aiming to support people with disabilities (Lenivkina 2003)

Analysis of inter-budgetary relations—view from a region (Orlov 2003)

THE CITY OF ST. PETERSBURG

Analysis of expenditures for the year-marked Ecological Fund in St. Petersburg (Shevchuk 1999)

Local self-government and municipal budget analysis in 2001 (Oshurkov 2001)

Analysis of public participation in strategic planning and budget policy (Beskrovnaya 2001)

Analysis of year-marked social programs and the roles that can be played in their implementation by NCOs (Vayher 2003)

Analysis of transparency of the work of housing authorities (Oshurkov 2003)

Analysis of money currents in housing and communal services sector (Trubnikov 2003)

Analysis of expenses on education (Beskrovnaya 2003)
Independent budget analysis becomes a powerful tool when its outcomes are utilized in the context of a wider participatory process. Its impact is stronger when it is combined with other forms of public participation (for instance, public budget hearings).

**Public budget hearings**

Public hearings are one of the most structured forms of direct citizen participation in local decision-making and budgeting processes. Public hearings in municipalities and regions can be initiated by population groups, as well as by a municipal/regional representative body or by a head of municipality or a regional governor.

All stakeholders who have an interest in the budget generally or in a particular aspect under discussion can be invited to participate in public budget hearings. Budget hearings are open for citizens, as well as the media, and information about their results is made available to public.

In the guidelines issued by Tsentr “Strategiya” public hearings aims are defined as follows:12

- To inform the public,
- To discuss openly different points of view on certain problems and to generate compromises and mutually acceptable decisions,
- To influence the views of the authorities on issues under discussion

Preparatory work for public hearings is coordinated by special organizing committees (organizatsioniy komitet). The committees agree upon the topic and the goals of hearings, lists of presentations/reports to be made during the hearings, the date, time, and place of hearings, and take care of invitations and press releases. Preparations for hearings can be funded by volunteer citizen contributions, resources of local organizations, as well as local budgetary funds.

The hearings are facilitated by special moderators appointed by the committees. Procedurally, hearings traditionally start with presentations and reports on an issue, followed by a question and answer session. At a later stage participants are given an opportunity to debate. Debates are concluded by decisions reflecting consensus on resolving the issue under consideration and/or on further action required. All participants are invited to vote on a final decision that is approved by a simple majority vote.

All decisions of budget hearings are expressed in the form of recommendations to local authorities, higher-level government, relevant local organizations, and enterprises. The organizing committees are responsible for issuing a summary of hearings and decisions taken in the local press. All the documents and the minutes are kept in public libraries and are open to all.

Examples of public hearings conducted under the program include:

- Budget hearings in St. Petersburg on October 26, 2000 with regard to the problems with 2001 budget draft and its social sphere expenditure (seventy participants mainly from NCOs, one member of the city council and several council member assistants, a representative of the financial committee at the city administration and a head of the Audit Chamber).

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Public hearings in Petrazovodsk city on March 14, 2001 with regard to existing youth policy, social protection of women and social partnership mechanisms in 2001 budget (forty-five participants mainly representing local NCOs, the city mayor and some representatives of the municipal executive).

Budget hearings in Velikiye Luki city on April 16, 2001 (eighteen representatives of NCO, the city mayor, deputy chairperson of the city council, chairperson of the council’s budgetary committee, head of the financial department at the executive).

Hearings in Samara on May 22, 2001 with regard to NCO participation in the implementation of year-marked budgetary funds for social programmes (sixty-two NCO representatives, five representatives of the city executive, six representative of local media).

Hearings in Pskov on May 28, 2001 on budget social expenditure and inter-budgetary relations (three representatives of NCO, twelve representatives of local authorities).

Hearings in Murmansk city on May 31, 2001 on social aspects of the city budget (twenty-two representatives of NCO, media and city administration).

**Diagnosis: How Participation Is Constructed**

Budget hearings and independent budget analysis in many cases evolved as mutually reinforcing mechanisms, although they took different forms in different cities.

Formally, the issues that must be discussed at public hearings include:

- Drafts of Municipality Statutes, or proposals for changes in the Statute,
- Local budget drafts and budget execution reports,
- Drafts of municipal development plans and programs,
- Issues of reorganization of a municipality.

However, the mechanism of budget hearings has not yet been widely used, and only in rare cases has it been institutionalized.

For the hearings to be formally institutionalized they need to be regulated by Municipal Statutes and/or by a special Statement (*Polozeniye*) adopted by a municipal council. An exemplary statement was developed by the program and suggested as a blueprint to participating municipalities. Similarly, the program also suggested methodological support to local experts conducting expert analysis.

The fact that the idea of budget hearings and independent expert budget analysis was brought from outside is one of the factors responsible for the rather slow initial progress in many localities. Among other important factors that influenced participation in budget hearings:

- Lack of clear division of responsibilities between regional and local government levels, along with instability and unpredictability and deficient transparency in the regulation of inter-budgetary relations, especially in the social sphere.
- Deficient regulatory base with regard to public involvement in local decision-making and insufficient understanding by both government and public of mechanisms available.
Insufficient level of organizational development among local NCOs.\textsuperscript{13}

The persistence of non-transparent mechanisms of interaction between government and some civil society organizations (lobbying by public groups with narrow interests, funding of operations of some traditional NCOs from public budget, government so called “pocket” NCOs, etc.).\textsuperscript{14}

Wide-spread illiteracy regarding the law and low awareness of rights among the public, NCOs and even elected local council members. Lack of information and consultative support available to civil society groups with regard to the budgetary process.

A relatively low interest in transparency issues among local business community. In many cases the paralegal nature of business in Russia precludes local entrepreneurs from becoming advocates of transparency and publicity.

The weakness of local media. Often the media represent the interests of either the government or political parties.

Bureaucratic misunderstanding of participation. Sharing information is seen as sharing power, and greater public participation is viewed as disempowerment of the authorities rather than a source of public trust and government empowerment.

Along with these general concerns, in many cases the level of participation in public hearings was also influenced by such factors as:

- The status of the premises where hearings were conducted (the higher this status, the more seriously were the hearings treated by NCO representatives and experts);
- The extent to which local organizations were informed of the topic under discussion;
- The level of participating local authorities;
- The thoroughness of preparatory work conducted by the organizers of hearings (experts involved, exciting presentations, provision of additional background information, etc.).

It was noted that the effectiveness of hearings to a large extent depends on the history of interaction between authorities and local civil society organizations in a given area. It may also be influenced by the quality and neutrality of the moderator.

One of the main obstacles to constructive cooperation between authorities and the NCOs was mutual distrust. The NCOs did not believe that the government would take their voices in the decision-making process seriously, while the government did not see NCOs as competent and constructive partners. The fact that many NCOs indeed have a rather short-term vision and poor grassroots bases makes them vulnerable in claiming a voice.

This was one of the reasons the program concentrated its efforts on education, targeting both awareness-building among government representatives about the potential role of local NCOs and capacity-building of NCO leadership to engage effectively in the mechanism of direct public in budgeting process. Program experience suggests that education

\textsuperscript{13}In Samara, the business center “Renaissance” and the “Samara Youth Union” supported a number of expert analyses on budget expenditures for social programs in the course of preparation for the hearings. It was observed that every fifth NCO in Samara obtained some funding from the budget but most had no idea of how they contributed to the overall implementation of the social programs under which they were funded.

\textsuperscript{14}In most cities there were traditional NCOs already enjoying funding from the budget. Examples are “The City Council of Labour Veterans,” “Chernobyl Union,” and the Society of Deaf and Blind in Velikiye Luki. These NCOs are usually referred to as “official NCOs” since they are traditionally connected to authorities and the budget, and may abstain from active participation in the fear that they will lose the privileges they already enjoy.
through participatory workshops and seminars is of paramount importance for building mutual trust and opening up space for constructive public participation in the local budgeting process. The program developed a special educational methodology (obrazovatel'naya technologiya) to help build mechanisms for participatory budgeting: informational seminars for NCOs, budget analysis classes, interactive action learning sessions, seminars and trainings.

Conducting independent expert budget analysis also revealed a number of problems. In some towns finding independent experts capable of interpreting budget was problematic. Places like Yuzno-Sakhalinsk have problems attracting professional cadres. In Samara due to political unrest local experts were reluctant to criticize authorities. In Murmansk, the experts asked for clear methodological guidelines on conducting applied budget analysis, which were eventually developed by the program.

Experience also proved that analysis conducted by NCO activists and specialists is better tuned to the real needs of citizens and more easily understood by the public than analysis produced by academics. This led the program team to the idea of setting up an educational component for NCO representatives. The team also decided to train local media to increase their investigative and analytical skills when it comes to reporting on budgets.

In many cases organizations representing the interests of women, youth, disabled people and other traditionally vulnerable groups were specifically invited to take part in budget hearings, independent expert analysis and budget-related educational seminars. In some regions budget analysis focused on problems of vulnerable groups: disabled people in Murmansk and Samara, drug addicts in Petrazovodsk and Murmansk, the poor in Novosibirsk, the elderly and handicapped in Pskov Oblast, youth in Velikiye Luki and Samara, and children in Samara. In Murmansk, special preparatory seminars were conducted for youth organizations prior to budget hearings in 2001.

**Evaluation: The Impact**

The issue of measuring the actual level and the impact of citizen participation in budgetary processes has been one of the program concerns since the outset. The program has suggested a whole methodology for measuring transparency and public participation that was piloted in the regions. The assessment relied upon the following aspects:

- Legal aspects of transparency,
- Budget implementation responsibility,
- Budgetary information and documentation,
- Budget implementation analysis,
- Public participation in budgetary process.

The last is of special interest to this paper. Public participation in the budgetary process was assessed by three criteria:

- The extent to which public access to budget information and pre-conditions for public participation are reflected in the existing local legal and regulatory bases;
- Demand from public and local media for information on budget and budgetary processes; extent of actual access to information and level of its comprehensiveness;
- The level of public engagement in budgetary processes.
Assessments of the level of public participation were made based on interviews with key informants in each of the targeted region/municipalities. They were conducted in eight regions:

- Murmansk, Petrozavodsk, Velikiye Luki (municipal level),
- The Oblasts of Novosibirsk, Samara, Pskov, Yuzno-Sakhalinsk, and the city of St. Petersburg (level of federal entities).

In most cases they were conducted twice, in 2001 and 2002, which allowed the program to see the dynamic of changes. In all regions both assessment rounds revealed a low level of public participation in budgetary processes. Detailed analyses show that in most of the regions:

- Public access to budget information is still deficiently managed and in many cases is a token gesture;
- Legal provisions for public involvement in budgetary process are almost non-existent;
- Budget information is not regularly requested by the public and media—local papers and TV provide a rather superficial coverage of the budgetary process. Even where local media interest have shown considerable interest in budget and budgetary processes (e.g. Samara) it was noted that a relatively low number of articles are of an analytical nature and political interests tend to manipulate information provided by media.
- Examples of independent budget analysis exist but many respondents think that these analyses still poorly correspond to public expectations and/or have little impact on the budget.
- General level of public NCO engagement remains low and its results are rather sporadic.

There is no empirical evidence that shows a clear connection between budgetary changes (more effective expenditure, better relevance of budget allocations or increased efficiency of budget expenditure and taxation) and substantive public participation. It is rather problematic to assign improvements or worsening of the budget situation to public participation processes—due to frequent changes and the political turbulence brought on by reforms at the federal and regional levels in the areas of public finance management, management of communal property and infrastructure, social programs and so on.

Generally, the programs seemed to have been more successful in establishing interaction mechanisms among NCOs, expert community and local authorities than in achieving more effective budget spending patterns. The introduction of mechanisms of public participation has yielded some remarkable results that had a certain impact on the advancement of public participation in budgetary processes and on changing budgetary practices in some regions.

**In Samara municipality and oblast**

In 2000 the first precedent of partnership between regional authorities and NCO occurred: joint development of the social program “Medico-Social and Professional Rehabilitation for Handicapped People and Improvement of Their Access to Life

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15 Usually two to four elected municipal council members, two to four representatives of local executive authorities, and two to four representatives of NCO, media or public experts.
Opportunities for 2001-2005” and the establishment of a joint government-NCOs implementing body.

- The hearings in Samara oblast resulted in a decision to assemble a working group to prepare for a participatory budget committee where local NCOs would be also represented. Also, the groundwork was laid for a public committee to monitor social programs at the regional level.

- Following the introduction of transparent budgeting concepts, a special project was launched on public monitoring of the implementation of youth policy at the regional level.

- As a result of a tender, local NCOs are taking active roles in the municipal program “Youth, Cadre Potential of Samara” that merges resources available from civil society organizations and the municipal budget. Another municipal program “Samara without Drugs” has been implemented with the assistance of local NCOs.

- Policy analysis on the employment situation conducted by independent experts led in 2003 to the development of the municipal “Program of Employment Promotion among Samara Population for 2004-2006.” Prior to this, in 2000 when the state employment fund was abolished NCOs shared the burden of work with the government in the area of addressing joblessness.

- A public committee has been formed at the regional level and works in close cooperation with the Budget Committee of the Samara regional council (gubenskaya duma).

- A group of independent experts and public activists specialising on budgeting issues has been formed. Fifteen independent public experts were invited by the regional government to take part in the discussions of 2003 budget.

- An array of new projects has been formulated in the area of promoting public participation in development and implementation of social programs, as well as anti-corruption (supported by Soros Foundation, IREX, Canadian Civil Society Fund and MSI USA).

**In Novosibirsk city and oblast**

- About fifty NCOs participated in budget related seminars that considerably increased the level of budgetary competence among civil society representatives.

- Multiple working relations were established among NCO, the media and individual experts.

- More intensive inclusion of NCO representative into various public committees and commissions took place, including the public municipal committee on sustainable development of Novosibirsk city.

- Public hearings seem to have changed the government attitude to the very idea of public participation in budgeting.

- Government learned to appreciate independent expertise and even took the initiative to have some of that expertise (e.g. the analysis of 2001 budget implementation and experts’ suggestions concerning the regional law “On Budget Organization and Process in Novosibirsk Oblast”).
**In Leningrad oblast and St. Petersburg**

- Local NCOs in St. Petersburg are participating in the implementation of social programs based on a careful selection (i.e. “Family Policy”, “The Youth of St. Petersburg”).
- After a series of budget hearings and the use of other mechanisms of civil society engagement, the attitude of St. Petersburg municipal authorities towards the very idea of public participation in budgeting process changed considerably.
- The level of awareness about the budget process has grown among NCO representatives and the general public. Moreover, NCOs gained experience and now are more capable of defining their role in budgetary processes.
- Monitoring reports show that the interest of the media and the quality of budget related publications improved in the course of the program, along with media representatives’ grasp of the concept of public participation in budgeting process.
- Joint participation in seminars improved relations among NCO and local authorities in several locations in Leningrad region (e.g. in Ladoga it resulted in a joint project between municipal authorities and the Ethno-Cultural Club of Russian German activists).
- Introduction of measures on public budget transparency facilitated greater transparency within the territory sector.

**In Yuzno-Sakhalinsk municipality**

- A Memorandum on joint activities was signed between NCOs and local government. As a result, NCOs started participating in public budget implementation, specifically regarding social programs and the provision of support to minority peoples.
- The NCO role in supporting private sector development has increased. A number of local NCOs won tenders for the implementation of the Program of State Support to Small Businesses.
- Inter-sectoral partnerships resulting from program activities brought about the allocation of additional resources for social projects. Thus, in 2002 municipal authorities called for bids for social projects. Projects of six local NCOs received support in such a way that for each ruble from the public budget 4.5 rubles were raised from other sources, mainly the private sector.
- A special fourth year course on applied budgetary analysis was introduced at the economics faculty of the Yuzno-Sakhalinsk Institute of Economics, Law and Informatics.

**In Pskov oblast**

- Observers noticed a consolidation of civil activists interested in the promotion of public budget transparency. Local NCOs formed a Public Chamber (obshestvenaya palata) to play a consultative/advisory role to regional authorities.
- In the course of the program, the Public Chamber decided to extend its membership and start accumulating budget-related suggestions from NCOs.
- Special attention was given to the development of budget documentation format that allows better understanding of the budget, as well as public release of budget information and publications on the Internet in a user-friendly form.
- Given a shortage of expertise, a regional network of budget experts was formed for the purpose of conducting periodic applied budget analysis and consultations to NCO leaders and media representatives.
Information on the implementation of Pskov municipal budget is constantly published in the local newspaper “News of Pskov”.

The term “budget transparency” has entered the political vocabulary of the region and members of the Pskov City Council are receiving more frequent updates on budget implementation. In Velikiye Luki the very procedure of the budget approval has changed: the City Council forms conciliatory commissions (soglasitelnye komissii) for detailed discussion of separate budget items.

There are clear signs that the local academic and expert community is taking much greater interest in the problems of public budgets and citizen participation. (The indicators are: number of publications, research activities, depth of analysis, variety of themes discussed, etc.).

In the Republic of Karelia and Petrazovodsk municipality

A new regional association was founded. “Council of Civil Initiatives” serves as a negotiation platform between local NCOs and the authorities on the most acute issues of local public life.

In 2001 Petrazovodsk municipality established an Internet site with a special section on the municipal budget.

Since 2002 the Republican Legislative Council (zakonodatelnoye sobranoye) introduced the practice of budgetary hearings open to the public.

In 2002 in Petrazovodsk a special council on relations between local authorities and civil society organizations was set up. Among other issues the council concentrated on legislative initiatives regulating government-NCO relations.

In 2003 the Petrazovodsk municipality called for bids among women’s organizations, the result of which was the provision of support to a number of social initiatives related to women’s issues.

In Murmansk oblast

As a result of seminars on transparent budgetary process (involving about one-hundred local government, legislative and NCO representatives), seven public hearings were conducted in 2001-2002 at the regional and local levels (the municipalities of Murmanks, Monchegorsk, Olenegorsk, Kirovsk, and Apatiti).

The Murmansk Association of Women Journalists has implemented a number of initiatives for regional and provincial media representatives on reporting on budgetary processes.

Following adoption of a special regulation on youth NCOs in 2002, funds were reserved in municipal budget to support youth initiatives.

It is important to note the impact, in some locations, of participatory processes at the budgetary policy level—where governments accepted the assistance of public experts and NCO activists, or where the former have drawn upon the mechanism of public legislative
initiatives (*narodnaya pravotvorcheskaya initsiativa*) that are mandated by federal law and reinforced by regional legislation.\(^\text{16}\)

As a result of independent analysis, public hearings and joint seminars between NCOs and government officials, the following regulations have been drafted with the support of Tsentr “Strategiya” specialists in St. Petersburg:

- law “On indicators of financial situation in St. Petersburg budget that are to be regularly published”;
- law “On Realisation of Rights for Accessing Information About Financial Situation of St. Petersburg”;
- the mayor’s decision “On provision of obligatory information in budgeting process”;
- the mayor’s decision “On measures for ensuring access to financial information of educational institutions for public control”;
- the mayor’s decision “On forms of financial reporting for public organizations, institutions and NCOs involved in services provisioning funded from the city budget.”

Other examples of policy level impact include:

- The adoption of “Procedures of Monitoring and Dissemination of Information on Regional budget and state Debts of Samara Oblast” in Samara region in September 2001;
- In Novosibirsk a draft of regulations was prepared that would allow institutionalizing a chain of public controls tagged as “knowing—proposing—discussing—providing expertise - getting decisions through.” The package includes the draft regulation “On Access to Information about Activities and Decisions of Local Self-Government in Novosibirsk City”; the draft regulation "On Independent Public Expertise in Novosibirsk City"; a draft Code of Ethics for the members of municipal and regional elected councils that include transparency clauses, a concept of updating information on the website of the Novosibirsk municipality; adjustments to the existing regulation “On Development, Adoption and Control over Implementation of Novosibirsk City Development Plan” that refer to public access to social programming; adjustments to the regulation “On Organisation of Open Hearings in City Council” with regard to the right of citizens to initiate such hearings; some adjustments to the regulations of city council committees.

- In Pskov oblast and Velikiye Luki municipality analysis of the existing legal base was conducted. As a result, a number of recommendations were developed and submitted to the oblast and city council with a view to adjusting the existing regulatory base regarding transparency of the budgetary process and public access to budgetary information.

- Recommendations developed in the course of seminars that engaged regional authorities, NCOs leaders and academic community representatives laid a ground for preparation of new laws: “On Development Budget of the Republic of Karelia” and “On state minimal social standards, social and financial norms of the Republic of Karelia.” Public hearings conducted in 2001 contributed to approval of the new law “On State Social Contracting

- In Murmansk oblast special local level regulations on the budgetary process were developed in the municipalities of Murmansk, Monchegorsk, Olenegorsk and Apatiti. Regulation on public social contracting was adopted in Murmansk.

- In Samara oblast a right for public legislative initiatives was granted to NGOs at a regional level. Together with an anti-corruption campaign initiated by Samara oblast governor this was among reasons the program switched from the municipal to regional level. In 2001 the governor approved “Monitoring and information dissemination procedures with regard to the oblast’s budget and its state debts.”

All these regulations pertain to different aspects of interaction between authorities and civil society in the context of the budgetary process. However, in none of the regions has the idea of developing a general law on public participation in the budgetary process yet been suggested.

The program made an attempt to further develop some principles for public participation in accord with the federal constitution and constitutional law. However, a lack of more detailed regulations in this area at the federal level has slowed the process of achieving regional and local level regulations with regard to citizen participation.

Capacity-Building to Support Civic Participation in Subnational Budgeting

Demand side: capacity-building needs

The program revealed a number of gaps in the capacities of local government actors as well as in the capacity of local civil society actors to embark on a meaningful process of independent budget analysis and budgetary hearings.

There is the need to further sensitize local government executives and legislators to the advantages of budget transparency, the role civil society can play in budgetary processes, and practical examples of effective ways to make this happen.

Transparency of local budgets is a key precondition for ensuring accountability and launching mechanisms for democratic participation. Transparency depends not only on the political will of local authorities and their practical skills at making budgets accessible and understandable to public, but also it requires clarity about inter-governmental administrative and financial/fiscal responsibilities.

Building awareness of the budgetary process among civil society actors proved to be a pre-condition for constructive engagement of NCOs at different stages of budgetary cycle. Further attention should be paid to the capacity of NCOs when it comes to general organization and implementation of social programs. The legitimacy of NCOs’ participation in public budgeting is closely linked to the issue of their grassroots membership and wider public support.

The capacity of local media in budget-related reporting needs further strengthening. The program shows that better coverage of budgetary processes could be achieved through educational activities for media representatives, as well as through strengthening linkages in the triangle media-NCO activists-public budget experts.

As for independent budget analysis, a critical issue is the availability of local experts, truly independent from government and capable of conducting applied budget analysis. A potential source of such expertise is local NCOs and local academic communities. Both
require know-how on conducting budget analysis that is thorough, well-grounded, practical and impact-oriented.

**Supply side: capacity-building opportunities available**

Among training and resource materials produced under the program in the effort to advance participatory budgeting practices the following should be mentioned:

  
  The publication *Scaling Transparency and Public Participation in Budgetary Process: Experience of Work in South Africa* is translated from English and is a summary of the South African experience in measuring budget transparency and the level of public participation in budgetary processes. Available at http://www.transparentbudget.ru/rus/publications.htm

  
  This publication presents practical guidelines for work on budgetary issues for representatives of civil society organizations. Available at http://www.transparentbudget.ru/rus/publications.htm

  
  This publication presents a detailed introduction to the budgetary system of the Russian Federation.

  
  The book is a detailed introduction to budgetary responsibilities of the constituent entities of the Russian Federation.

  
  This publication is the synthesis of the program with techniques for independent budget analysis, public hearings and measuring budget transparency and a level of citizen participation in the budgetary process. Available at http://strategy-spb.ru

  
  The book *Budgetary Process: Analysis of Transparency and Public Participation* explores the concept of measuring budget transparency and a level of public participation in budget planning and suggests a number of case studies from Russian regions and municipalities. Available at http://strategy-spb.ru

  
  This is an encyclopedia on budget work for non-professionals. Available at http://www.transparentbudget.ru/rus/publications.htm

The publication is a toolkit for conducting budget related educational and training activities. Available at http://www.transparentbudget.ru/rus/publications.htm

**Vinogradova, T., ed. 2002.** *Prikладной бюджетный анализ.* Tsentr Strategiya: St. Petersburg (Russian language).


These two publications on applied budget analysis present a wide selection of case studies on applied independent budget analysis from Kaliningrad, Leningrad, Novosibirsk, Pskov, Samara, and Sakhalin oblasts, the Republic of Karelia, and the city of St. Petersburg. Available at http://www.transparentbudget.ru/rus/publications.htm


The publication presents methodological recommendations on advancing the “transparent budgeting” mechanism that focuses on assessing budget transparency and public participation level, applied budget analysis, and tools for NCO participation in budgeting process (as main components), as well as educational activities and the mechanism of legislative initiatives (as supportive components). Available at http://www.transparentbudget.ru/rus/publications.htm


This publication *Budgetary Process: Analysis of Transparency and Public Participation* contains results of the analysis of transparency and public participation in budgetary processes in the regions of Russia. The analysis was conducted in 2002-2003 under the Tsentr Strategiya program “City Inhabitants and Authorities—On A Way to Cooperation. The Budget That Can Be Understood and Accepted.” Available at http://www.transparentbudget.ru/rus/publications.htm


The book *Project ‘City Inhabitants and Authorities—On A Way to Cooperation. The Budget That Can Be Understood and Influenced:’ The History of Success* provides in-depth analysis of the dynamics of participatory budgeting mechanisms in Russian regions. It draws on results achieved and problems experienced in different regions. Available at http://www.transparentbudget.ru/rus/publications.htm


The publication summarizes experiences with establishing the mechanisms of NGO participation in decision-making on environmental expenditures in St. Petersburg city budget. Available at http://www.transparentbudget.ru/rus/publications.htm

**Zamyatina, M., ed. 2003.** *Otsenka Prozrachnosti i obshestvennogo uchastiya v budgetnom processe.* Tsentr Strategiya: St. Petersburg (Russian language).


“Open Budget, Regions of Russia” is an information-reference system for monitoring budgets and inter-budgetary relations among subjects of the Russian Federation. It also provides the Russian Federation budget and budgets of other countries for comparison.

These resources target different audiences and cover most of the key capacity gaps. The major shortcoming is their lack of availability to target groups in the regions.

There is an insufficient number of training resources for local media, as well as general publications and in-depth analytical materials on European and East European practices. As citizen participation in the budgeting process advances there will be a need for methods that allow for measuring the impact of participation on budget outcomes.

Organizations Active in Participatory Budgeting

Among the key organizations involved in promoting mechanisms for participatory budgeting in Russia the following should be mentioned:

- St. Petersburg Humanitarian Political Centre “Strategy” (Strategoya)—http://strategy-spb.ru—implements various initiatives targeting public participation in decision-making, social partnership and government accountability. The Centre initiated and coordinated participatory budgeting initiatives described in this paper.
- Murmansk Agency of Social Information and the Murmanks Association of Women Journalists (http://wpress.murmanks.org.ru) have been conducting a public awareness building campaign on budget transparency and citizen participation in the budgetary process and training local media representatives to report on budgetary issues.
- Institute of Public Finance Reforms (www.publicfinance.ru) is a financial/economic center based in Moscow. Its projects promote financial decentralization and democratization of local public finances in Russia. The organization is involved in the development of good principles of financial management at the regional level.
- Moscow Public Scientific Fund (www.mpsf.org), an NCO since 1997, has implemented the Local Self-Governance Program that aims to improve the effectiveness and accountability of local authorities and promote greater citizen involvement in local governance (through establishing training centers, teaching best practices, doing analytical work, and carrying out publication activities).
- Association of NCOs “Voice” (Golos)—www.golos.org - is engaged in advocacy for electorate rights throughout Russia. A current project called “Active Citizens—Transparent Authorities” aims at establishing sustainable mechanisms for citizen participation in local decision-making and the systematic flow of information from local government to the public.
- Center of NCO Development (www.ndc.org.ru) is a resource center for NCOs working in the fields of social protection, the environment, education, science and culture, and human rights in the northwest region of Russia. It has been actively promoting dialogue between local NCOs and authorities and advocating for involvement of NCOs in budgetary decision-making and implementation.
South Africa

Civic Participation in Local Government Policy Making and Budget Processes

Adrienne Shall

Local government in South Africa has undergone a complete transformation in the last decade. Prior to 1994 there was no specific legislation within the jurisdiction of the provinces governing the local sphere. In anticipation of the transition to democracy, the Local Government Transition Act (LGTA) of 1993 began the transformation of the old apartheid structures into democratic, inclusive municipalities.

The LGTA defined three phases of transition. Firstly, the pre-interim phase (1993–1995) amalgamated racially based councils, former white suburbs, and black townships into common local councils. To prepare for the first democratic local government elections to be held in 1995, Local Government Negotiating Forums were established. These consisted of existing councils and non-statutory bodies such as civic organizations.

Secondly, the interim-phase (1995–2000) saw the establishment of national policy and a legislative framework for local government. The 1995 elections created two types of transitional municipalities. Metropolitan areas had a two-tier system made up of Transitional Metropolitan Councils and Transitional Metropolitan Substructures or Metropolitan Local Councils. Non-metropolitan areas were governed by a combination of District Councils, Transitional Local Councils, Transitional Rural Councils and Transitional Representative Councils. During the interim-phase major progress was made in terms of de-racializing administrations and democratizing systems and process.

The final phase (December 2000 onwards) began with the second local government elections. This phase introduced the new local government structures within the newly
demarcated municipal boundaries (incorporating urban and rural areas) which consolidated the number of municipalities from 843 to 284.¹

The new local government structure consists of three categories of municipalities in South Africa.² These are:

- **Category A municipalities**, known as metropolitan (metro) municipalities, these are characterized by large urban settlements with high population densities, complex and diversified economies and a high degree of functional integration. These municipalities have exclusive executive and legislative authority and are governed by single councils. There are six Category A municipalities in South Africa.

- **Category B municipalities**, known as local municipalities, they incorporate secondary cities, large towns, small towns and large tracts of surrounding rural and informal areas. Local municipalities share executive and legislative authority with Category C municipalities within whose jurisdiction they lie. There are a total of 231 local municipalities.

- **Category C municipalities**, known as district municipalities, usually consist of a collection of local Category B municipalities and largely uninhabited rural areas. There are 47 district municipalities.

The legal framework, which took effect December 2000 in the newly demarcated local authorities, demands that municipalities consult the public and do this in a meaningful manner. However, local government in South Africa is diverse, ranging from urban and peri-urban to rural. Each of the 284 municipalities has its own unique context in terms of settlement patterns, service needs, revenue access, and capacities to perform effectively. In addition, many municipalities have had to amalgamate administrations from various cultural backgrounds that had differing capacities and served a wide-ranging constituency. As a result, civic participation in planning, policy-making and budgeting varies widely across municipalities. It is also only recently that formal mechanisms for participation, in some cases set up as early as 2001, have begun to function effectively.

This paper examines civic participation in policy-making and budgetary processes in local government in South Africa and focuses on two municipalities as case studies. The paper is presented in six sections. The second section outlines participation approaches as defined by the legal framework. It discusses the participatory mechanisms that are available to municipalities as well as how civic participation in the budget process is envisaged. Sections three and four present the case studies of Mangaung Local Municipality and Ekurhuleni Metropolitan Municipality respectively. These sections explore the participatory mechanisms that have been established in each municipality as well as the impact of participation and challenges that the municipalities face. The fifth section describes the national framework within which local government is situated. It discusses the level of autonomy at the local level and financing sources. Section six concludes the paper.


²Defined in Section 155(1) of the Constitution of South Africa and further defined in Part 1 of the Municipal Structures Act 117 of 1998.
Participation Approaches

The legislation governing the local level sets out the framework for community participation in the decision-making processes of a municipality. This section describes each of the relevant pieces of legislation with particular reference to community participation. It also discusses the mechanisms available to the public to allow for their involvement as well as how civic participation is accommodated in the budget process.

The Legislative Framework

Local government in South Africa is to a large extent governed by the Constitution of South Africa and a suite of four national acts specifically related to local government. The four acts include the Municipal Structures Act of 1998 as amended, the Municipal Systems Act of 2000 as amended, the Municipal Finance Management Act of 2003, and the Property Rates Act of 2004. Each of the above pieces of legislation makes reference to some form of community participation in the functioning of local government.

Constitution of the Republic of South Africa

The adoption of the Constitution of South Africa in 1996 enshrined in law the status of local government. The Constitution establishes three spheres of government (national, provincial and local) which are “distinctive, interdependent and inter-related” (section 40.1). Thus, local government is defined as a sphere in its own right and not just an implementing agent of national and provincial government. The Constitution delegates specific powers and functions to each of the spheres but emphasizes the co-operative nature in which the country should be governed within a unitary state. Therefore, all spheres of government should cooperate with each other in terms of decision-making, co-ordination of policies, budgets and activities especially in areas which cut across the different spheres. The Constitution defines the sphere of local government as consisting of municipalities in which the executive and legislative authorities are vested in the Municipal Council.

The Constitution promotes the idea of developmental local government whereby each municipality gives priority to the basic needs of the community and promotes socio-economic development of the community. In particular, section 152(1) specifies the objectives of local government as follows:

(a) To provide democratic and accountable local government for local communities;
(b) To ensure the provision of services to communities in a sustainable manner;
(c) To promote social and economic development;
(d) To promote a safe and healthy environment; and
(e) To encourage the involvement of communities and community organizations in the matters of local government.

Provision (e) above provides the basis for the inclusion of sections on community participation within local government processes in all subsequent legislation pertaining to local government.
**Municipal Structures Act**
The Municipal Structures Act (MStA) of 1998 provides the framework for the establishment of municipalities. It further develops the categories of municipalities, as defined by the Constitution, and identifies the various types of municipalities that may be established within each category. The MStA also provides guidelines for the form and functioning of various local political structures, internal systems and structures including electoral systems, and the division of powers and functions between district councils and local municipalities.

The MStA entrenches community participation. Under the duties of the executive committee (s44(3)) the Act states that the executive committee must report on the involvement of communities in municipal affairs and must ensure public participation and consultation and report the effects thereof on decisions taken by council. It also encourages a system of participatory democracy by setting out the framework for the establishment and functioning of a ward committee system (ss72-78). The primary function of the ward committee is to be a formal communication channel between the community and the council. According to the MStA a ward committee may make recommendations on any matter affecting the ward to the ward councillor or through the councillor to the council. Ward committees may not have more than ten members and should be elected by the community they serve. The ward councillor representing that ward in the council should act as the chairperson of that particular ward committee. The Act also states that women should be equitably represented in the ward committee as well as representation from a diversity of interests.

**Municipal Systems Act**
The Municipal Systems Act (MSyA) of 2000 provides the core principles, mechanisms and processes that are necessary for the functioning of municipalities. The Act sees municipalities as the means of achieving the social and economic uplifting of local communities and providing universal access to essential services that are affordable to all. The Act deals with the following issues:

- Planning and decision-making models (including processes for public participation);
- Approaches to infrastructure investment, service delivery and economic development;
- Performance management systems; and
- Administrative restructuring and human resource development.

The MSyA enshrines the community as an integral part of the municipality. The MSyA defines the legal nature of a municipality as the political structures and administration of the municipality and the community of the municipality.

Chapter four of the MSyA is dedicated to community participation. Section 16(1) states that a municipality must develop “a culture of municipal governance that complements formal representative government with a system of participatory governance.” The chapter emphasis three main elements:

(a) The municipality must foster participation in:
   - the integrated development planning (IDP) process;
   - evaluation of its performance through performance management;

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(b) The municipality must enable participation through capacity-building in the community and of staff and councillors.
(c) Funds must be allocated and used for the above purposes.

According to section 17(1), participation must take place through ward committees, councillors, mechanisms, processes, and procedures defined in the Act itself or that have been established by the council. In order to enable participation the municipality must provide:

- Procedures to receive and deal with petitions and complaints of the public;
- Procedures to notify the community about important decisions (such as by-laws, IDP service delivery choices, etc.) and allowing public comment when appropriate;
- Consultative meetings with recognized community organizations and, when appropriate, traditional authorities; and
- Measures for reporting back to the community.

The Act also requires that municipalities take into account the special needs of women, illiterate people, the disabled, and other disadvantaged groups.

The municipal manager must notify the public of the time, date and venue of every council meeting. Council meetings must be open to the public if discussion or voting is held on a by-law, the budget, the IDP, the performance management system, or a service delivery agreement. Communication must happen by means of a local newspaper, another newspaper that has been designated as a newspaper of record, or via radio broadcasts.

**Municipal Finance Management Act**

The Municipal Finance Management Act (MFMA) of 2003 aims to secure sound and sustainable management of the fiscal and financial affairs of municipalities and municipal entities. Its purpose is to:

- Regulate municipal fiscal and financial management;
- Set requirements for the efficient and effective management of the revenues, expenditures, assets and liabilities of municipalities and municipal entities;
- Define clear responsibilities for political office bearers (mayor and councillors), officials (municipal manager as accounting officer, the chief financial officer), and the province and national governments, with regard to municipal financial management and reporting, in order to ensure greater accountability for performance;
- Determine a financial management governance framework for municipal entities;
- Put in place a municipal borrowing framework; and
- Put in place a framework for the resolution of financial problems in municipalities.

The MFMA continues the theme of community participation with the requirement that immediately after the annual budget is tabled in a municipal council, the accounting

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officer of the municipality must make public the budget and all supporting documentation, and invite the local community to submit comments on budget provisions. The municipal council is obliged to consider any views of the local community regarding the budget. After considering all submissions, the council must give the mayor an opportunity to respond to the submissions received and, if necessary, revise the budget and table amendments for consideration by the council.\(^5\)

If a municipality intends to enter into any contracts which may have future budgetary implications, the draft contract must be made public and the local community must be given an opportunity to make comments or representations. The municipal council must then take into account any such comments or representations.\(^6\)

Furthermore, the MFMA stipulates that a service delivery and budget implementation plan must be approved within 28 days after the approval of the budget.\(^7\) This plan should be linked to the performance targets and measurable objectives set out in the budget and will provide key benchmarks against which the public may measure the performance of the municipality.

The MFMA requires an annual report to be tabled in the municipal council each year in order to provide a record of the municipality’s activities and report on performance against the budget and the measurable objectives tabled with the budget. The meetings for this purpose must be open to the public. A reasonable time must be allowed for the discussion of any written submissions received from the local community and for members of the local community to address the council.\(^8\) The annual report and all budget-related documents and policies must be placed on the municipality’s website,\(^9\) thus making these documents available for public scrutiny.

**Municipal Property Rates Act**

The Municipal Property Rates Act (MPRA) of 2004 is the final piece of legislation governing the local level. The aim of Act is to regulate the authority of a municipality to impose rates on property. The Act has a direct impact on communities as property-owners and allows for a process of community participation. Section 4 of the Act states that before a municipality adopts its rates policy, it must follow a process of community participation in accordance with Chapter 4 of the Municipal Systems Act. In addition, the municipal manager must display a copy of the draft rates policy in a place accessible to the public, as well as publish in a newspaper of general circulation the fact that a draft rates policy has been prepared and is available for public inspection. The municipal manager must also invite the local community to submit written comments and representations to the municipality concerned within a period specified in the notice. The municipal council must, in turn, take all comments and submissions made to it or received by it into account when it considers the draft rates policy.

\(^{5}\)Sections 22 and 23 of the MFMA.

\(^{6}\)Section 33 of the MFMA.

\(^{7}\)Section 53 of the MFMA.

\(^{8}\)Section 130 of the MFMA.

\(^{9}\)Section 75 of the MFMA.
Participatory Mechanisms

The legislation outlined above defines the framework for community participation in the decision-making process of a municipality. Within this framework there are mechanisms available to the public to allow for their involvement. The two main structures that have been defined are the ward committee system and the subcouncil system. Metro councils may choose whether participation occurs through ward committees or subcouncils or both. Local municipalities may have ward committees only. District municipalities do not require either system as participation occurs through the local municipalities.

Ward committee system

The Municipal Structures Act (MStA) sets out basic guidelines for the establishment of ward committees (sections 72–78). These are, however, only broad parameters, and it is up to each municipality to formalize the powers and functions of these committees either by means of passing a resolution or by-law. The aim of the ward committee is to establish a forum which will allow communities to have a voice and participate in the functioning of the municipality, as well as a forum for council to disseminate information to the community. Ward committees, however, remain for the most part advisory committees which make recommendations on any matter affecting their ward. The recommendations may be made directly to the ward councillor, who is a directly elected and voting member of the municipal council, or through the ward councillor to the municipal council, the executive committee, or the executive mayor.

The legislation sets out these parameters for ward committees:

- Only certain types of metropolitan and local municipalities that include the term “ward participatory system” may have ward committees;
- Council has discretion in deciding whether or not it will establish ward committees;
- Ward committees must have equitable gender representation and reflect a diversity of interests;
- Ward committees are comprised of the ward councillor, who acts as the chairperson, and ten other members;
- Participation is voluntary – no remuneration;
- Before the ward committee is set up, council must rule on method of nomination, elections, frequency of meetings, and circumstances under which a member must vacate office;
- The ward committee may advise on any matter that affects the ward;
- The ward committee may assume duties and functions delegated by council in terms of section 74(b) of the MStA;
- Council may provide administration support; and
- Council determines the ward committee’s term of office.

The MStA specifies that the elected members of ward committees must represent a diversity of community interest. However, how these elections are organized and who may vote is left up to the discretion of each local authority. Two options for the election of

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members have been identified by the Department of Provincial and Local Government (DPLG) and the South African Local Government Association (SALGA). These are:

- **Ward level elections:** Under this option interest groups are invited to identify themselves for elections according to the key performance indicators (KPIs) identified in the IDP. Elections are called at a ward level, and residents vote for the representatives of the interest groups. The members of the ward committee are elected as individuals who represent a particular interest group such as youth, the disabled, and pensioners.

- **Council level elections:** Under this option interest groups are again invited to identify themselves for elections according to the KPIs identified in the IDP. Elections are then called at the council level with all residents in attendance. Only councillors vote for the representatives of the interest groups.

**Subcouncil participatory system**

The MStA states that only metropolitan municipalities may establish subcouncils. The subcouncils are a mechanism through which the council may consult the public on their needs and to inform them of developments. The primary aim of the subcouncil participatory system is to decentralize decision-making so that communities in a large metropolitan area can participate.\(^\text{11}\)

Subcouncils may be set up, after public consultation, by passing a by-law which will determine the number of subcouncils to be established in the metro; the cluster of adjoining wards making up each subcouncil; the distinct name for each subcouncil; and provision for an equitable financial framework for the subcouncils.

The subcouncil consists of councillors representing each ward in that area as well as other councillors appointed by the council. The distribution of members must ensure that each political party is represented according to the proportion of votes the party received on the proportional representation lists in the subcouncil area. A subcouncil may appoint committees, including a management committee, from among its members to assist in the performance of its duties and the exercise of its powers. The municipal council determines the powers and functions that it will delegate to its subcouncils.

**Other participatory mechanisms**

Besides the two major participatory mechanisms described above, there are other mechanisms available to municipalities in order to enhance community participation. These include:\(^\text{12}\)

- **Public meetings:** Municipalities invite the public to attend meetings where issues ranging from development options to reports on progress on projects may be discussed.

- **Public hearings:** Public hearings give the community an opportunity to comment on and participate in the law-making process. Input at hearings on by-laws is usually through direct communication or written submission.

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\(^{11}\)Joseph, “Local Government Legislative Framework.”

Consultative sessions: These sessions may be held with communities to consult on matters of development generally. They assist communities take ownership of development projects and processes in their areas.

Report-back meetings: These meetings are important for informing communities on council activities as well as reporting on the state of affairs and finances of the municipality.

Advisory committees: The Municipal System Act allows a municipality to establish advisory committees, consisting of persons who are not councillors, to advise the council on any matter within council’s competence. These committees can be technical or on matters of governance, giving community based organizations and non-governmental organizations an opportunity to play a meaningful role in local governance.

Focus or interest groups: Concerned community residents who share a common interest such as tourism, crime, or environmental concerns may form groups to lobby and advise the municipality on those specialist interests.

Formal advertising in the press: Advertising is a way of eliciting and considering views of the community.

Market research and opinion polls: Although relatively new, some of the larger municipalities have conducted market research on community priorities.

e-Government: Larger municipalities which have the infrastructure and skills are beginning to use the Internet as a means of communicating with the community.

Community radio and community press: This is a fairly widespread means of communicating issues to the public.

There are additional ways by which members of the community may raise issues with the council or municipality. These include:13

Petitions: Individuals or councillors may submit petitions to a council meeting. Petitions can be used to point out that laws or policies of the municipality are not being applied properly or to call for a change. The petition is usually referred to a management committee which then reports to council. Officials circulate the petition to the appropriate departments which make recommendations to the relevant portfolio or standing committees. These, in turn, make recommendations to the executive who then advises council. The councillor or group who submits the petition should keep track of its progress.

Questions to council: Members of the public may approach ward councillors to ask questions on their behalf regarding information about council policies and programs. Questions may be submitted in writing or may be asked during a meeting. If in writing, questions must be submitted ten days before the council meeting so that the officials can have time to prepare answers. Answers are often tabled at the meetings. The executive committee (Exco) chairperson may immediately answer a question verbally or may provide a reply in writing. Any councillor may ask a question about Exco’s recommendations or decisions, and any Exco member may make immediate verbal replies.

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The Budgeting Process and Civic Participation

With the promulgation of the Municipal Finance Management Act (MFMA) of 2003, budgeting and financial management at the local level is about to undergo a radical transformation. At the time of writing, the implementation process had just begun and will be introduced in a phased approach according to the capacity of individual municipalities. Chapter four of the MFMA describes the format and content of municipal budgets as well as the budget process.

The financial year for South African municipalities runs from 1 July to 30 June of the following year. According to the MFMA, the mayor of a municipality is responsible for coordinating the processes for preparing the budget and for reviewing the municipality’s integrated development plan and budget-related policies. This is to ensure that the tabled budget and any revisions are mutually consistent and credible.

At least ten months before the start of the budget year (i.e. September), the mayor must table in council a time schedule outlining key deadlines for:

- Preparation, tabling and approval of the annual budget;
- Annual review of the integrated development plan and budget-related policies;
- Tabling and adoption of any amendments to the integrated development plan and budget related policies; and
- Any consultative processes forming part of the processes mentioned above.

The mayor of the municipality must then table the annual budget at a municipal council meeting at least ninety days before the start of the financial year. Immediately after this, the accounting officer (municipal manager) of the municipality must make public the annual budget together with any supporting documentation and invite representations from the local community.

The municipal council must then consider any views put forward by the local community and submissions from any other organs of state. The mayor is then given an opportunity to respond to the submissions and, if necessary, revise the budget and table amendments for consideration by council. Council is required to approve the municipality’s annual budget before the start of the financial year. The budget should be approved together with necessary resolutions including:

(i) imposing any municipal tax for the budget year;
(ii) setting any municipal tariffs for the budget year;
(iii) approving measurable performance objectives for each vote in the budget;\textsuperscript{14}
(iv) approving any changes to the municipality’s integrated development plan; and
(v) approving any changes to the municipality’s budget-related policies.

The annual budget is divided into a capital and an operating budget in accordance with international best practice. The content of the budget should include:

(i) realistically anticipated revenues from each revenue source;
(ii) appropriated expenditures by vote;

\textsuperscript{14}A “vote” is defined in the MFMA as one of the main segments into which a budget of a municipality is divided for the appropriation of money for the different departments or functional areas of the municipality.
(iii) indicative revenues per revenue source and projected expenditures by vote for the two financial years following the budget year; and
(iv) estimated expenditures and revenues by vote for the current year, and actual revenues and expenditures by vote for the financial year preceding the current year.

Budgeting by vote is a new concept for municipalities. Previously they tabled budgets by line-item rather than by functional area. It is a challenge to municipalities to restructure budgets according to different functional areas. Another new requirement is to budget for the medium term. Previous budgets only considered the current financial year.

Having described the legislative context of community participation, the next two sections will focus on how two different municipalities have applied participation principles in practice.

**Mangaung Case Study**

Mangaung is the second largest local (Category B) municipality in the country and is situated in the Free State province. The municipality serves a population of 645,443 and covers an area of 6,285 km². It is the most densely populated area in the Free State, with 104 people per km² and 24% of the total Free State province’s population. Mangaung Municipality consists of three urban areas comprising a city and two towns and a large rural area which is mainly used for livestock grazing. Most of the economy is accounted for by the government sector (38% of GGP), with services such as finance, real estate, transport and trade adding a further 51%. Unemployment was estimated at 40% of the economically active population in 2001, and poverty levels are high, especially in the two towns which are a product of the apartheid era. The population is generally under-educated, with only 48% having had secondary education. In addition, 29% of the workforce is in unskilled professions.¹⁵

Mangaung has a municipal council of 86 councillors. It is governed by an executive mayor assisted by a mayoral committee of 10 full-time councillors. Of the 86 councillors, 43 are ward councillors and 43 are proportional representation councillors. The administration is run by the city manager who is assisted by six executive directors, each responsible for a particular portfolio.

**Mechanisms for Participation**

Public participation began in earnest in Mangaung with the formation of ward committees in 2001. The participation process has mainly focused on obtaining inputs from the community for the Integrated Development Plan (IDP), which is a statutory requirement setting out the strategic development plan of the municipality over a five-year period. The IDP identifies the priorities which determine the municipality’s vision, objectives and strategies as well as projects to address these issues. A key component of the IDP is linking the planning framework to the budget, as it is only when a priority has a budget attached that it can be adequately addressed. Initially, many IDPs were just a wish list of services for the community. In Mangaung a concerted effort has been made to link the IDP with the budget to ensure its implementation. In addition, the aim is to extend public participation to cover inputs as linked to the IDP. This section describes the formal and informal mechanisms that exist in Mangaung to allow for civic participation.

Ward committees

The major mechanism for participation in policy-making and budgetary processes is the ward committee system. Mangaung has 43 wards, each represented by a ward councillor and a ward committee consisting of ten members. The ward committee members are elected by the community to represent particular sectors and interest groups including youth, women, the elderly, the homeless, and the disabled. Each ward committee member is responsible for a subcommittee relating to the portfolio of the elected council member. The ward committees are the vehicles for expressing the community’s needs and taking the community’s perspective back to the municipality. Ward committees are obliged to meet once a month. However, some have chosen to meet every fortnight.

The ward committees are the institutional structures that manage the participatory process by identifying relevant role-players and stakeholders. The planning approach adopted in Mangaung is that of community based planning (CBP), a process that aims to empower local communities to get involved in the planning process. To accomplish this, Mangaung has developed a ward planning process and manual. During 2002 and 2003, all 43 ward committees have been trained in this approach. Full development plans have been produced, with each ward identifying its priorities, which are then included in the IDP. A total of 10,000 people, representing over 1.2% of the population in the area, have participated in the planning process.

The system goes out of its way to avoid having any one group dominate another group, especially a marginalized or disadvantaged group. Community based planning allows ward committees to identify different social groups and then meet with each group separately. In this way, it is possible to identify priority outcomes for each particular group. A facilitator then collates all inputs received from the groups. These results are made public at a community meeting, and people vote to establish a list of priorities. Table 1 indicates the priorities of the municipality after aggregating the process of the 43 wards.

<table>
<thead>
<tr>
<th>Priority</th>
<th>% of wards with this in top 10 priorities</th>
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</thead>
<tbody>
<tr>
<td>Personal income and jobs (Local economic development)</td>
<td>97%</td>
</tr>
<tr>
<td>Security</td>
<td>94%</td>
</tr>
<tr>
<td>Housing</td>
<td>85%</td>
</tr>
<tr>
<td>Improved education</td>
<td>85%</td>
</tr>
<tr>
<td>Roads</td>
<td>73%</td>
</tr>
<tr>
<td>HIV</td>
<td>55%</td>
</tr>
<tr>
<td>Clean environment</td>
<td>55%</td>
</tr>
<tr>
<td>Recreational facilities (including parks)</td>
<td>52%</td>
</tr>
<tr>
<td>Health</td>
<td>52%</td>
</tr>
<tr>
<td>Title deeds</td>
<td>27%</td>
</tr>
<tr>
<td>Water</td>
<td>27%</td>
</tr>
<tr>
<td>Improved services/decentralisation</td>
<td>27%</td>
</tr>
<tr>
<td>Improved services for the elderly</td>
<td>27%</td>
</tr>
</tbody>
</table>


Based on information from the Mangaung IDP 2003/04, the Mangaung Annual Report 2002 – 2003 and personal interviews.
**IDP representative forum**

Whereas the ward committees focus on “on the ground” participation, the IDP representative forum includes participation at a broader level. This structure includes government, civil society, the private sector, and academic institutions. It gives a wide range of stakeholders the opportunity to give express their views.

The key tasks for the IDP Representative Form are to:

- Represent the interest of constituents in the IDP process;
- Form a structured link between the municipality and representatives of the public;
- Ensure communication between all the stakeholder representatives including the municipality;
- Provide an organizational mechanism for discussion, negotiation, and decision-making among stakeholders, including municipal government;
- Integrate and prioritize issues, strategies, projects, and programs, and identify budget requirements; and
- Monitor the performance of the planning and implementation process.

The IDP Representative Forum is chaired by the executive mayor or a councillor appointed by the mayoral executive committee. Its members include the municipal manager and/or IDP Manager; nominated councillors; one representative of each ward committee (i.e. all 43 ward councillors, plus potentially another ward committee representative); leaders of political parties in the municipality plus the speaker; representatives of the tribal authorities in the Mangaung Local Municipal area; representatives of organized stakeholder groups as identified by the transformation and steering committee; persons with a specialized knowledge in a certain field; officials who serve on the Steering Committee; a facilitator; provincial and national sector departments representation; and representation by the Motheo District Municipality.

**Budget preparation process**

Prior to the enactment of the Municipal Finance Management Act in 2003, it was not mandatory to engage in public participation in the budget process. The Act is being phased in, from July 2004, and therefore affects the preparation of the budget for the 2005/06 budget cycle. However, Mangaung attempted to engage the public in the budget preparation process for the 2004/05 budget cycle. The process outlined by the Mangaung municipality consisted of three phases including internal and external environment consultation, screening of projects and programs, and approval and reporting. Each phase is discussed below.

**Phase 1: External and Internal Environment Consultation**

1. Assessment of the external environment: This phase began by establishing the budget parameters in order to make projections of available revenue. Members of the Mayoral Committee, the Budget Office and the Executive Management Team were responsible

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17 Based on information from the *Report of the Mangaung IDP Representative Forum*, November 2001, and personal interviews.

for gathering and analysing information from national government and donors, as well as determining salary limits, bulk tariff increases, and property rates increases.

2. Divide the Municipality into thirteen clusters: The municipality decided to combine wards with similar characteristics and needs into clusters. This seemed a more manageable way to consider the budget. Ward committees were given dates of the cluster meetings in advance. This gave them an opportunity to mobilize their communities and encourage them to decide on sustainable programs and projects for the capital and operational budget. The dates of the cluster meetings were also made public via the press.

3. Holding of cluster meetings: Each meeting received a progress report on IDP projects and programs from the previous year. Then there was a full discussion of development priorities and opinions of citizens, and possible programs and projects. Finally each cluster was asked to prioritize the development proposals which they wanted incorporated in the budget.

4. Stakeholder forum: Once community proposals had been refined, they were presented to a broader stakeholder forum in order to solicit further inputs and to ensure alignment with other stakeholder commitments.

**PHASE 2: SCREENING OF PROJECTS AND PROGRAMS**

5. Submission of proposals and compilation of budget bill: All submissions received from the clusters, stakeholder forum and IDP forum were submitted to the Executive Mayor, the Mayoral Committee and the Executive Management Team in order for them to discuss the demands for investment by the community and identify revenue issues and future scenarios on tariffs and charges. From the discussion the budget bill was then compiled.

6. Publication of Budget Bill and review of IDP: This was done so that stakeholders and the public could prepare for the coming Budget Conference, another opportunity to comment and give input on the budget.

7. Budget Conference: The Budget Conference is a meeting with stakeholders to receive further input on revenue and expenditure criteria in order to finalize the draft budget for submission to Council. The Budget Conference is discussed further, in Section 3.1.4.

8. Submission of draft budget to National Treasury: It is a statutory requirement to inform National Treasury of the contents of the budget and receive comments and input from them.

9. Endorsement by Budget Committee: The Budget Committee then finalized the budget, endorsing recommendations from National Treasury.

**PHASE 3: APPROVAL AND REPORTING**

10. Approval and publication of the final budget: The budget was then tabled and approved in Council.

11. Reporting to the Auditor General, National and Provincial Government: Once the budget is approved it is submitted to these bodies.

12. IDP Review/Budget preparation for next financial year: The cycle ends by informing stakeholders of the IDP review/Budget Cycle schedule for the next budget year.
For the 2004/05 budget cycle, communities were asked to comment and give input on the capital budget only, not on the operating budget. The city manager, however, acknowledged the need to strengthen participation. In the future, the communities will be asked for their input on the operating budget also. In addition, the manager recognized the need to provide more information on backlogs, service levels in different areas, trends and patterns of expenditure, and growth projections.

From the cluster consultation process the following priorities were identified:

- Tarring of roads;
- Water connections and sanitation;
- Improved security (lighting, fencing, anti-crime);
- Community and shared service centres;
- Housing;
- Focus on rural areas (windmill, animal, water, development projects); and
- Areas outside the jurisdiction of the local authority such as schools and clinics.

All of the projects requested far exceeded the available budget ceiling. For example, road projects exceeded the budget allocation by a factor of twenty; water and sanitation, by a factor of eight; and public lighting, by a factor of four. The lack of available funds had to be explained to the community. The municipality now recognizes the need for capacity-building to inform the community about budget operation and basic issues such as revenue sources and expenditure needs.

**Budget conference**

A Budget Conference was held in Mangaung for the first time in March 2004. The aim of the conference was to deepen democracy by involving stakeholders in the process of defining the development priorities, programs and projects of the municipality and aligning IDP priorities with the budget. Participants included councillors and officials from Mangaung Local Municipality, members of the provincial legislature, provincial departments, Motheo District Municipality, a representative from a tribal authority, organized labor, private sector, NGOs, CBOs, and communities.

The objectives of the conference were to:

- Present community proposals and familiarize stakeholders with community developmental priorities, programs and projects;
- Elaborate on and discuss demands for investment as submitted by community/constituents;
- Solicit further inputs, ensuring alignment with other stakeholder commitments;
- Review, validate and strengthen developmental priorities, programs and projects;
- Clarify the role of external stakeholders in achieving these plans;
- Agree on criteria for resource allocation in each cluster; and
- Revise and conclude the draft budget.

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20These clusters relate to functional clusters and are different from the ward clusters discussed in Section 3.1.3.
The conference began with a presentation by the city manager to give the big picture. The city manager outlined the overall priorities that, first, had been identified by communities and key stakeholders through the community based planning process and, then, adopted in the IDP Representative Forum. The presentation included a progress report on the status of IDP projects. The Executive Mayor then spoke about emerging priorities and proposals for the forthcoming budget and for the medium term.

Participants were divided into smaller groups representing the five functional clusters:

- Economic development and job creation;
- Sustainable infrastructure;
- People development;
- Safety and security; and
- Good governance.

The cluster groups were expected to identify the cluster programs and projects that the municipality should consider in the 2004/05 budget and the medium-term; identify which issues should be considered by other stakeholders; identify the resources required from all stakeholders in the cluster; and identify what additional role stakeholders could play in order to achieve objectives. The input received from the cluster working groups was then incorporated into the plans and budgets of the various directorates within the municipality.

**Other participation mechanisms**

In addition to the organized mechanisms of participation above, there are other, informal mechanisms for public participation. These include:

- Notices in the press, at schools, and at churches giving information and inviting comment;
- Publishing details of proposed by-laws in newspapers and submitting copies to libraries and relevant interest groups;
- Taking part in radio talk shows, featuring councillors and other members of the municipality;
- Inviting the public to comment via e-mail, letters and by telephone;
- The mayor holds ‘Imbizos’ which are gatherings with the community to hear their concerns; and
- Specific meetings with targeted sectors such as Black Economic Empowerment groups.

In addition, if a by-law is to be tabled, the department (responsible for introducing the policy) together with the Head of the Speaker’s Office (who is responsible for facilitating community participation) will organize participation workshops with ward committees and relevant sectors of the community.

Occasionally, there are informal community visits by councillors to discuss issues, gauge the level of satisfaction or dissatisfaction, and take requests.

**Impact of Participation**

Despite the formal mechanisms for participation that were introduced in Mangaung, the community participation process is still a relatively new phenomenon. Participation in the
planning process began in 2002 with input into the development of the IDP. Participation in the budget process happened for the first time in 2004. It is, therefore, difficult to assess the impact of participation on policy-making and budgetary processes. However there are certain observations that can be made.

The use of community-based planning through the ward committees has had an impact on the priorities identified in the IDP. Prior to the use of community-based planning, the main focus of the IDP was infrastructure development. Since the adoption of a more inclusive participatory process, the issue that has been defined as the main priority is local economic development. Funding within the budget has now been directed more towards programs and projects that can accommodate this new focus.

Members of the Mangaung community perceive municipality processes as being more transparent now than ever before. They see a greater willingness to invite participation and create mechanisms for this. Public participation means that more people are informed about what is happening in the municipality. They are in a position to demand accountability, and they do this regularly by asking questions about issues raised in meetings. There is ongoing participation through the ward committees. The municipality receives regular feedback and input from the committees. A member of the Bloemfontein Chamber of Commerce and Industry expressed satisfaction that the business sector has had the opportunity to comment on policy proposals and that their contribution is taken seriously by the municipality. The Chamber of Commerce regularly receives copies of proposed by-laws. Members are invited to workshops and their opinions are sought.

For the first time this year rates and tariff policies were discussed with all stakeholders at the budget conference. Submissions received from this forum on various budgetary issues were seriously considered and taken into account when finalizing the budget. Even when requests were impossible because of resource constraints, the municipality explained to the community why this was so.

As a result of the participation process, the municipality has initiated the Mangaung Compact, a forum to harmonize service delivery among all service providers, be they from the local or district municipality, national or provincial government, or the private sector. Frequently the community makes requests for services outside the jurisdiction of the local authority -- such as the building of schools or clinics. Through the Compact, the municipality can ensure that these services are brought to the attention of the relevant provider. The Compact also co-ordinates the implementation of services with other providers, especially when there is intergovernmental jurisdiction, as in the case of roads, transport and health.

**Challenges**

As mentioned previously, the participatory approach to policy-making and budgeting is still new. A number of lessons have been already been learned, but there are still many challenges facing the Mangaung Municipality.

The most urgent need is for capacity-building. Although there has been training for ward committee members with community based planning, there is still a need for further capacity-building in communities, especially when they have previously been disadvantaged in terms of education and experience. There are many new concepts discussed in policy documents and the budget which are not understood by all. As a result, participation workshops are like training sessions. Language is also an issue that affects participation. There are five languages spoken in Mangaung including South Sotho, Tswana, Xhosa,
English and Afrikaans. To overcome language barriers Mangaung has a policy stating that the community should be addressed in their particular local language. This is workable when meetings are held within communities, but becomes more difficult in the broader forums.

In terms of the budget itself, there is a general lack of knowledge within communities on how they can influence the provisions of the budget. There is a need to educate communities and broaden their basic economic literacy concerning how municipal budgets operate. This would allow citizens to participate more effectively. A concept that needs clarification is the relationship between the capital and operating budget. Communities need to understand why it is difficult to influence the coming year’s budget -- funding has already been allocated to personnel costs and existing projects, and it takes time to change the direction of funding. Communities will have an easier time exerting influence if they focus efforts on later years of the medium-term expenditure framework. This is another concept that needs to be explained. The priorities identified in the IDP are linked to the budget to a certain extent, but the IDP needs to be incorporated more directly into the budget.

In addition, the participation process regarding the budget did not start early enough. The budget office was not available to attend the cluster meetings and, therefore, could not provide necessary information. In future, the aim is to begin the process much earlier and give more attention to the cluster meetings, with the finance department giving guidance on how priorities are financed. The clusters discussed the capital budget only. In the future discussions should be expanded to include the operational budget and rates, tariffs, and other revenue sources.

Another challenge is to have a holistic view of the budget so that synergy between priorities and funding allocations is obtained. When there are competing projects, it is important that one project does not receive extra funding to the detriment of another. For example, modernizing sewerage and promoting tourism are priorities in many locations. But it might be counter-productive to levy an extra tax on hotels for their sewerage systems, in order to subsidize overall sewerage costs, if this works to the detriment of the tourism industry.

The monitoring and evaluation process could also be improved. This would enhance the accountability of the councillors and the administration to the community. As yet, there is no methodology in place to determine the impact of programs and projects on the livelihoods of local people.

A final challenge that was raised by a ward councillor concerns the functioning of the ward committees. Ward committee members are elected by the community to act as volunteers without remuneration. The functions they perform are time-consuming. Some feel that, in order to motivate them, they should be paid a stipend. In addition, some of the members are employed and that affects whether they have time available for meetings. Another problem is that the ward committee offices are under-resourced. This particular office did not have a photocopier or a computer. This makes the distribution of information difficult. There are also vacancies in the ward committees. An election is required, which takes organization and time.
Ekurhuleni Case Study

Ekurhuleni is the fourth largest metropolitan (Category A) municipality\(^{21}\) in the country and is situated in the Gauteng province. The municipality was established after the local government elections in December 2000 and was the result of the amalgamation of 11 former administrations into a single entity. The municipality serves a population of approximately 2.4 million and covers an area of 1,889 km\(^2\). It is a densely populated area, with 946 people per km\(^2\) and 33% of Gauteng province’s population. The municipality is home to more than 8,000 industries and produces about 23% of the gross geographic product of Gauteng. This makes it sub-Saharan Africa’s most economically powerful region. The Ekurhuleni Municipality is divided into three service delivery regions, all classified as urban areas. Unemployment is a major challenge with more than two-thirds of Ekurhuleni’s wards having unemployment rates of more than 20%. Of these, three-quarters have an unemployment rate of between 40% and 50%. The other two major issues facing the municipality are the impact of the HIV/AIDS pandemic and the environmental degradation of the poorly regulated mining activity and its impact on the health and safety of the community.\(^{22}\)

Ekurhuleni has a municipal council of 175 councillors and is governed by an Executive Mayor assisted by a mayoral committee of 10 full-time councillors. Of the 175 councillors, 88 are ward councillors and 87 are proportional representation councillors. The administration is run by the city manager who is assisted by thirteen executive directors, each responsible for a particular portfolio.

Mechanisms for Participation

Mechanisms for public participation in Ekurhuleni Municipality are similar to those of Mangaung Municipality. Ekurhuleni has established ward committees which are the community’s first point of contact with the municipality. Also the municipality has established specific sectoral forums which provide a platform for targeted engagement with sector groupings. Once again, the participation process has mainly focused on obtaining inputs from the community for the Integrated Development Plan (IDP). However this is increasingly being linked to the budget process. This section describes the formal and informal mechanisms that exist in Ekurhuleni to allow for civic participation.

**Ward committees**\(^{23}\)

The Ward Committee system is the major mechanism for participation in policy-making and budgetary processes. Ekurhuleni has 88 wards, each represented by a ward councillor and a ward committee consisting of ten members. The ward committee has different sectors such as youth, education, and sport. Ward committee members are nominated and elected by the community to represent these particular sectors. The ward committees determine the community’s needs and requirements and provide information to the administrative departments within the municipality. The regular meetings of the committees give the community an opportunity to interact with their councillor. Also they get to make their

**TABLE 2 Priority Needs of All 88 Wards**

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\(^{21}\)There are only six Category A municipalities in South Africa  
\(^{23}\)Ekurhuleni Mid-term Report and information from personal interviews.
# Table 1: Community Needs

<table>
<thead>
<tr>
<th>Need</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Roads (new and resurfacing)</td>
<td>85%</td>
</tr>
<tr>
<td>Poverty alleviation</td>
<td>78%</td>
</tr>
<tr>
<td>Safety and security</td>
<td>76%</td>
</tr>
<tr>
<td>Economic development projects</td>
<td>73%</td>
</tr>
<tr>
<td>New housing development</td>
<td>65%</td>
</tr>
<tr>
<td>Storm-water management</td>
<td>63%</td>
</tr>
</tbody>
</table>


opinions known, ask questions, make suggestions and engage council in matters of delivery and governance. The ward committee system is managed by the speaker’s office, which has a special division which services the committees.

The ward committees were established in 2001, but participation was limited due to a lack of skills and knowledge. The municipality then decided to embark on a training program to develop the skills of ward committee members, municipal officials and councillors so that they would be equipped to fulfil their obligations and responsibilities. Over 400 members of ward committees were trained, starting in 2003 and ending in 2004.

In 2001-2002, all 88 wards in Ekurhuleni participated in a community-based planning process as part of the development of the IDP. In 2002-2003, an IDP review process was carried out and ward committees held discussions with the different constituencies to reassess priorities. A new list of priorities was identified and submitted to Council for inclusion in the revised IDP. The most important community needs are indicated in Table 2.

The administration provides facilitation and administrative support to the ward committees. Within the administration, the IDP department works closely with the budget office to consolidate all the information and requests received. Once the wards have discussed their needs for the IDP, the ward committee members represent the wards at the IDP Representative Forum where the IDP is discussed with other stakeholders.

As a result of the participation process, the budget and other resources were reallocated to address the priority needs of the community according to IDP principles.

**Consultative structures**

Besides the ward committees which form the backbone of community participation, several consultative structures have been established to ensure that all stakeholders are actively involved in the policy-making and budgetary processes. The municipality meets regularly with these structures to discuss issues and receive input on policy decisions and the budget.

Structures include:

- Integrated Development Plan Representative Forum;
- Developers Forum;

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24Information obtained from Ekurhuleni Metropolitan Municipality, Budget Summary 2004/05 – 2006/07 and personal interviews.
Ekurhuleni Business Forum; and
- Economic Development Forums covering manufacturing, small, medium, and micro enterprises (SMME’s), mining, agriculture, co-operatives, and construction sectors.

Consultative meetings are also held with different business sectors to explore ways the municipality can work together with the private sector to implement priorities and resolve issues of mutual concern. There are regular meetings with the marketing, finance, outdoor advertising, waste management and recycling, telecommunications and information communication technology sectors.

In addition to the priorities raised by the community, the business community raised its own core priorities including:

- Safety and security;
- Urban renewal and unregulated street trading;
- Informal settlements;
- Land invasion;
- Infrastructure maintenance;
- Financial assistance to SMME’s;
- Need for improved communication; and
- Local procurement.

**Budget preparation process**

Public participation in the budget process in Ekurhuleni was accomplished mainly through workshops with stakeholders. However some information was received via the ward committees as part of the IDP process.

The preparation process for the 2004/05 budget was as follows:

**August to December 2003**

- Budget instructions went out to departments;
- Departments submitted capital and operating inputs to the Budget Office based on information gathered from councillors and ward committees as well as own internal research;
- First draft budget compiled.

**January to March 2004**

- Established Budget Assessment Team consisting of selected members of the Mayoral Committee, City manager, Chief Financial Officer, Finance Portfolio Councillors, Budget Office Staff, selected senior management and an international advisor;
- Started the budget assessment process with departments (discussed in more detail below);
- Sent draft allocation of internal funds to clusters for capital budget.  

**April to May 2004**

- Project prioritization and allocation within clusters;
- Determination of tariff increases;

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25Ekurhuleni Metropolitan Municipality, Budget Summary 2004/05 – 2006/07 and personal interviews

26Clusters include Infrastructure Services, City Development; Community Services and Corporate Services.
Held workshops with stakeholders;
Final Council approval.

**Budget Assessment Process**

As part of the budget process, a Budget Assessment Team (BAT) was established to ensure that the budget was realistic and focused on service delivery. The BAT held meetings with all departments. They required each department to present the budget and justify how it addressed the following issues:

- Ekurhuleni Metropolitan Municipality priorities;
- Alignment with the IDP;
- Community needs (based on input from the wards);
- Visible delivery; and
- Political involvement (from members of the mayoral committee and portfolio committees).

The member of the mayoral committee of the relevant portfolio and as many as four portfolio councillors (representing the different political parties) were invited to attend the assessment sessions when the budget of their portfolio was discussed.

**Other participation mechanisms**

Other participation mechanisms that have been devised by the Ekurhuleni Municipality include:

- **IDP Campaign.** The IDP department within the municipality launched its own campaign targeting the broader community in order to strengthen participation in the IDP process leading to the budget process. The mechanism chosen was to hold mass meetings with industrial theatre performances explaining the IDP process and outlining the role-players and their responsibilities. The medium of theatre was chosen to attract a wider range of the community and overcome any literacy problems. A pocket guide on the IDP was also distributed in four different languages: English, Zulu, Sotho and Afrikaans.
- **The ‘Budget Tips’ campaign.** This campaign encourages the public to provide feedback and suggestions on priorities for the budget by means of e-mail, ‘Budget Tips’ boxes at libraries, and letters to the executive mayor. Suggestions received from citizens include upgrading of road infrastructure; more housing; more community facilities and parks; more police stations; health clinics; street lights; and street cleaning.
- **Mayoral Road Show.** The mayor and the members of the mayoral committee travel to each of the three regions and invite people to attend meetings where questions from the community are answered. Officials from the municipality are also present at these road shows.
- **Mayoral Business Initiative.** Through the Business Initiative various stakeholders are invited in separate groups to participate in meetings where the municipality makes presentations and stakeholders are invited to ask questions and contribute to the discussion. Stakeholders include, among others, labor movements, members of the Afrikaans Business Community, the mining sector, retail sector, and other sectoral business groups.
Departmental Road Shows. Individual departments may call their own community meetings to discuss issues specifically related to their departments and obtain information from the community so that they can align their departmental budgets with priorities.

Newsletter. The municipality produces a monthly newsletter which is distributed to the community and available on their website.

When road shows and mass meetings are held, the municipality provides transport for community members to attend the meetings as well as lunches and teas.

Participation in the policy formulation process is initiated by the specific department responsible. The department ensures that the policy is work-shopped with relevant stakeholders as well as with the wards that are directly affected. This is an area that could be improved. Participation is seriously affected by the community’s level of understanding and experience with the particular policy under discussion.

Impact of Participation
Participation is still a new process in the Ekurhuleni Metropolitan Municipality and, therefore, it is difficult to assess the impact that participation has had on the policy-making and budgetary processes. Participation from the community has largely occurred in the integrated development planning process, which is increasingly being aligned to the budget process. The business sector has been more concerned with participating in the actual budget process (members of the business community were given an opportunity to comment on the draft budget), as well as identifying their needs in the IDP process.

The major impact of participation has been in changing the funding priorities rather than on increasing spending allocations. However, it is acknowledged that it is too late to accommodate most of the comments received from the community in the current budget, but the requests could be accommodated in the following year’s budget. In addition, most of the budget is spent on salaries and bulk purchases, leaving very little room for discretionary spending.

Through the participation process the municipality has also taken a closer look at the lives of pensioners and has increased the concessions given to them. There has also been an influence on policies affecting the indigent and the allocation of free basic services. The social package of the municipality consists of 50 kwh electricity free to all consumers; 6 kl water free to all consumers; 6 kl sewer costs free to all consumers; the first step of refuse removal free to indigents; 100% rebate on rates to indigents where land values are less than R 15,000; a 40% rebate on rates to residential owners; and an additional rebate on rates for pensioners.

Challenges
According to the city manager of Ekurhuleni, participation is still in its infancy and people are not yet familiar with participatory approaches. Although the ward committees were established in 2001, training of ward committee members only began in 2003. Training is fairly recent and some of the ward committees have not been able produce the level of participation required. There is a definite need for further capacity-building initiatives for the community and ward committee members. In addition, in Ekurhuleni, the term of office for the ward committees is only one year. This has meant that just when members were trained and skilled they faced the possibility that they might not be re-elected to the committee. The
term of the first ward committees was extended twice in order to avoid this problem. Currently, the municipality is undergoing ward committee elections. Once again they may face the problem of members’ lacking the appropriate skills for and understanding of community participation. In addition, ward committee members receive no remuneration. This is perceived as a factor that may demotivate people as the task of ward committee member is time-consuming and arduous.

In the past there has been tension in Ekurhuleni between supporters of the African National Congress and the Inkatha Freedom Party. Currently, the political environment appears to have stabilized and political differences are no longer a major issue. However there are instances where political sensitivity affects participation. In one particular case in Ekurhuleni, political factors became a problem in the ward committee and a committee had to be dissolved and reconstituted.

As with the experience in Mangaung, issues such as illiteracy and language remain a challenge to community participation. Ekurhuleni uses the services of translators in mass meetings. In smaller local meetings, the local language is used. The industrial theater approach was also used to accommodate those who are illiterate; the idea was to keep the presentation as plain and simple as possible. Securing convenient venues for meetings also remains a challenge in some areas. When people have to travel a long distance, fewer people attend a meeting.

One of the lessons learned is that the time period allocated for the budget process was too short. The municipality recognizes that they need to involve the community at a much earlier stage in order to allow sufficient time for formal input on the tabled draft budget, a requirement of the MFMA. The input for the 2004/05 budget was received before the draft budget was tabled. Officials believe that if input is received after the budget is tabled this can be done in a more structured manner.

Another area where improvement is needed is communication. At present the communication between councillors, ward committees and the departments within the administration is not as good as it should be. There is also a lack of communication between the representatives of organizations who attend the major stakeholder meetings and their constituencies. Members of the community often complain that their representatives do not give feedback from the meetings they have attended. More training for officials, community leaders and members could improve the situation.

Finally, methods of participation must take into account the diverse community that the municipality serves. The former white areas and the former black areas are represented by two very different cultures and scenarios. In the white areas, where there is not much history of participation, the community is happy to let the elected ward councillor represent them. They do not feel the necessity to attend meetings to discuss policy and give input. In the black areas, where there is a stronger history of participation, most community members want to attend meetings and be able to have their say.

National Framework

Although local government has its own legislative framework and systems, it is important to understand the context within which local government operates. This section describes the powers and functions of local government within a unitary system consisting of three spheres
of government. It also examines the internal and external sources of finance available to the local level for its functioning and the delivery of services.

Level of Autonomy
The Constitution of South Africa recognizes the institution of local government as one of the three spheres of government which are “distinctive, interdependent and interrelated.”\textsuperscript{27} According to the Department of Provincial and Local Government (DPLG),\textsuperscript{28} the first element of distinctiveness implies that local government has the autonomy to make decisions that fall within its area of competence with regard to legislation, administration and finances. The second element, interdependency, implies that national and provincial governments make decisions that affect local government and should supervise the exercise of autonomy of local government. The third element of interrelatedness concerns the fact that all spheres of government are related and should co-operate with one another for the good of the country as a whole.

The Constitution explicitly states\textsuperscript{29} that a municipality has the right to govern, on its own initiative, the local government affairs of its community subject to national and provincial legislation. In addition, national or provincial government may not compromise or impede a municipality’s ability or right to exercise its powers or perform its functions.

Section 156 of the Constitution outlines two sources of power available to local government, namely original powers and assigned powers.

- Original powers: section 156(1) (a) states that a municipality has executive authority over the local government matters listed in Schedules 4B and 5B of the Constitution. National and provincial governments also have powers over Schedule 4B and 5B\textsuperscript{30} matters in terms of regulatory oversight and setting of norms and standards, as set out in sections 155(6)(a) and 155(7) of the Constitution.

- Assigned powers: section 156(1) (b) states that a municipality has executive authority over any other matter assigned to it by national or provincial legislation. The legal requirements for assignment of powers are further elaborated on in the Municipal Systems Act.

Schedule 4B matters include air pollution; building regulations; childcare facilities; electricity and gas reticulation; fire fighting services; local tourism; municipal airports; municipal planning; municipal health services; municipal public transport; municipal public works only in respect of the needs of municipalities in the discharge of their responsibilities to administer functions specifically assigned to them under this Constitution or any other law; pontoons, ferries, jetties, piers and harbours, excluding the regulation of international and national shipping and matters related thereto; storm water management systems in built-up areas; trading regulations; and water and sanitation services limited to potable water supply systems and domestic waste water and sewage disposal systems.

\textsuperscript{27}Section 40(1).
\textsuperscript{28}DPLG (2003), a guideline document on provincial-local intergovernmental relations.
\textsuperscript{29}Section 151.
\textsuperscript{30}Schedule 4B lists local government matters over which national and provincial governments have concurrent legislative competence whereas Schedule 5B lists local government matters over which provincial government has exclusive legislative competence.
Schedule 5B matters include beaches and amusement facilities; billboards and the display of advertisements in public places; cemeteries, funeral parlours and crematoria; cleansing; control of public nuisances; control of undertakings that sell liquor to the public; facilities for the accommodation, care and burial of animals; fencing and fences, licensing of dogs; licensing and control of undertakings that sell food to the public; local amenities; local sport facilities; markets; municipal abattoirs; municipal parks and recreation; municipal roads; noise pollution; pounds; public places; refuse removal; refuse dumps and solid waste disposal; street trading; street lighting; and traffic and parking.

Section 229 of the Constitution sets out the fiscal powers and functions of local government. Municipalities have been given substantial revenue generating power in that they may collect property rates and surcharges on fees for services provided by or on behalf of the municipality. A municipality may also raise loans for capital or current expenditure, subject to the requirements set out in the MFMA. The responsibility for approving budgets, the imposition of rates and other taxes, levies and duties, and the raising of loans has been delegated to the Municipal Council.\(^{31}\)

**Local Government Finance**

Municipalities are responsible for financing the delivery of basic household and suburban services such as electricity, water, sanitation, refuse removal, municipal roads, parks and recreational facilities, among other functions defined in the Constitution. Generally, municipalities are able to raise between 60 to 95 percent of their own revenue. Of course, this depends on the size and type of the municipality. Two-thirds of municipalities’ activities, such as water, electricity, and refuse removal, are self-funded.\(^{32}\) The remainder of revenues is financed through intergovernmental grants from both the national and provincial spheres of government. This section will describe the internal and external sources of revenue, explaining the transfers from other spheres of government.

**Own local government revenue sources**

Municipalities have the ability to raise their own revenue by means of two major sources, taxes and user charges. The way in which these sources are used differs across municipalities according to their size, location and population base.

**TAXES**

There are currently three forms of taxes available to municipalities. These are as follows:

- **Property tax.** The taxing of fixed property is reserved solely for local government, and it has become the most important source of revenue for the local sphere of government. The powers of municipalities to raise property rates are regulated the Municipal Property Rates Act, recently by Parliament. Property tax is used to fund the operating costs of general services and governance such as municipal administration planning and development, health, community and social services, public safety, sports and recreation, and environmental protection. Revenue collection in the form of property tax is used mainly by Category A and B municipalities.

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\(^{31}\)Section 160(2) of the Constitution.

\(^{32}\)IGFR, 2003.
Regional services council (RSC) levy: The RSC levy is a combination of payroll and turnover tax levied on all businesses. It is mainly available to Category A and C municipalities. In its current form, the RSC levy is highly flawed as municipalities may not penalize businesses that do not pay or those that under-pay. Research is presently being conducted as to how this levy should be reformed. Generally the RSC levy is used to subsidize health, roads, emergency services, and local trading services. It is also increasingly being used for funding interest and redemption payments.

Surcharge on local government-run utilities: This form of tax is not widely in use, even though it is defined in the Constitution as a tax available to local government. It is generally only used by the larger municipalities in the form of surcharges on electricity.

User charges
User charges are levied by municipalities for services such as electricity, water, sanitation, and refuse collection. The Municipal Systems Act\(^\text{33}\) of 2000 obliges municipalities to adopt and implement a tariff policy on the levying of fees for services. The Act specifies the underlying principles to be incorporated into these policies. Most importantly, the regulatory framework requires that basic services for the poor be subsidized. User charges are also regulated by sector-specific legislation and policy, for example, the Water Services Act of 1997 and its accompanying regulations of 2001.

Borrowing
Municipalities may also raise debt but within strict guidelines set out in the Municipal Finance Management Act (MFMA) of 2003. The Act limits short-term borrowing to bridging operating cash shortfalls or to bridge capital requirements within the financial year, on the basis of anticipated income streams, grants or long-term debt in waiting. It requires that short-term debt be paid off annually. Long-term borrowing is limited to funding of capital investment.

The Act identifies a number of conditions surrounding the nature of the debt as well as the conditions a municipal manager is required to adhere to when securing debt for the municipality. The essential purpose behind the borrowing policy framework is to ensure that municipalities are able to raise debt on their own. Also, the framework ensures that the municipal council (supported by the Constitution) is able to guarantee the debt, as neither a province nor the national government is permitted to guarantee the debt of the municipality.

At present the municipal borrowing market is largely stagnant, and borrowing from the private sector remains largely untapped. In addition, the borrowing market is concentrated among a few lenders to the larger urban municipalities. However, with the finalization of the MFMA and the borrowing framework, it is hoped that the municipal bond market will see major development.

\(^{33}\)Section 74 of the Municipal Systems Act.
**Grants to local government**

Besides being able to raise their own revenue, local governments receive fund allocations from both the national and provincial spheres of government. These funds are distributed through three major funding sources:

- **Equitable share allocations** are made to all primary municipalities and are the only grants without any conditions attached. These allocations are administered by the national Department of Provincial and Local Government.

- **Conditional grants** are made to those municipalities that apply for or are selected to receive these funds. These grants are operated and disbursed by specific departments targeting specific policy objectives and with conditions attached to their disbursement.

- **Grants-in-kind** are made to those municipalities that perform certain services on behalf of the national or provincial government, or are subsidized indirectly by a national or provincial department through the provision of a service for which a municipality is responsible.

The system of transfers is continuously being refined in order to improve their efficiency, equity, transparency and predictability. Reforms to the system are intended to:

- Simplify and rationalize transfers to local government, including consolidating capacity building grants, into one inter-departmentally co-ordinated mechanism, consolidating capital transfers into CMIP\(^{35}\) and consolidating other transfers into the local government equitable share.

- Introduce three-year allocations to individual municipalities for all national transfers to assist municipalities in their budgeting process.

- Require municipalities to show all national and provincial transfers on their budgets and to periodically report on outputs achieved through each conditional grant program.

**The equitable share**

The equitable share for local government was first introduced in 1998 to enable the local sphere to provide basic services and to perform the functions allocated to it, giving effect to sections 214 and 227 of the Constitution. The size of the equitable share allocation takes account of the fiscal capacity, fiscal efficiency, developmental needs, extent of poverty, and backlogs in municipalities. The equitable share grant has undergone a number of changes since its inception in order to re-align it with the developing needs of municipalities. Changes include the incorporation of R293 town\(^{36}\) subsidies, the re-alignment of allocations to the newly demarcated municipalities, and revised allocations to the district municipalities in line with their changing functions.

Currently the equitable share consists of the following six funding windows:

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\(^{34}\)This section is largely drawn from the IGFR (2001 and 2003) and the Budget Review (2003 and 2004).

\(^{35}\)Consolidated Municipal Infrastructure Programme.

\(^{36}\)R293 towns are towns which fell under the old homeland governments and did not have municipalities and thus provided municipal services directly. In 1994 these towns and their functions were transferred to provinces. The subsidies are for transfer of staff and assets from provinces to municipalities.
The S-grant. The S-grant is the biggest component within the equitable share and is a basic services grant to support the operating costs of providing a package of basic services to low-income households. The formula of the S-grant is:

\[ S = \alpha \beta LH_i, \]

where:
- \( \alpha \) = a phase-in parameter between zero and one, based on the municipality’s classification as urban or rural;
- \( \beta \) = a budget-adjustment parameter, set to adjust the size of grants to the available budget;
- \( L \) = an estimate of the annual cost of providing basic public services;\(^{37}\) and
- \( H_i \) = number of poor households.\(^{38}\)

The I-grant. The I-grant is an institutional grant to support local authorities with a small rates base in relation to their population. The aim is to provide resources to municipalities to assist in funding the basic institutional and governance arrangements. Metropolitan and large local municipalities which have relatively high fiscal capacity do not qualify for this grant. The first part of the I-grant formula captures how the administrative costs of a municipality increase with population size. It assumes that these costs increase more slowly than population: a larger municipality has more costs, but proportionately more than a smaller one. The second part of the formula is compensating for the inability of a municipality to fund its own administrative overheads. The formula for the I-grant is:

\[ I = I_o P^\alpha - 0.075 (y - 250) P, \]

where:
- \( I_o \) = a per capita I-grant parameter determining in aggregate how much will be distributed through the I-grant;
- \( P \) = the population in the municipality;
- \( \alpha \) = a scale parameter between zero and one; and
- \( y \) = the average monthly per capita expenditure in each municipality. For values of \( y \) below the stated monthly per capita floor of R250, the term \((y - \text{per capita floor})\) is set equal to zero.

Free Basic Services (FBS). This grant was introduced in 2003/04 to fund the operational costs of, and thus accelerate the pace for, the provision of free basic services such as water, sanitation, and refuse to poor households. The FBS grant is calculated as an average of two calculations, FBS1 and FBS2:

\[ \text{FBS1} = \theta FH, \]

where:
- \( \theta \) = an urban-rural weighting factor;
- \( F \) = an FBS allocation per poor household; and
- \( H \) = the number of poor households in the municipality.

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\(^{37}\)L is set as R1032 per year and is assigned the fixed proportions of water 23.3%, sanitation 11.2%, electricity 41.9%, and refuse removal 23.3%.

\(^{38}\)Poor households are classified as spending < R1100 per month.
FBS2 = FW*H1 + FS*H2 + FR*H3, where:

- FW = allocation for free water and H1 = number of poor households receiving water;
- FS = allocation for sanitation and H2 = number of poor households receiving sanitation services;
- FR = allocation for refuse removal and H3 = number of poor households receiving refuse removal services;

**Free Basic Electricity (FBE).** This grant was also first introduced in 2003/04 and funds the operational costs for the provision of free basic electricity/energy to poor households. The FBE grant is calculated according to the same process as the FBS grant, but only takes into account infrastructure for poor households as it relates to electricity/energy.

**Nodal allocations.** In 2001, the President established 21 development nodes, and departments were subsequently requested to prioritize funding to these under-developed areas. In 2002/03, additional equitable share allocations were made to these nodes for non-infrastructure developmental programs. Funding is linked to the life span of projects and 65 percent of this grant is allocated to rural nodes, while 35 percent is allocated to urban nodes.

**R293 allocation.** This allocation was incorporated into the equitable share in the 2000/01 financial year and involved the transfer of personnel and assets of the R293 towns from provinces to municipalities. Based on previous agreements with local government, municipalities are guaranteed their current R293 grant allocations in full until 2003/04, after which the normal formula allocations will apply.

### Conditional Grants

Conditional grants to local government form a significant portion of national grants and are used to incorporate national priorities in municipal budgets, promote national norms and standards, address infrastructural backlogs and regional disparities, and affect transition by supporting capacity-building initiatives and the restructuring of municipalities. There are two types of conditional grants, namely infrastructure and capacity-building/restructuring grants.

**Infrastructure grants.** Infrastructure grants are an important instrument for ensuring the delivery of basic services to poor households and alleviating poverty. A further objective is to stimulate job creation and ensure skills transfer over the medium-term. In 1994 a Cabinet decision was made to consolidate all infrastructure grants into a single funding mechanism known as the Municipal Infrastructure Grant (MIG). The MIG is geared to making the system of transfers to municipalities simpler, more certain and direct. It is being phased in over a three-year period beginning in 2004/05 and merges the following capital funding programs:

- **Consolidated Municipal Infrastructure Programme (CMIP)** provides for the construction and upgrading of internal bulk, connector infrastructure and community facilities for poor households.
- **Water Services Capital Fund** provides for bulk, connector and internal infrastructure for water services at a basic level.
TABLE 3  Municipal Infrastructure Grant Weighting per Sector

<table>
<thead>
<tr>
<th>Sector</th>
<th>Weighted Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>Municipal Infrastructure Grant</td>
<td>100%</td>
</tr>
<tr>
<td>Special Municipal Infrastructure Fund and Management</td>
<td>4%</td>
</tr>
<tr>
<td>Municipal Infrastructure Grant formula</td>
<td>96%</td>
</tr>
<tr>
<td><strong>of which Municipal Infrastructure Grant formula</strong></td>
<td><strong>100%</strong></td>
</tr>
<tr>
<td>Basic residential infrastructure (new and rehabilitated) component</td>
<td>75%</td>
</tr>
<tr>
<td>Water and Sanitation</td>
<td>72%</td>
</tr>
<tr>
<td>Electricity</td>
<td>0%</td>
</tr>
<tr>
<td>Roads</td>
<td>23%</td>
</tr>
<tr>
<td>Other (street lighting and solid waste removal)</td>
<td>5%</td>
</tr>
<tr>
<td><strong>Public municipal service infrastructure (new and rehabilitated) component</strong></td>
<td><strong>15%</strong></td>
</tr>
<tr>
<td>Allocation for social institutions and micro-enterprises infrastructure component</td>
<td>5%</td>
</tr>
<tr>
<td>Allocation to nodal municipalities component</td>
<td>5%</td>
</tr>
</tbody>
</table>


- **Community Based Public Works Programme** supports the creation of community assets in rural, historically disadvantaged communities.
- **Local Economic Development Fund** supports the planning and implementation of municipal job creation and poverty alleviation projects.
- **Building for Sport and Recreation Programme** supports the promotion of sport and recreation facilities within disadvantaged communities.
- **National Electrification Programme** addresses the electrification backlog of permanently occupied residential dwellings that are situated in historically under-supplied areas.

The MIG conditions are more flexible than the previous conditional grants and are designed to complement the capital budgets of municipalities instead of funding specific projects, as well as to facilitate integrated development planning.

The MIG is made up of two components. The first component is a Special Municipal Infrastructure Fund (SMIF) for innovation and region-wide programs, and the second component is the MIG formula. The relative weighting is shown in Table 3.

**Capacity-building and restructuring grants.** These grants are intended to build municipalities’ financial management, planning and project management capacity as well as assist them in their restructuring processes. There are two capacity-building grants and a restructuring grant. These include:

- **Municipal Systems Improvement Grant (MSIG)** This grant is managed by the National Department of Provincial and Local Government. The grant is to assist municipalities in implementing new systems as provided in the Municipal Systems Act, 2000, including integrated development planning, performance management, spatial planning and local development objectives.
- **Financial Management Grant (FMG)** This grant is managed by the National Treasury and aims to promote and support reforms to municipal financial management practices, including the modernization of budgeting, financial management, accounting, monitoring
systems in municipalities, and the implementation of the Municipal Finance Management Act. The FMG specifically includes a component for capacity-building and takes into account the issue of public participation. It also includes a World Bank supported technical assistance loan, the Municipal Financial Management Technical Assistance Project, which aims to support selected municipalities in implementing the new budgeting and financial management system, and assist the Government to complete selected analytical work on policy reforms.

- **Restructuring Grant (RG):** This grant is demand-driven and is intended to modernise large municipalities to become more effective and efficient service delivery organs by assisting them to restructure their organisations, functions and fiscal positions. This grant is also managed by the National Treasury.

**GRANTS-IN-KIND**
The grants-in-kind to local government are in the form of services provided by national departments which receive funding specifically for these services. There are two major in-kind grants which are administered by the Department of Water Affairs and Forestry (DWAF). These are:-

- **Implementation of Water Services Project** This is an initiative to fund bulk, connector and internal infrastructure for the provision of water services at a basic level in mainly rural areas where municipalities lack the required institutional capacity to do so.

- **Water Services Operating Subsidy** This grant funds the operation of water schemes that are owned by DWAF in order to provide subsidies to users of these schemes.

The Municipal Infrastructure Grant and the Financial Management Grant, mentioned above in “Conditional grants” section, also have an in-kind component. These are administered by the Department of Provincial and Local Government and the National Treasury respectively.

**Conclusion**
Local government in South Africa is recognized in its own right, by the Constitution, as one of the three spheres of government which are distinctive, interdependent and interrelated. It has its own suite of legislation governing the way it operates and has been given a number of powers and functions relating to the delivery of service to the local community and revenue-raising mechanisms.

Within this framework there is an obligation on local government to provide mechanisms for public participation in the planning, policy-making and budgetary processes of municipalities. Municipalities recognize the importance of civic participation and have begun to put in place mechanisms to allow for more inclusiveness in the decision-making processes. However, the actual implementation and impact of participation is still to be fully realized.

From the experience of Mangaung Local Municipality and Ekurhuleni Metropolitan Municipality it is clear both municipalities are taking civic participation seriously and have begun the process of consultation with different sectors of civil society. The participation process has made an impact on the planning process in terms of identifying the needs and
priorities of the different groupings. However, the impact of civic participation on resource allocation and tax policies is questionable. A large proportion of a municipality’s budget is spent on salaries, bulk purchases and capital projects in progress, and there is very little left over for discretionary spending.

Furthermore, both municipalities identified challenges to be overcome in order to enhance participation so that the community has an actual impact on what happens in their municipality. These are listed below in no particular order.

**Lack of Capacity**

Although there has been training for the ward committees in both municipalities, there is still a need for further capacity-building for councillors, ward committee members, and the community at large. Not all the stakeholders understand their specific roles and responsibilities in terms of how to participate in decision-making processes. There is also a specific lack of knowledge about how municipal budgets operate, the relationship between the capital and operating budget, and how to influence resource allocation decisions and taxation policies. To overcome the difficulties experienced in making changes to budgetary allocations, it may be useful to start by allocating each ward a small amount of money and let each community decide how to allocate those resources within the ward. In this way, the community will start to understand the idea of making trade-offs in using scarce resources to address unlimited needs.

**Diversity of Population**

Both municipalities are made up of people from very diverse backgrounds and cultures. In some cases there is no history of participation and it is difficult to get people to attend meetings. In other cases there is no one common language spoken. This makes it difficult to ensure that everyone understands what is being discussed. In the rural areas, access to meetings is difficult and transport is not always readily available. Large distances have to be covered to reach meeting venues. In order to accommodate diversity, it is necessary to adopt different strategies for the various groupings.

**Communication**

Communication is a crucial component of any participatory system. Particularly in Ekurhuleni, it was felt that improvement in communication between councillors, officials in departments, and ward committee members would enable the participation process to function more smoothly. Furthermore, communication between representatives of organizations who attend meetings and the members of the organization should also be improved. Often the municipality received complaints from members of these organizations about the lack of feedback from their representatives. Therefore it is important to include the development of a communications strategy in any capacity-building program.

**Ward Committees**

Although ward committees were established as early as 2001, they have not all been functioning as well as they might. Some ward committees are under-resourced in terms of both human and physical resources. This impedes their ability to communicate issues and organize meetings within their community. The many tasks of the ward committee members
are time-consuming. They are not remunerated for the position and find it difficult to both hold a job and perform the necessary tasks. The term of office of the members is decided by council. There may be problems if the term is too short and members face elections before they have had time to serve effectively. It is therefore important to ensure that ward committees are elected for a time period that relates to the election cycle. Sometimes, ward committee members resign and elections are needed to replace them. This requires time and organization. Delays in replacing members mean that ward committees are left to function with fewer members, making the process more difficult.

Timing
It is important that adequate time is made available for meetings with the relevant stakeholders so that input may be made before policies and budgets are finalised. In both Mangaung and Ekurhuleni it was recognised that the participation process for input into the 2004/05 budget did not start early enough. This made it difficult for people to formulate structured inputs for submission to the budget. Both municipalities will begin the process earlier for the forthcoming budget cycle.

Monitoring and Evaluation
An informed and educated contribution by the public to policy and budgetary allocations should be based on information gathered from monitoring and evaluation processes. Currently, monitoring and evaluation systems have not been thoroughly implemented, and there is a lack of information on which to base decisions that affect communities. Performance management systems are a legislative requirement in local government. They need to be linked to a continuous monitoring system in order to produce the necessary information for wise decision-making.

The participation process at the local level in South Africa has only recently been put into practice. Although various mechanisms for participation have been instituted, it will take time and more effort before participation has a meaningful impact on policy making and budgetary processes.
References


Thailand

Civic Participation in Subnational Budgeting

Charas Suwanmala

Thailand is a constitutional monarchy governed by an elected parliament. The country’s Public Administration Act established a foundation of three administrative levels: central, regional, and local. However, unlike countries such as Canada where powers are divided between federal and provincial governments, power in Thailand rests with the central government. Provinces are administered by governors who are appointed by the central government and district administrators who are civil servants with the Ministry of the Interior.

Thai local government is not a constitutional form of government, but a statutory form. Local governments have jurisdiction only where the central government has delegated authority to them through legislation.

There is a variety of local administrative forms, some of which have roots in traditional village culture. There are 7,951 units of local authorities which are classified into five forms: three general and two specific. Among the three general forms, which are located in every province but Bangkok, there are: provincial administrative organizations (PAO, 75 units), municipalities (1,125 units), and Tambon or subdistrict administrative organizations (TAO, 6,744 units). The three forms of local authorities are further classified into two types, provincial (PAO) and communal levels (municipalities and TAOs). The other two special forms of local authorities are self-governing bodies of special areas, the Bangkok Metropolitan Administration (BMA) and Pattaya City.

In Thailand, politics and government are generally compatible with the principles of local self-government. Each local entity is governed by a council and chief executive, who are directly elected by the local residents for four-year terms. The local authorities, however, differ somewhat from each other in their political and administrative structures.
Local Service Responsibilities

The distribution of responsibilities for local services is enunciated in local government codes that have been frequently revised. The last general revision was accomplished by the Decentralization Act of 1999. The Act assigns the following functions to municipalities, Pattaya City, and TAOs:

- Local development and city planning.
- Providing local public services, including local roads, walkways, water transportation, public transportation and traffic engineering, public market, ports and docks, drainage system, public utilities, public parks and recreation facilities, waste treatment, pet control, slaughtering, public safety, law and order, natural resource and environmental preservation and management.
- Providing social services, including education, social welfares for children, women, elderly and disadvantages, housing and restoration, family health care and medical services, and cremation service.
- Promotion of athletics, incomes and employment, trades, investment, and tourism, arts and cultures, sanitation and environment.
- Promotion of democratic values, civil rights, public participation in local affairs.

The functions and responsibilities of PAOs were revised in August 2003 by a mandate of the National Decentralization Committee (NCD). According to this latest revision PAOs may carry out the following:

- Provide large-scale public services that cannot be done by other local entities. The recipients who benefit from the services should be located in a provincial area or in an area consisting of more than one local territory. PAO may not carry out activities that can be done by lower tier entities.
- Develop an integrated provincial development plan that respects the principle of economic efficiency and balances the needs of localities within the province.
- Construct and maintain large-scale infrastructure that serve as networks or linkages for activities in the province and among provinces.
- Provide public education, health, and social welfare at the provincial level that does not overlap with services provided by lower tier localities.
- Promote local culture, tourism, investment and trading in the province.
- Manage and preserve natural resource and environment, especially inter-local waste water treatment and solid waste disposal.
- Provide technical supports to lower tier localities.

For Bangkok Metropolitan administration (BMA), the prescribed functions are to provide local public services that are assigned for both municipalities and PAOs, with additional urban services in the Bangkok metropolitan area.

Local Revenues

Local revenues come from four major sources: (1) locally collected revenues (taxes, fees, charges, permits, fines, etc.); (2) local revenues collected by central government agencies
(VAT, excises, vehicle, land registration, etc.); (3) revenue sharing; and (4) grants. Of these, grants and local taxes collected by central agencies constitute more than 70% of revenues while the locally collected portion is only 11-12%.

Local taxes include not only taxes that are collected locally but also some taxes that are collected by national government agencies. Municipalities, TAOs, BMA, and Pattaya City collect four taxes which are then assigned to the appropriate local authority and are defined as local revenues. They are: house and land taxes, land development tax, signboard taxes, and slaughter tax. PAOs also take in taxes which are considered locally collected: petroleum selling tax, tobacco selling tax, and hotel tax.

Then there are local taxes and fees that are collected by national agencies. They include: value added tax, special business tax, alcohol tax, excise tax, vehicle tax, land registration fees, gambling tax, mineral tax, petroleum tax, and others. It should be noted that these local taxes and fees share tax bases with the national government. The definition of tax bases and local tax rates are assigned by the national government.

Apart from taxes, local authorities are allowed to have revenues from other sources, including returns on local properties and investments, fees, charges, profits, fines, licenses, grants, aids, bond issuing, debt financing, charitable incomes, and special assessment fees, and others.

### Local Budgeting

Annual budgeting is a practice that is well-established by local administrations. As prescribed by local administrative codes and central mandates on local budgeting, annual budget documents are prepared by executive bodies during June-July. Then they are submitted to local council in August. Finally the budgets are endorsed by the provincial governors or the district heads. The local budget calendar starts on October 1 and ends on September 30 in the following year, comparable to the national budget calendar.

Local budget documents usually present revenues by source, expenditures by program and item, debt financing, and a summary of previous year's financial status.

**TABLE 1** Local Revenues, fiscal years 2001–04

<table>
<thead>
<tr>
<th>Sources</th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Amounts (Baht)</td>
<td>%</td>
<td>Amounts (Baht)</td>
<td>%</td>
</tr>
<tr>
<td>Total Revenues</td>
<td>159,725.58</td>
<td>100</td>
<td>175,850.29</td>
<td>100</td>
</tr>
<tr>
<td>1.1 Locally collected revenues</td>
<td>17,701.86</td>
<td>11</td>
<td>21,084.47</td>
<td>12</td>
</tr>
<tr>
<td>1.2 Local revenues collected by central agencies</td>
<td>55,651.90</td>
<td>35</td>
<td>58,143.52</td>
<td>33</td>
</tr>
<tr>
<td>1.3 Revenue sharing</td>
<td>12,669.00</td>
<td>8</td>
<td>19,349.00</td>
<td>11</td>
</tr>
<tr>
<td>1.4 Grants and others</td>
<td>73,728.80</td>
<td>46</td>
<td>77,273.30</td>
<td>44</td>
</tr>
<tr>
<td>1.5 Percent share, local rev. to governments</td>
<td>21</td>
<td>22</td>
<td>22</td>
<td>23</td>
</tr>
</tbody>
</table>
For the most part, local authorities have discretion over local planning and budgeting. However, the Department of Local Administration Promotion (DLAP) has issued a number of general guidelines for local planning, budgeting, accounting, and financial management. In addition, provincial governors and chiefs of districts often influence local budget planning either through legal control or civic participation processes.

Local governments are required to report details of their budgets to central government authorities, DLAP, the Bureau of Budget, and the Office of Auditor General, on monthly and yearly bases. In addition, local authorities are mandated to disclose their annual budget plans, procurement processes, and financial reports to the public. A number of places use local newsletters, publications, and websites in order to have information about local affairs, including the annual budget plan, public procurements, and financial reports, disseminated to the local and general public.

Summary of Case Studies

Four jurisdictions were selected as case studies in this paper. They are Suan Mon TAO, Huai-Kapi TAO, Khon Kan City, and Rayong City. The four localities have developed different approaches of civic participation in local budgeting, as summarized below.¹

Case Study 1: Suan Mon TAO

Suan Mon TAO, established in 1997, is located in Manjakeeree District, Khon Kan Province. With its limited locally collected revenues of 0.24 million Baht a year, Suan Mon TAO is classified as a “small” TAO. However its population and area, 7,881 residents, 1,621 household, 52 square kilometers, and 14 villages, are comparatively large in numbers.

As a majority of taxpayers are poor farmers, the TAO received only a very small amount from local property taxes (only 65,000 Baht a year or 40 Baht - one U.S. dollar - per household a year). There were absolutely no tax delinquents. The TAO thus depended mostly on centrally collected taxes and grants, as illustrated above.

Prior to its initiative on civic participation, Suan Mon TAO was facing seemingly irresolvable conflicts over alleged pork-barrel budget allocations. Although budget resources were limited and the TAO leadership was rather weak, there was a strong civic culture at the village level. Representatives of villages were determined to have a fair share of the local budget allocated to their areas. Local planning and budgeting were at odds.

<table>
<thead>
<tr>
<th>Year</th>
<th>Locally collected</th>
<th>Centrally collected</th>
<th>Grants</th>
<th>Total revenues</th>
<th>Total expenditures</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>0.23</td>
<td>2.26</td>
<td>1.53</td>
<td>4.02</td>
<td>3.570</td>
</tr>
<tr>
<td>2001</td>
<td>0.15</td>
<td>2.62</td>
<td>1.52</td>
<td>4.28</td>
<td>3.061</td>
</tr>
<tr>
<td>2002</td>
<td>0.24</td>
<td>2.77</td>
<td>1.65</td>
<td>4.65</td>
<td>5.107</td>
</tr>
</tbody>
</table>

¹ This paper takes case studies from an on-going research project, “Local Government Initiatives in Thailand.” The research project is headed by Charas Suwanmala of Chulalongkorn University and supported by the Thai Research Fund.
An initiative of the civic forums in local budget planning

In 1998 a directive of the Ministry of Interior called for local governments to take a participatory approach to local planning and budgeting. This prompted Suan Mon TAO to adopt the civic forum approach in 1999. Suan Mon’s civic forums took place on two levels, village and subdistrict (Tambon), each with committee members, a chairperson, and a secretary.

In all, fourteen village civic forum committees were formally established. There was no selection process, nor were there criteria for selecting committee members. However, in keeping with the Ministry’s suggestions, the committees included a wide representation of the communities. There were traditional leaders (village heads, teachers, religious leaders, and government bureaucrats) and relative newcomers to political activities (representatives of occupational groups, youth, women, and other groups). Most committees were comprised of about ten people.

The village civic forums were responsible for the following tasks: to call meetings and to identify, prioritize, and submit community problems, needs, and development projects to the higher level, or subdistrict (Tambon), civic forum committee.

The subdistrict (Tambon) civic forum committee, formally established by Suan Mon TAO, had some one-hundred members including representatives of village civic forums. Its tasks were to call meetings, prioritize village problems and propose development activities (projects and activities), and submit a set of recommendations on local budget planning to the chairman of Suan Mon TAO.

The TAO budget planning procedure

Traditionally Suan Mon TAO’s budget calendar starts on October 1, similar to other local authorities in Thailand. Since the start of civic participatory processes in budgeting, Suan Mon TAO began its annual budget preparation in March, about three months earlier than normal practice. Early in the process, the chairman and the CEO (the so-called “Paland TAO”) of Suan Mon TAO visit all village civic committees, explain the annual budget calendar and formats, and ask the chairpersons (village heads) to call the village civic forum meetings. In addition, the chairpersons are asked to submit meeting reports to the subdistrict (Tambon) civic forum by means of two simple user-friendly forms, P-1 and P-2.

The subdistrict civic (Tambon) forum usually conducts its forum meeting from mid-April to May. Then, the subdistrict civic forum submits a list of its prioritized problems, needs, and projects to the Chairman of the Suan Mon TAO in early June. For this they are required to complete Forms 3 and 4. The TAO chairman then starts a regular budget preparation process by putting the civic forum’s proposals into the local annual budget plan.

Form P-1 is a summary of community problems, needs, and alternative solutions together with supplementary explanations such as space, time, size, and causes of the problems. Also there are details of activities and projects that will help resolve the problems.

Form P-2 is a prioritization of the problems and their solutions, put together by the village civic forum.
**Civic forum meeting at the village level**

As mentioned above, Suan Mon has a traditional village culture that was well-established over many decades. Every village has its own informal civic activities. In 1998 when DOLA recommended all TAOs adopt a civic forum approach to local development planning, Suan Mon TAO had the kind of village culture that made it easy to put the directive into practice.  

A typical civic forum meeting at the village level was usually held in the evening when all members could attend. Meetings were open to the general public, but few citizens attended.

Meetings began with the chairperson asking participants to express their concerns. These included common problems and needs as well as possible solutions. Participants ranked their concerns. When necessary, there were votes to decide rankings. At the conclusion of the meeting the chairperson and the secretary completed the required forms P-1 and P-2 and submitted them to the subdistrict forum.

It should be noted that in most cases participants in the village civic forums had a long history of working together. This is why it was relatively easy for the forums to reach agreement on the most pressing community problems, as well as solutions and priorities.

**Subdistrict civic forum**

Unlike the forum at the village level, the subdistrict forum was an “artificial” civic forum. The first year of the forum, in 1998, was a rather difficult experience, as all village representatives wanted to have their particular projects given the highest priority possible. The Paland (CEO) of Suan Mon TAO played a key role as bargainer-trader, helping different villages reach common priorities. Because Suan Mon TAO had fulfilled past promises concerning budget allocations, villagers gradually learned to trust each other. Situations of potential conflict were significantly reduced in later years, and a spirit of participation and cooperation at the subdistrict (Tambon) level developed.

**The TAO budgeting**

In June-July, Suan Mon TAO prepared its annual development plan and budget appropriations. The TAO planning section put the proposals into the draft version of the annual development plan and then submitted it to the TAO council. It was noteworthy that TAO executives and the council were so truly respectful of the civic forums that they did not change the proposals. The annual budget and development plan were sent back to all members of subdistrict and village civic forum committee so that they could use these as references for monitoring spending and for the next round of meetings.

In July and August, the TAO prepared its annual budget appropriations. The TAO budget office then selected the development projects for the development plan and set budget appropriations based on priorities. This was done with the close supervision of the subdistrict and village civic forums.

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2 DOLA refers to the Department of Local Administration, Ministry of Interior, in charge of supervising local authorities. A new department emerged from DOLA in 2002, the Department of Local Administration Promotion, which now is responsible for supervising local authorities.
“The village people will monitor if their TAO budget appropriations truly correspond with the civic proposals. They will promptly make complaints or notify TAO if the appropriations on development projects are not the same as what they have expected... Changing the priorities of development activities is possible but only with close consultation with village civic leaders.”

Paland (CEO) of Suan Mon TAO

**Civic monitoring and assessment**

The village civic leaders provided active oversight on the quality of services delivered to their communities. There were often cases when civic leaders directly notified contracted service providers about malpractices, and they had the problems corrected. In addition, TAO also had village civic leaders join the procurement committees.

**Outcomes of civic participation**

Under the old system of budget appropriations, many small and unrelated activities received funding. With the new civic forum budgets, projects tended to be larger, TAO-wide, and multi-year. The TAO successfully resolved conflicts and changed the old system of pork-barrel politics which had controlled planning and budgeting. Local civic culture was fully utilized and helped to strengthen the community at the subdistrict level.

However, the power of the civic forum is still limited because of the TAO’s limited revenues and budget size. This is due to the poor local economic conditions.

**Positive impact on tax collection**

Village civic leaders in Suan Mon supported TAO tax collection by filling in tax information, finding taxpayers who failed to pay taxes on time, and sometimes even bargaining and trying to convince reluctant taxpayers of the importance of paying tax. These efforts greatly contributed to very successful TAO tax collection. One-hundred percent of taxes were collected during the fiscal years 2001-2003.

**Case Study 2: Huai-Kapi TAO**

Huai-Kapi is a “large” subdistrict (Tambon) administrative organization (TAO) with over 11,000 residents. It is a half urban/half rural community located in Moung District, Chonburee province. Huai-Kapi received seven awards in the past six years in recognition of exceptional reputation for outstanding performance in budgeting and financial management.

Huai-Kapi has annual revenues of 15.3 million Baht, of which 14.1 million Baht (92% of the total) are generated from local sources and 1.2 million Baht(12%), from central grants. The TAO provides a variety of local services including community law and order, disaster prevention, primary education, social welfare, community economic development, community health and environment, garbage disposal, roads, city planning, waste water treatment, public parks and recreation, and community forestry.

Over a period of four years, Huai-Kapi adopted participatory approaches for its entire system of local financial management, budget planning and execution, assessment, and taxation. Following the directive for participatory local planning approach of the Ministry of Interior in 1998, Huai-Kapi put the mandate into action and developed its own version.³

³ Department of Local Administration, Ministry of Interior. Regulation on local development planning, 1998.
Participatory planning and budgeting was initiated in 1999. Two years later, in 2001, the TAO started its revenue development program. The TAO hoped to resolve the problem of a high level of delinquent taxes that resulted in very low tax revenues (less than 10 million Baht a year) and an unfair distribution of the tax burden. The initiative was aimed at increasing local tax yields as well as increasing fairness. To accomplish this Huai-Kapi adopted two measures--the civic forum and household survey--in its participatory planning and budgeting.

**Civic forums for local development planning and budgeting**

In November 2000, Huai-Kapi TAO adopted civic forums at the village and the subdistrict (Tambon) levels. Key actors at this stage were the mayor of Huai-Kapi TAO, the TAO’s chief executive officer (Paland TAO), and TAO staff. Once the civic forums were formally established, the TAO mayor and the chief executive officer organized a one-day training course for civic leaders to introduce them to their expected roles and teach them some civic-forum management techniques.

The village civic forums were composed of village heads, TAO councillors, leaders of local businesses, occupational groups, school principals, community health volunteers, and representatives of pertinent central government field units. To a considerable extent village and subdistrict heads who had been traditional leaders in the old days played leading roles in the new civic forum.

The village civic forum leaders were responsible for calling the meetings and mobilizing local citizens. Meetings were open to the general public; attendance was somewhat better than at the Suan Mon TAO meetings. During the consultative process participants identified and prioritized community problems and suggested possible projects and activities. Village leaders were responsible for completing the necessary forms and passing these along to the subdistrict forum.

Like other TAOs, Huai-Kapi formed a subdistrict (Tambon) civic forum committee. The committee was composed of approximately eighty members who were representatives of village civic forums.

The forum followed the usual process of community meetings, prioritizing projects, and suggesting solutions. The chairman of the forum passed along proposals to the mayor of TAO. The mayor included proposals for projects and activities in the annual development planning and budget appropriations.

### Agendas of Civic Forum Meetings at the Village Level

- **Agenda 1:** Understand objectives and roles of village civic forums for local planning and budgeting
  - **Agenda 2:** Identify problems, needs, and strategies of development
    - 2.1 Build up your positive thinking: Your choices-the future of your community
    - 2.2 Identify community problems and needs
    - 2.3 Classify and prioritize community problems and needs
    - 2.4 Identify possible intervention, strategic actions, projects and activities for community problem solving.
- **Agenda 3:** Conclusion / Complete given forms.
**Household surveys**

In a parallel effort, the Paland (CEO) of Huai-Kapi TAO conducted annual household surveys. The surveys collected information about the most pressing needs and citizen’s opinions concerning local services. In 2002, for example, 411 households (18% of the total, or more than 2,200 units) were surveyed. Data were analyzed and presented at the civic forums. Results of the surveys were included in the community development strategies.

**TABLE 3  Example of Household Survey Findings, Village #1, Fiscal Year 2000**

<table>
<thead>
<tr>
<th>The five highest priorities</th>
<th>% of respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Public telephones</td>
<td>91.1</td>
</tr>
<tr>
<td>2. Drug and narcotics fighting</td>
<td>84.5</td>
</tr>
<tr>
<td>3. Health promotion/ mobile clinical services</td>
<td>74.6</td>
</tr>
<tr>
<td>4. Solid waste collection and disposal</td>
<td>72.9</td>
</tr>
<tr>
<td>5. Elderly welfare</td>
<td>69.5</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>The five lowest priorities</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Bus stops</td>
<td>42.4</td>
</tr>
<tr>
<td>2. Agricultural water resources</td>
<td>35.5</td>
</tr>
<tr>
<td>3. Community co-op saving/ shopping centers</td>
<td>33.9</td>
</tr>
<tr>
<td>4. Natural water resource preservation</td>
<td>25.4</td>
</tr>
<tr>
<td>5. Community conference center</td>
<td>22.0</td>
</tr>
</tbody>
</table>

**Contents of Questionnaire for Household Survey**

Section 1:
General information including family bio data, socio-economic data, access to public services, and health and access to health facilities

Section 2:
Household most urgent needs for local public services (such as solid waste collection and disposal, drinking water, walkways, roads, transportation, electrical power, lighting, agricultural and industrial water supplies, employment and income promotion, human rights education and preservation, drainage and sewage systems, education, public telephone services, and others)

Section 3:
Household’s prioritization of community problems and needs including welfare of elderly, police, education, psychological support for youth, children’s playgrounds, community library and museum, community broadcasting through loud speakers, community conference center, drug and narcotics fighting, employment and income promotion, community co-op saving/shopping center, public health promotion/mobile clinic service, supporting community health care center, community athletics, public space, parks and recreation centers, solid waste collection and disposal, lighting, roads, construction and maintenance, access to public telephones, drainage construction and maintenance, piped drinking water, agricultural and industrial water, preserving natural water resources, bus terminals, and others.
Civic participation in tax collection improvement

Huai-Kapi TAO undertook three civic participatory measures to improve local tax collection. They formed a civic tax committee, undertook activities to educate people about civic taxes, and made improvements to the tax collection process.

CIVIC TAX COMMITTEE

In October 2002, Huai-Kapi TAO formed a civic tax committee to address problems in tax collection and suggest policy guidelines to improve the situation. The committee was composed of TAO staff from financial and civil work departments, village heads, and representatives and leaders of local business.

The committee conducted a field survey and met with taxpayers (especially delinquent cases). The committee recommended new measures for improving the tax collection process such as civic education on taxation, a citizen budget guide, changes to make tax collection a more friendly process, and provisions for more flexible tax payments. Huai-Kapi TAO adopted the proposed measures.

CIVIC TAX EDUCATION

The tax committee reported that most local residents did not realize local democracy implied there were costs to be paid by citizens. Huai-Kapi TAO educated residents about local taxation through a number of methods:

- Periodically providing tax information to local residents through signboards, brochures, annual household report, and community-wired loudspeakers,
- Adding a one-hour tax learning package into a number of community training programs, and
- Delivering a friendly tax budget guide to local residents to explain how taxes and local services are linked to each other.

FIGURE 1 Huai-Kapi’s Tax Collection Improvement Process

<table>
<thead>
<tr>
<th>Locally collected taxes and non-tax revenues</th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land and house taxes</td>
<td>1.38</td>
<td>1.91</td>
<td>2.07</td>
</tr>
<tr>
<td>Land development tax</td>
<td>0.06</td>
<td>0.12</td>
<td>0.01</td>
</tr>
<tr>
<td>Signboard taxes</td>
<td>0.28</td>
<td>0.49</td>
<td>0.58</td>
</tr>
<tr>
<td>Land registration fees</td>
<td>3.79</td>
<td>5.26</td>
<td>4.45</td>
</tr>
<tr>
<td>Licenses and permits</td>
<td>2.25</td>
<td>2.78</td>
<td>4.16</td>
</tr>
<tr>
<td>Property yields</td>
<td>0.09</td>
<td>0.02</td>
<td>0.05</td>
</tr>
<tr>
<td>Fees and charges</td>
<td>0.35</td>
<td>0.79</td>
<td>0.86</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>0.02</td>
<td>0.006</td>
<td>0.01</td>
</tr>
<tr>
<td><strong>Totals</strong></td>
<td>8.22</td>
<td>11.376</td>
<td>12.19</td>
</tr>
</tbody>
</table>

IMPROVING TAX COLLECTION PROCESS

Huai-Kapi TAO initiated a number of tax collection processes. First, members of the tax committee, including village heads, business leaders, and members of TAO councils, played significant roles in finding, bargaining with and bringing new taxpayers into local tax system.

Second, TAO officials were trained in approaches to the administration of the tax system. Taxpayers were notified in advance of taxes due. Creative measures were taken to make tax collection a more friendly process. TAO’s tax collection office had a warm welcome for all taxpayers and offered them several ways to pay taxes at their convenience.

Lastly, aggressive measures had to be taken to rid the books of delinquent taxes. In addition to advance notification of taxes due, the tax committee often dealt with delayed payments in different ways ranging from strong enforcement to a more friendly approach and, if necessary, a compromise solution.

Outcomes of tax collection improvement program

Both initiatives were considerably successful. Huai-Kapi TAO then brought the development plan into annual budget appropriations in 2001 and subsequently. Surveys showed that local residents were more satisfied with the new direction of local development plan, annual budget allocation, and local services than they had been. As to tax collection improvement, with the new measures recommended by the civic tax committee, local annual tax revenues increased 48.29% from 8.22 million Baht in 2001 to 12.19 million Baht in 2003.

Case 3: Khon Kan City

Khon Kan City, founded in 1935, is a metropolitan municipality with a population of more than 130,000, located in the northeastern part of Thailand. The city is fast growing and has a highly dynamic economy, making it an axis of growth in the region. Khon Kan Municipality contributes significantly to the robustness of Khon Kan City by providing high quality urban services including city planning and urban infrastructure, primary education, community health and sanitation, law and order, firefighting and disaster prevention, social welfare, and employment and income promotion. Khon Kan Municipality has been recognized for its outstanding performance with four awards in the past two years.

Participatory planning and budgeting in Khon Kan City emerged from the exceptionally high level of political ability and know-how of local residents. Having actively
participated in drafting the Constitution during 1996-97, local residents in Khon Kan City understood the power of civic participation and gradually developed a new political culture of civic participation at the local level.

In 1997, Khon Kan Municipality teamed up with the organization Danish Cooperation for Environment and Development (DANCED). Together they successfully developed a civic participatory approach, the so-called “focus-group planning and actions” in local environmental preservation program. The city then extended the civic participation approach to other programs, and finally to local development planning.

Focus groups for development planning
In 1997, Khon Kan City contracted University of Khon Kan to conduct a series of focus group meetings at the community level. The meetings were open to all residents who wished to participate. Those who attended meetings regularly included community leaders such as chairs of occupational groups, youth clubs, business associations, health volunteers, and NGO workers. Applied AIC technique and focus group meetings proved to be very fruitful. The approach not only helped the community identify concerns, problems, needs, and priorities of local residents, but also helped to formulate visions, policy directions, and strategic actions (projects and activities) for development planning. At least new thirty-eight new development programs were developed and incorporated into the city development plan as a result.

The city has extended the focus group meeting approach to other programs, such as civil works (infrastructure development, improvement, and maintenance), community health and sanitation (public market sanitation), education, income promotion and social welfare. In the fiscal year 2003, for instance, more than fifty focus group meetings were conducted by Khon Kan City’s staff and community civic groups. Focus group meetings demonstrated how to effectively link voices from the community to local development plans, budget, and services.

Town hall meeting
Khon Kan City first adopted the “town hall meeting” in 1998 as a policy consultative mechanism. In general meetings were held every three months, but when necessary the city called meetings for special issues. Some 140 organizations became involved and participated on a regular basis. A basic philosophy of the town hall meeting was that before any policy or activity with a potentially significant impact on the general public was implemented, the public needed to be advised and give their consent. In particular, people who stood to suffer losses had to be informed and reasonable compensation for losses was expected. A typical town hall meeting, led by the mayor of Khon Kan, first called upon experts to explain policy issues. Then the mayor led a discussion between the public and government (staff and experts) until consensus was reached.

It should be noted that Khon Kan City had been ruled by one political group. The town hall meeting had been used as an alternative check-and-balance mechanism in place of a typical council-mayor counterbalance system.

Participants in the town hall meetings
The number of participants increased over a five year period. In 1998 there were only 20 civic organizations and 80 - 100 members of the general public who participated in the
meetings. By 2003 the number had increased to more than 140 civic organizations and as many as 150 individuals. Examples of civic organizations that took part were local media, community organizations, local business associations, occupational associations, Rotary Associations, Lion Associations, and governmental and state enterprise organizations.

**Agendas**

Agendas for meetings were set and prepared by the mayor and his city officials. Policy issues normally concerned development projects that had wide and controversial impact on local residents. Full discussion of a policy issue might require more than one meeting.

**Announcement and invitation to town hall meetings**

The city released information about the meeting to the general public and concerned groups ahead of time via direct-mail letters and large attractive signboards around the city.

**TABLE 5 Issues Discussed at Khon Kan Town Hall Meetings**

<table>
<thead>
<tr>
<th>Date</th>
<th>Topics Discussed</th>
</tr>
</thead>
<tbody>
<tr>
<td>August 31, 2001</td>
<td>- The renovation of public spaces at the city gate, the city’s foundation statue, and Nhong Sra Pang Swamp.</td>
</tr>
<tr>
<td>November 27, 2001</td>
<td>- Progress reports on the renovation of public spaces.</td>
</tr>
<tr>
<td></td>
<td>- Bung Toong Sang renovation project</td>
</tr>
<tr>
<td></td>
<td>- A proposal on the new public park at the city gate area.</td>
</tr>
<tr>
<td></td>
<td>- An assessment of the city’s 2001 mission accomplishment.</td>
</tr>
<tr>
<td></td>
<td>- The city missions in 2002.</td>
</tr>
<tr>
<td>March 22, 2002</td>
<td>- Progress reports on the renovation of public spaces.</td>
</tr>
<tr>
<td></td>
<td>- The Namsang- Airport drainage system</td>
</tr>
<tr>
<td></td>
<td>- A construction model of public park at the city gate.</td>
</tr>
<tr>
<td></td>
<td>- A proposal for the readjustment of the city’s foundation statute area.</td>
</tr>
<tr>
<td></td>
<td>- A draft proposition on the signboard-free zone in eight areas</td>
</tr>
<tr>
<td>June 15, 2002</td>
<td>- Progress reports on the renovation of public spaces.</td>
</tr>
<tr>
<td></td>
<td>- Renovation projects for Bung Toong Sang, Bung Khan Nakorn,</td>
</tr>
<tr>
<td></td>
<td>- Bung Toong Yai, Bung Wantachoo and Nong Sra Pang</td>
</tr>
<tr>
<td>September 20, 2002</td>
<td>- Progress reports on the renovation projects.</td>
</tr>
<tr>
<td></td>
<td>- The city’s flood prevention and disaster alleviation plan.</td>
</tr>
<tr>
<td></td>
<td>- Matching fund project on the renovation of city gate area.</td>
</tr>
<tr>
<td></td>
<td>- Public market renovation project.</td>
</tr>
<tr>
<td></td>
<td>- A slaughterhouse renovation project (construction plan).</td>
</tr>
<tr>
<td>November 14, 2003</td>
<td>- A technical study on the new traffic management system at the city’s triangle area.</td>
</tr>
<tr>
<td></td>
<td>- Progress reports on continuing projects including Khon Kan City’s museum,</td>
</tr>
<tr>
<td></td>
<td>slaughterhouse renovation, and public space renovations.</td>
</tr>
<tr>
<td></td>
<td>- Models of low-income housing.</td>
</tr>
</tbody>
</table>

**Conduct of town hall meetings**

The meetings, held at Khon Kan Hotel, usually started at 5:00 p.m. so that all participants could attend. The Governor of Khon Kan Province was invited to chair the meeting. The meeting started with the city’s presentation on issues of concern. Experts and researchers
presented relevant research and studies. Then participants were invited to express their opinions and debate issues. The meetings typically lasted 4-5 hours.

It should be noted that the charismatic leadership of the mayor of Khon Kan City contributed to the success of the meeting. With good teamwork, he carefully arranged the meeting agenda and logistics so well that a high level of participant satisfaction was maintained for two years. Furthermore, the mayor encouraged participants to share different ideas and to look for common solutions, even when there was disagreement among concerned parties. He was skilled at keeping the dialogue moving along very well throughout the meeting.

**Survey of participants’ opinions**

In addition, the city conducted a number of opinion surveys to gauge the participants’ attitudes towards the meeting agenda, resolutions, logistics, and the city’s performance and achievements. The survey findings are illustrated below. The results confirm the high success of the town hall meeting. The city did not report the survey findings to the general public.

**TABLE 6: Opinion Surveys of Participants, 2001-03**

<table>
<thead>
<tr>
<th>Date</th>
<th>Participants</th>
<th>Results</th>
</tr>
</thead>
<tbody>
<tr>
<td>November 27, 2001</td>
<td>46 respondents</td>
<td>80% satisfied with the city’s mission achievement</td>
</tr>
<tr>
<td></td>
<td></td>
<td>91% satisfied with the progress reports on the public space renovations.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>100% agree with the principle of the Bung Toong Srang renovation project.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>95% agree with the construction model of the new public park at the city’s gate area.</td>
</tr>
<tr>
<td>March 22, 2002</td>
<td>80 respondents</td>
<td>95% satisfied with progress reports.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>96% agree with the renovation of the city’s spiritual statu e.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>93% agree with the renovation of the city’s gate.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>96% satisfied with the city hall meeting.</td>
</tr>
<tr>
<td>September 20, 2002</td>
<td>104 respondents</td>
<td>97% satisfied with the progress reports, except for swamp renovation project, Bung Nong Yai, Bung Nong Wang, Nam Sang-Airport, and Nong Sapang for which levels of satisfaction were less than 90%.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>96% agree with the city’s flood prevention plan.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>97% agree with detail construction model of the city gate renovation project.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>90% agree with the city’s spiritual statue renovation project.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>95% agree with the public market #1 renovation project.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>95% agree with the slaughterhouse renovation project.</td>
</tr>
<tr>
<td>November 14, 2003</td>
<td>107 respondents</td>
<td>100% satisfied with the city museum progress report.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>97% satisfied with the slaughterhouse and other renovation projects’ progress reports.</td>
</tr>
</tbody>
</table>
**Outcomes of civic participation**

Focus group and town hall meetings in Khon Kan City proved to be highly successful in relating local citizens’ preferences to city planning and budgeting officials. It should be noted that the meetings did not always arrive at solutions to problems. Critics of the town hall meetings contended that the majority of participants who expressed opinions and suggestions were not well informed about the concerned issues. Local citizens, however, still want to advance the town hall meeting as an exercise that is more meaningful than just a consultative meeting.

**Case Study 4: Rayong City**

Rayong is a metropolitan municipality located in Rayong Province in the eastern part of Thailand. As one of the most vigorously growing commercial and industrial centers in Thailand, the population of more 60,000 is constantly growing as new people move to the city. Rayong is part of a dynamic region and is surrounded by a number of young fast-growing towns.

In 2003, Rayong City received 165.2 million Baht in local revenues. This amount included 112.7 million Baht from local tax and non-tax revenues and 37.5 million Baht in central grants. The city provides a variety of urban services: city planning, primary education, community health care, sanitation, and medical services, law and order, religious, cultural, athletic, and recreation, to community and residential area development, roads and walkways, drainage, lighting, environmental preservation, and solid waste collection and disposal.

Rayong City launched a rigorous campaign of revenue development in 1995. The initiative has proved to be extremely successful with revenues increasing more than 400% in the seven years, 1996-2002. The Mayor of Rayong City (Surapong Poothapibool), however, sought ways to avoid political dissatisfaction (with the level of taxes) by encouraging local residents to become actively involved in local planning and budgeting.

In 2000, the mayor collaborated with the city of Portland, Oregon through the International City and County Manager Association (ICMA). (The effort received the financial support of USAID and US-AEP). The two cities were interested in developing a participatory approach to local planning and financial management. The mayor and a group of local officials and community leaders visited Portland to observe how that city operated. They attended workshops on local participatory planning and financial management. With technical assistance from the ICMA, Rayong City has developed manuals for participatory planning and budgeting, introduced a new approach to officials and civic groups, and experimented with some new ideas.

Rayong City adopted three measures to bring in a system of participatory planning and budgeting: a civic town hall development commission, civic fiscal policy commission, and focus groups for development visioning and budgeting.

**Civic commissions**

In 2002, Rayong City established two civic commissions for planning and financial management -- the town hall civic commission for development planning and the civic fiscal policy commission. The town hall commission for development planning was composed of 100 members, selected by the mayor. They included representatives of local civic organizations, local business leaders, and occupational leaders. The commission’s
responsibilities were to call meetings, prepare a vision of development, and submit the vision to the mayor to incorporate into local development planning. Although the commission was formally struck, it did not accomplish the expected vision for planning. In fact, during its first two years the commission held no meetings at all.

The fiscal policy commission also got underway in 2002. The six members, also chosen by the mayor on the basis of his assessment of their abilities, are leaders of local business and civic organizations. The commission’s function is to advise the mayor and the city hall concerning fiscal and budgetary policies. A number of meetings were held and a few policy proposals on local taxation and budget allocations were made in the first year. However no meeting was held 2003, evidence of a rather passive attitude.

**Focus group consultation**

When the civic commission for development planning did not work out, Rayong City adopted the focus group consultation for local development planning and project implementation. The city is now in the process of preparing a draft five-year development plan. A local NGO organization has been contracted to manage the focus group consultation process. The first round of twenty focus group meetings was conducted in communities over an eight month period. Each focus group generated different visions and strategies for community development. The focus group manager then submitted synthesized visions and strategies to the mayor and the civic commissions for development planning. The second round focus group meetings to solicit details for project development were on the way. To assure broad participation, organizers invited the general public as well as representatives of
interest groups to participate. In fact, most participants were members of the public with no special affiliation.

The focus group technique was applied to the project implementation as well. For example, in the fiscal year 2002, the mayor and program departments suggested that a project concerning a public park be considered by a focus group of citizens. The group was asked to share their ideas of how the park and public spaces in their community should look. Suggestions went into the physical construction plan. Next, city officials returned with a plan and consulted with civic groups in the next round of meetings. The groups discussed details of construction and the budget. This all occurred before the city signed a contract with the construction agency. Civic groups were invited to take part in the process of construction oversight. The city has received very positive feedback from civic groups. They are happy with the park and renovation projects.

**Outcome of civic participation**

It was obvious that the civic focus group consultation in Rayong City was highly workable and productive while the civic commission approach was not. The mayor of Rayong City believed that the consultative focus group meetings needed full-time staff and a professional manager. The city has contracted with an NGO to accomplish this.

**Building Knowledge**

**Approaches to Civic Participation**

In the early stages, civic participation in Thai subnational governments generally started with simple, rather limited approaches. At the same time, the national government and the general public have made strong appeals for serious public participation at the local level. There are at least six approaches to civic participation in local planning and budgeting in Thailand. They include focus group consultations, civic forums, town hall meetings, civic committees, citizen surveys, and citizen budget guides.

**Focus group consultation**

The focus group consultation is perhaps the simplest form of civic participation. The mayor and city officials play leading roles in this approach. When local governments have policy issues that need input from local residents, the city then arranges a series of focus group meetings with the concerned target groups. The purpose of the focus group meeting is to have the group know about the plan, give them an opportunity to make comments, and determine if the plan corresponds to their needs. It is expected that the consultative approach can spawn the citizens’ sense of ownership in the city’s activities.

Local authorities developed their own different ways of focus group consultation. Khon Kan City, for example, adopted a rather formal focus group system. The city’s community cadres established a certain number of civic groups in small communities first. Included in each civic group were community leaders, occupational groups, women and youth leaders, and community religious leaders. Khon Kan City officials usually organized focus group meetings and brought issues concerning action plans for public services and budget into focus group consultation for every two to three months. Local officials, as well as the mayor, usually led the focus group meetings and applied Appreciation, Influence and
Control (AIC) techniques which had proved very effective in encouraging local resident participation.

Rayong City took a different approach and made use of informal focus groups. The city did not establish formal community groups. Nor did it organize focus group meetings on regular basis. Rather, the city selectively organized focus group meetings whenever there were policy issues that needed focus group consultation. For example, the city organized a focus group consultation for a public park renovation project in 2002. In this case, the focus group was comprised of local residents, occupational groups, youth leaders, and others who lived nearby and were affected by the park. The city brought the renovation plan to the consultation process, and local residents voiced their opinions and make suggestions. The city then adapted the plan to suit local needs and brought the new version to the next round of consultation meetings. In addition, local residents participated actively throughout the renovation process and, when the project was completed, they had a strong sense of collective ownership of the park.

In addition to issues-based consultation, Rayong City has been applying the focus group consultation method to local development planning over the past two years. Twenty focus group meetings have been conducted and each has generated different visions and strategies for community development planning.

Civic forum

Local authorities in rural areas (TAOs) have widely adopted the civic forum mechanism into their planning and budgetary processes. The approach was first introduced by the Ministry of Interior by a directive in 1998.

TAOs’ civic forums take a rather formal approach. According to the ministerial regulation, TAOs are advised to establish civic forums at the village and the subdistrict (Tambon) levels. Every village has a civic forum committee that includes the village head, community leaders, occupational groups, women and youth leaders, religious leaders, school teachers, and officials of other public organizations, in all eight to fifteen persons. At the subdistrict (Tambon) level, the civic forum committees are also adopted by TAOs. The committee members, around fifty to one-hundred persons, are composed of representatives of village civic forums.

Local annual planning and the budgeting process usually start in March, about six months ahead of the fiscal year (the first of October). The bottom-up process starts at the village level, when the chairperson of the village civic forum committee convenes the meetings. The meetings’ agendas are to identify and prioritize community problems, needs, as well as appropriate development activities. The committee then submits the information to the subdistrict (Tambon) civic forum committee.

The subdistrict (Tambon) civic forum committee usually organizes its forum meetings during April and May. A main agenda item is to prioritize the villages’ problems, needs, and development proposals. The chairperson of the subdistrict (Tambon) civic forum committee is requested to submit the forum proposals to the mayor of the TAO within the first week of June, so that the TAO has enough time to prepare its annual budget appropriation proposal.

As the budget requests obtained from civic forums are usually far more than the TAO annual budget ceiling, the mayor has to cut off the requests to meet the budget line, but with
strict respect for civic forums’ priorities. It is noteworthy that the budget appropriation process of the TAO council is also highly respectful of the civic forums’ priorities as well.

TAOs apply the ministerial regulation on participatory planning and budgeting differently. Though almost every TAO formally set up village and subdistrict civic forum committees, not all are really functional. Two successful cases are illustrated in this paper, Huai-Kapi and Suan Mon TAOs.

**Town hall meeting**

Khon Kan City is perhaps the only place that made successful use of the town hall meeting in Thailand. The city took the approach as a policy consultative mechanism in 1998. The purpose was to bring policies and programs that are naturally controversial and could have a significant impact on local residents into a public consultative forum. Meetings take place every three months, with occasional meetings for special issues.

The mayor of Khon Kan City is at the center of the town hall meeting. He and his staff are responsible for the meeting agendas, calling experts, directing debate and dialogue, and seeing to it that citizens’ views are included in policy. A meeting agenda is composed of new policy issues and progress reports on continuing ones. The city releases information to the general public and interested groups via local media, direct mail, signboards, and local newspapers.

Knowing that information is extremely important to participants, the mayor often requests that experts carry out research and present findings at the meeting. Citizen participants receive hand-outs of research, studies, and project details.

There is broad participation of about 120-350 people, who may represent more than 140 civic organizations and some 50 provincial government officials. Some 100 members of the general public generally attend.

The provincial governor is chair of town hall meetings. The mayor plays a key role in directing an informed debate and soliciting a wide range of views.

**Civic committees**

Rayong City is an example of a city that attempted the civic commission approach with mixed results. In 2002 the mayor formally adopted two civic commissions: the town hall civic committee for development planning and the civic fiscal policy committee. The first was composed of representatives of local civic organizations, local business leaders, and occupational leaders, about 100 persons in all. However, the approach was not successful. The focus group consultation seemed better suited to the city.

The civic fiscal policy commission, composed of six members who are leaders of local business and civic organizations, is a policy advisory board concerning taxation and budgeting. The commission made several policy suggestions during 2001-2002, but none in 2003-2004.

**Citizen surveys**

Citizen surveys are widely used in many local jurisdictions. Three cases are illustrated in this study: Khon Kan City, Huai-Kapi TAO, and Suan Mon TAO. Khon Kan City regularly conducted surveys of participants in city hall meetings to gauge their level of satisfaction and get suggestions for making the process more effective. Survey results were analyzed and
TABLE 7  Summary of Civic Participatory Approaches

<table>
<thead>
<tr>
<th>Approaches to civic participation</th>
<th>Rayong</th>
<th>Khon Kan</th>
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<tr>
<td>Focus group consultations</td>
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<td>Town hall meetings</td>
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<td>Civic committees</td>
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<td>Citizen/Household surveys</td>
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<td>Citizen budget guides</td>
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changes were made accordingly. It is worth noting that although public levels of satisfaction gradually improved, the city never fully disclosed the results to the general public.

Suan Mon and Huai-Kapi TAOs occasionally conducted household surveys for the purpose of data collection to assist in their planning and evaluation process. In 2002, Suan Mon TAO conducted a household survey to assess local resident satisfaction with TAO’s performance and seek their opinions about development priorities. The survey findings were incorporated into the TAO planning process in 2003. Huai-Kapi employed a household survey in 2002, at the same time the TAO was using the civic forum process. There were 411 households involved, approximately 18% of local residents. The surveys obtained valuable information about the need for local services. Results were incorporated into the TAO’s civic forum discussion and planning processes.

**Citizen budget guides**

Huai-Kapi is of many local authorities that have employed the citizen budget guide to inform local citizens of what authorities do for residents. To improve local tax collection, Huai-Kapi TAO educated local residents about the rationale for local taxation and spending. They developed a friendly and understandable budget guide and distributed it to local taxpayers.

**Diagnosis 1: Factors Affecting Participation**

**Mayoral leadership**

Local leadership can have a significant influence on civic participation. This was especially true in the cases of Khon Kan City and Rayong City. The mayor of Khon Kan City was trained at a leadership school, “Maha Jamlong Leadership School.” With a new vision to promote civic participation in local management, the mayor was able to build an effective working environment for staff, establish a good relationship with local NGOs and community leaders, adopt new civic participatory processes, and play a key role in the town hall meetings in his first two years, 2001-2002.

Similarly, the mayor of Rayong, who graduated from a leading school of political science of Chulalongkorn University, has a vision to run his office based on principles of local-self government and civic participation. His first four-year regime was dedicated to improving local revenues in order to sustain a high level of fiscal autonomy. He was highly successful. The mayor’s second term was dedicated to the promotion of civic participation. Rayong City partnered with Portland, Oregon to develop a participatory approach to local planning and financial management.
**Political and cultural factors**

Local politics and culture are the most important factors affecting civic participation. All four case studies, Khon Kan City, Rayong City, Huai-Kapi TAO, and Suan Mon TAO, show this.

Local residents of Khon Kan City had an exceptionally high level of political efficacy, developed in part when they actively participated in the last constitutional drafting process. New local civic organizations gradually increased in numbers and sought to have significant roles in local politics. The mayor of Khon Kan City then successfully built up a new political culture of civic democracy on this already fertile ground by adopting a large scale participatory approach, the city hall meeting, within a rather short time.

Local political culture in Rayong City is unique in that it is highly competitive and uncertain. As a highly robust industrial and commercial center of the eastern seaboard region, the city has attracted many new residents over the past ten years. Newcomers now make up 30% of the population. This has resulted in highly fragmented and politically ineffective communities. When Mayor Surapong Poothanapiboon wanted to promote civic participation in local planning and budgeting, he thus decided to adopt an informal and small scale approach, such as the project-based civic forum consultation and the advisory civic committee for fiscal and budgetary policies.

The two TAO cases, Huai-Kapi and Suan Mon, are similar in their strong rural-community collective culture at the village level. There were traditions of civic participation in local affairs long before the emergence of TAO. But the strong civic culture at the village level often generated political conflicts at the subdistrict (Tambon) level. Suan Mon TAO, for example, had struggled with the problem of limited resources and insufficient means for accommodating many competing needs of the villages. This had often led to political conflict and accusations of “pork-barrel budget allocation” among villages. With the adoption of civic forum committees at the village and especially at the subdistrict (Tambon) levels, there is an appropriate mechanism in place to help resolve inter-village conflicts over TAO budget allocations.

**Diagnosis 2: Origins of Participatory Mechanisms**

The civic participatory approach in local planning and budgeting has its origins in many sources, central government mandates and incentives, local initiatives, as well as international agencies of development support. The TAOs’ civic forum for planning and budgeting was driven by the Ministerial Regulation on Local Authorities’ Participatory Planning Approach of 1998, issued by the Ministry of Interior. The regulation was initially applied only to TAOs but extended to other local authorities afterwards. To promote and help TAOs adapt to the new participatory planning approach, the Department of Local Administration provided guidelines, worksheets, and short training courses in 1998-99. However, the departmental efforts were inadequate to local needs. Success still depended mainly upon local initiatives.

The cases of Khon Kan and Rayong cities resulted from local initiatives, with partial support from international organizations. Khon Kan City’s city hall meeting, for example, resulted from a mayoral initiative. The citizens were well-prepared to take part in city hall meetings because they had become familiar with the civic forum consultation approach as a result of a collaborative program between Khon Kan City and the Danish agency DANCED, in 1997.
There was similar support from the mayor of Rayong City for that city’s civic forum consultation for local planning and project management, as well as the civic committee on fiscal and budgetary policies. The city also received important technical support from the city of Portland, Oregon, the International City and County Manager Association (ICMA), USAID, and US-AEP. In 2000, the mayor of Rayong City, municipal staff, and local community leaders visited Portland for a study trip. They had first-hand experience observing the city’s techniques with civic participatory planning and financial management. In 2001-02, ICMA technical experts helped Rayong City develop a practical guideline for participatory planning and budgeting.

National initiatives promoting good governance at the local level also contributed to local civic participation. A number of national institutions instituted awards to recognize excellence in local governance and civic participation. King Prajadhipok’s Institute offered the King Prajadhipok Award for local authorities with a record of excellence in civic participation and transparency. The Puay Ungpakorn Foundation recognized outstanding TAOs. The National Decentralization Committee, in collaboration with the Ministry of Interior, also launched a good governance award granting program recently. This last award provides local authorities with grants for their outstanding performance. Research has shown that awards have been an incentive to local authorities to initiate programs of civic participation.4

**Diagnosis 3: Degree of Participation**

The notion of “civic participation” differs in both quantity and quality in each approach. Among the six approaches, TAO’s civic forum planning and budgeting is the most widely used and involves the highest levels of civic participation.

The consultative approaches are next in terms of the level of participation. Continuing in the ranking of activities according to the level of participation, from high to low, the order is: Khon Kan City’s city hall meeting, the civic forum consultation in Khon Kan and Rayong cities, and the civic committees for fiscal and budgeting in Rayong City. The city hall meeting is the large scale consultative approach driven by the local authority. Local residents do not initiate consultative agendas but can have access to information on local policies. The meetings also give them opportunity to express opinions or suggestions for changes to local policies.

Civic forum consultation is a small scale consultative approach. Khon Kan City adopted a rather formal and regular civic consultation approach to get public input on a variety of local programs such as community health, social welfare and income promotion, and public works. The city had all communities set up their own civic forums. Local staff, with the cooperation of community civic forum committees, regularly held consultative meetings.

Rayong City applied a less formal, ad hoc approach for a more limited number of policy areas than Khon Kan City. As noted above, the city neither adopted community civic forum nor did it hold regular consultative meetings. Rather, Rayong City occasionally consulted targeted groups on policy issues.

Rayong City’s civic committee on fiscal and budgetary committee engaged a rather limited number of participants. In addition, it is considerably weak in its low level of

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4 The research is entitled “Local Government Initiatives in Thailand”. Conducted by Charas Suwanmala, supported by the Thai Research Fund (TRF), it continued until December 2004.
productivity, lack of ownership, and lack of long-term sustainability. The efforts depend for the most part on the commitment of the mayor.

Huai-Kapi and Suan Mon TAOs’ household surveys are one-way data collection activities, driven by local authorities. The number of households covered by the survey might be large or small, depending entirely on local discretion. The surveys allow local residents to express their opinions, problems and needs to local authorities. This mechanism is often applied together with other means, such as civic forum and civic consultation.

Huai-Kapi’s budget guide is the most limited measure of civic participation. Its primary purpose is to inform local citizens about local priorities, budgetary policies, progress and problems of policy implementation.

**Disadvantaged groups in civic participation**

Disadvantaged groups have their own representatives in civic forums and city hall meetings. Civic committees for fiscal and budgetary policy, on the other hand, concentrate on the participation of local elite groups, leaving no room for disadvantaged people or their representatives. Budget guides normally target the general public rather than specific groups such as the disadvantaged.

**TABLE 8  Summary Diagnosis of Civic Participation**

<table>
<thead>
<tr>
<th>Diagnosis</th>
<th>Rayong</th>
<th>Khon Kan</th>
<th>Huai-Kapi</th>
<th>Suan Mon</th>
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<tr>
<td>Diagnosis 1: Significant factors affect civic participation</td>
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<tr>
<td>1. The mayoral leadership</td>
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<tr>
<td>2. Local politics and cultural factors</td>
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<td>Diagnosis 2: Origins of participatory mechanisms</td>
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<tr>
<td>1. Central mandates and incentives</td>
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<tr>
<td>2. Local innovations</td>
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<tr>
<td>3. International supports/collaboration</td>
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<td>Diagnosis 3: Intensity of civic participation (Rank from 1-5)</td>
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<td>1. TAO civic forums for planning and budgeting (3-5)</td>
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<td>2. City’s civic forum consultations (2-4)</td>
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<td>3. Civic Committees (2-3)</td>
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<td>4. Citizen/household surveys (1-3)</td>
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<td>3</td>
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<td>5. Budget guides (1-2)</td>
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Evaluation 1: Impacts on the Quality of Local Public Services

Civic participation has contributed to the improvement of local public service quality. TAOs’ civic forums for planning and budgeting had the most obvious impact on local public services. Civic forums not only set up priorities for local budget allocations, but also effectively monitored local budget execution and continued to provide feedback information during the budget planning process. Participatory consultative approaches, including civic forum consultations, city hall meetings, and civic committees, helped shape local policies for services and allowed for monitoring of public service performance to suit the wishes of local residents.

Other forms of civic participation, such as citizen/household surveys and budget guide, however, had less obvious impacts on local policy and public services. These may contribute to a better information flow between local authorities and their constituencies, but it is difficult to assess the contribution of these methods.

Evaluation 2: Impacts on the Quality of Local Politics

Civic forums were effective at building consensus and trust among citizens and communities with fragmented and conflicting preferences. Suan Mon TAO, for example, had faced conflict and accusations of pork-barrel budget allocations, inadequate budget resources, and a weak local leadership. Yet there was a strong civic culture at the village level. The sub-district (Tambon) civic forum was able to move the communities from conflict to a spirit of cooperation. At the same time, the process helped build up a spirit of trust among villagers.

In two cases, Khon Kan City’s city hall meeting and Rayong City’s civic forum consultative planning, significant change in local politics took place. The participatory approach helped shift politics from an authoritative, bureaucratic, elite-driven insiders’ activity to a more public, open mode of decision-making involving citizens.

Evaluation 3: Improvement of Attitudes towards Taxation

The cases of Huai-Kapi TAO, Suan Mon TAO, and Rayong City clearly illustrate the deepening sense of civic responsibility towards taxation. This was due to civic participation in local planning and budgeting. Huai-Kapi and Suan Mon TAOs both launched tax collection improvement projects along with civic forum planning and budgeting. These efforts proved to be successful.

Rayong City, on the other hand, was exceptionally successful at improving tax collection prior to their adoption of civic-forum consultative planning. Actually the civic-forum consultation was partly aimed at quieting civic displeasure with the tax collection improvement program. The situation in Rayong City also showed that civic participation helped local citizens understand the link between the local tax burden and the community benefits they received from local expenditures.

It should be noted, however, that in Thailand the structure of local finances is embedded in a great deal of fiscal illusion. As the first section of this paper showed, more than 70% of local expenditures come from central transfers, while locally collected revenues contribute only 11-12% of the total. The relationship between locally collected revenues and expenditures, or the quality of services, is generally weak and, in fact, hardly traceable. For this reason, civic participation in local budget planning has often concentrated on local spending and has usually disregarded the revenue side.
TABLE 9  Summary of Impacts of Civic Participation

<table>
<thead>
<tr>
<th>Impacts of civic participation</th>
<th>Rayong</th>
<th>Khon Kan</th>
<th>Huai-Kapi</th>
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<tr>
<td>Improvement of local public services</td>
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<tr>
<td>Improvement of local politics</td>
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<td>Yes, medium</td>
<td>Yes, high</td>
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<tr>
<td>Improvement of civic sensibility of taxation</td>
<td>Yes, high</td>
<td>Yes, high</td>
<td>Yes, high</td>
<td>Yes, high</td>
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Recommendations

Capacity-Building

As this paper has shown, there are several critical factors which help shape civic participation and determine how effective it can be. Success depends to a significant degree on the ability of local authorities to be innovative. (One must understand that these authorities have usually represented the elites’ vision.) Also, effective participation depends on central government policy and the mechanisms it puts in place to promote participation. The degree and kind of technical support from “outside” organizations (academic agencies and international organizations) are also important factors. But above all, the civic culture and traditions of the local communities determine how effective civic participation is.

To build local capacity for civic participation in planning and budgeting, the primary efforts should be: to put in place innovative mechanisms for participation, disseminate knowledge about local participatory budgeting, and to establish training and learning facilities at the regional and local levels.

Establish New Network for Knowledge Management

The Royal Thai government has adopted a national policy for the promotion of good governance. To support this effort, a number of good governance awards are given to local authorities by public and private organizations. This has helped encourage local leaders to include civic participatory approaches in their local management and planning. However, there is no particular institution responsible for creating new knowledge and providing technical assistance to local authorities to help them achieve participatory approaches. Local leaders usually learn on their own, as well as from others, who have a similar limited experience.

Accordingly, there should be a national institution or a network of knowledge management, dedicated to the innovation and dissemination of new knowledge concerning local authorities and democracy, management, and civic participation. The institution should be attached to academic institutions, and share partnerships with relevant government departments, associations of local authorities, professional associations of the civil service, the business sector, and international organizations.

The primary activities of this institution should be:

- To conduct research for the development of new civic participatory approaches to local democracy, budgeting, and taxation,
- To develop new supporting software, operational guides, tools, and training kits needed for the installation and implementation of new civic participatory approaches, and
- To provide hands on training for trainers (staff of regional academic institutions, professional associations, and business sector) and for local professional staff.
There would be on-going research activities involved in running the facility. The Thai Research Fund (TRF) has provided grants to Chulalongkorn University to conduct a study on local government initiatives. The Fund has also supported a private foundation in its experiments and research into the development of local budgeting and financial management.

In addition, local authorities, in collaboration with academic institutions and private foundations, are setting up an informal forum of inter-local coordination. Similar movements have taken place at the provincial level as well. Tak and Nan provinces, among others, are working to develop their provincial networks for promoting civic participation.

It is noteworthy that the endeavors to establish knowledge management networks at both national and regional (provincial) levels are weak, partly due to the lack of effective management techniques. A culture of professionalism and managerial expertise has not yet been developed in Thai local government.

Training Needs of Different Actors

Two groups of key players need training: local elected leaders and officials, and leaders of local citizen and business organizations.

Elected leaders and local officials should be trained on the rationale and technical sides of civic participation in local budgeting. A training course should include these topics:

- Why local authorities need civic participation
- How to forge a vision of collective preferences for a community from the fragmented preferences of many citizens
- How to market local budget and revenue improvement programs.
- How to build trust in local public affairs management.

It should be noted that the Department of Local Authority Promotion (DLAP), of the Ministry of Interior, launched a training project during 2000-01 called “A Participatory Planning Approach for TAOs.” The training was aimed at introducing a general concept of participatory budget to local elected and staff of TAOs. However, the usefulness of the training was limited because there were no technical operating procedures and information about participatory budgeting included in the training packages.

Leaders of local citizen organizations play key roles in the participation process. They should have appropriate skills and attitudes on collective decision-making. The following topics should be included in a one- or two-day training course for this target group:

- Your budget, your choices
- Taxes are costs of local democracy
- Building trust in your community

Apart from DLAP training for TAOs in 2000-01, there were many governmental and non-governmental organizations (the Department of Community Development, DANCED, JICA, GTZ, ICMA among others) which offered training packages for leaders of citizen organizations, local leaders and officials. So far a number of technical knowledge and training guides have been made available.
Training Materials Available
Materials are available from these sources:


Suggestions on Possible WBI Partners
There are potential useful partners for cooperation with the World Bank among national government agencies, academic institutions, and local authority associations. Here are the most likely partner agencies:

**National government departments**

- Department of Local Authority Promotion (DLAP). The department, under the umbrella of the Ministry of Interior, is directly in charge of promoting and strengthening local authorities.
- Office of National Decentralization Committee, Office of the Prime Minister. The agency functions as the secretariat for the National Decentralization Committee, in charge of setting policy agendas on the promotion of local government and decentralization.

**Academic institutions**

- Institute of Local Government Initiatives, Faculty of Political Science, Chulalongkorn University. The institution is dedicated to conducting research on local government initiatives in Thailand, producing learning cases and training packages, and providing technical support to local governments learning network.
- Center of Local Government Studies, Faculty of Political Science, Thammasat University. The agency helps facilitate meetings of the local authorities coordinating forum.

It should also be noted that other regional universities have centers and programs on local government studies and training activities. Some of these activities involve collaboration among several universities.

**Local authorities and local staff associations**

- Municipal League Association
- Provincial Administrative Organization Association
- Tambon (Subdistrict) Administrative Organization Association
- Municipal Civil Work Official Club
- Municipal Financial Official Club
## Abbreviations and Acronyms

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>AIC</td>
<td>Appreciation, Influence, and Control</td>
</tr>
<tr>
<td>BMA</td>
<td>Bangkok Metropolitan Administration</td>
</tr>
<tr>
<td>DANCED</td>
<td>Danish Cooperation for Environment and Development</td>
</tr>
<tr>
<td>DLAP</td>
<td>Department of Local Administration Promotion</td>
</tr>
<tr>
<td>DOLA</td>
<td>Department of Local Administration, Ministry of Interior</td>
</tr>
<tr>
<td>PAO</td>
<td>Provincial Administrative Organizations</td>
</tr>
<tr>
<td>TAO</td>
<td>Tambon (subdistrict) Administrative Organizations</td>
</tr>
</tbody>
</table>
As stipulated in the Constitution of 1996, Ukraine is a unitary state with the governance system of a republican type. The Constitution defines the role of the President as head of state, the Supreme Council (Verhovna Rada) as the upper legislative body, the Cabinet of Ministers as the highest executive, and the Supreme Court as the highest judicial power (Articles 102, 75, 113 and 125, respectively).

General Framework

Government Structure

Ukraine has a government system structured in several tiers along its administrative territorial divisions and subdivisions (see Annex 1). At the top is the central government with a democratically elected Parliament, the Verhovna Rada, and the Cabinet of Ministers.

The regional level consists of: the Autonomous Republic of Crimea (ARC), twenty-two oblasts (regions) and two cities with oblast status, namely Kiev and Sevastopol. While the ARC has its own Parliament, each oblast and each of the two cities is governed by an elected council (rada) responsible for political and strategic decision-making at their respective levels. Executive functions at this level are delegated to local state administrations led by heads of local administration appointed by the president on the recommendation of the Cabinet of Ministers. These functions include: ensuring compliance with the Constitution and overseeing implementation of the laws, government decisions and Presidential decrees; securing the rule of law and citizen rights and freedoms; ensuring implementation of various national and regional programs; drafting and implementing a relevant republican, oblast or cities-with-oblast-status budget; reporting on the performance of the above-mentioned
programs and budgets; interacting with lower level institutions of local self-governance; and executing tasks assigned by central government and delegated by corresponding councils.

The lowest level of governance consists of 480 rural rayons (provinces or counties), 139 cities and towns, and rural settlements and city districts—altogether some 30,000 units. At this level local self-government institutions consist of local elected councils (rada) and executive committees. Small settlements (fewer than 500 inhabitants) can delegate executive functions to the head of their respective council instead of creating a full-fledged executive committee.

Thus, a distinction is made between local self-government at the regional level (ARC and oblasts) and primary level (municipal and below). The government system of cities with special status differs slightly from the general model combining features of both regional and primary levels.

**Decentralization Reform**

Currently Ukraine is undergoing a process of state administration and local governance reform that aims at political and financial decentralization and devolution of administrative powers. The reform is concerned with:

- dismantling the Soviet system of a centralized state power pyramid;
- separation of legislative authority from the executive and judiciary;
- bringing governance processes closer to the people; and
- raising the status of local self-governance as the key element of the decentralization process.

Since joining the Council of Europe in 1995 and ratifying of the European Charter of Local Self-Government, Ukraine has committed itself to a reform process that pursues common European values in the organization of local governance. General competence, the idea of the local authority as a self-governing community, and subsidiarity are among the dominant European concepts of local government.

The Council of Europe constantly monitors the progress of member countries in advancing local and regional democracy. Among recommendations and concerns issued to Ukraine within the last years are:

- those targeting a deficient legal base regulating the local self-government system;
- a need for more precise delineation of authority between state administration and local self-governance, as well as for a clear distinction between local and regional government;
- unresolved local government property issues;
- abolition of the practice of delegating unfounded mandates to the local level;
- elimination of political and administrative pressure on local self-government institutions from the higher government level; and
- security of rights for local self-government.

Beginning in 1997 a large number of laws and regulations were issued in support of the local governance reform process. These include: the Law on Local Self-Government (1997); the Presidential Decision on Measures for Implementing the Council of Europe Recommendations on Local Regional and Democracy in Ukraine; the Law on Elections of Local Councils and Village, Rayon and City Mayors (1998); the Law on the Capital of Ukraine, Kiev (1999); the Presidential Decree on State Support to the Development of Local...
Self-government in Ukraine; the State Program of Local Self-government Development; the Presidential Decree on the Concept in Regards to State Regional Policy (2001); the Law on the Bodies of Residents Self-organization; the Law on Services in Local Self-Governance Organs; Land Code; Budget Code; and the Law Regulating the State Experiments of Self-government Development in some areas of Kiev oblast (2001).

**Local Self-Government Competences and Autonomy**

The 1996 Constitution of Ukraine was the first constitution to introduce a concept of self-governance. It defined self-governance as a right of a territorial community (*gromada*), i.e., a voluntary unit of the inhabitants of a village, settlement or town, or a unit of several territorial entities that come together for the purpose of decision-making on local affairs in the framework limited by the Ukrainian Constitution and laws (Constitution of Ukraine, article 9, item 140). Thus, the village and town territorial communities are primary subjects of local self-governance and principal bearers of local self-government authority and functions. They can exercise their right to self-governance through the establishment of local self-governments and through mechanisms of direct democracy.

The organization of local self-government is regulated by the Law on Local Self-Government of 1997 that defines the following fundamental principles:

- rule by the people, rule of law, transparency;
- collegiality of decision-making;
- unity between local and state interests, representation based on elections;
- legal, organizational and financial independence in the framework of local governance jurisdiction defined by existing legislation;
- responsibility and accountability of local government institutions and officials vis-à-vis respective territorial communities;
- state support and rights guarantees to self-government; and
- judicial security of local self-government rights.

The right to local self-govern ment is realized through the popular election of local councils (*radas*) that take place every four years on the basis of universal, equal and direct suffrage through secret ballot. Elected council delegates exercise their authority through regular assemblies which meet a minimum of four times a year and through participation in standing and temporary commissions formed to study and draft decisions on certain issues and to implement control functions. Commissions are assigned broad authorities allowing them to assess the performance of government bodies, committees and departments under their jurisdiction, as well as request information from public bodies and other organizations and enterprises.

The law assigns a wide range of exclusive responsibilities to local councils that can be summarized as follows (Navruzov 2001: 123):

- adopting the council agenda, approving a structure of its executive branch and deciding on its staff matters;
- approving development programs, local budgets and budget implementation reports, deciding on local taxes, fees and loans;
- managing and deciding on community property, overseeing privatization, regulation of the use of land and other natural resources, adopting regulations in regards to urban and territorial development; and
establishing the municipal police and other divisions, units of public and ecological control.

Local councils establish an executive branch consisting of an executive committee, various directorates, departments and service units. The head of a local executive is at the same time chairperson of the local council (see Annex 2).

The executive committee assumes responsibility over the preparation of development programs, local budgets and other forms of executive support to the work of council, including decisions regarding the implementation of regulations and decisions issued by the council. It also coordinates the work of directorates, departments and service units that are meant to implement decisions, provide public services, and respond to the interests of their territorial communities.

The roles of local authorities are divided between responsibilities implemented on behalf of the local territorial community and those delegated by the state. Generally, the Law on Local Self-Government vests local governments with the following responsibilities:

- maintaining community property and housing stock;
- rendering services such as transport and communication,
- assuring proper operation of educational and health institutions, cultural, recreational and sport facilities;
- providing social security for citizens;
- land use and protection of the environment (Slukhay 1999: 1).

To provide public services local government must cooperate with local enterprises. Existing legislation allows various modes of local service provision, including traditional delivery of services paid by public budgets, contracting to the private sector, concessions and consumer associations, and creating joint arrangements with the private sector.

Although the existing legislation provides a rather high degree of autonomy in terms of the activities of local self-governments, in reality their ability to exercise it depends to a great extent on the availability of resources. Because local governments are very heavily dependent on intergovernmental transfers they are susceptible to pressure from “higher” levels of government.

**Local Government Resource Base**

After independence, the Ukrainian public finance system continued to follow the “matrioshka” budgeting principles inherited from the Soviet times. In this system the Ministry of Finance prepared a state budget and the budgets of regions (oblasts) on the top of local budget hierarchy. Oblasts, in turn, allocated funds to cities and rayons. Financial resources from the budgets of rayons were distributed to municipalities (villages, settlements and towns of rayon significance). For the lowest, municipal level of government this system meant they had little influence on the process of resource distribution.

This “budget within the budget” system permitted a large degree of fiscal discretion by upper-level authorities. It created instability of expenditure and revenue assignments and concentrated political, administrative and economic authority at the upper level. Also, the system fostered non-transparent decision-making and cultivated patronage and nepotism. The system gave negative incentives to local authorities and, in fact, encouraged them to overstate budget expenditure requirements and understate revenues in order to gain larger transfers and reduce their own expenditures. At the same time, supply-based expenditure
norms used for allocation of resources maintained inefficiency and excessive capacities at the local level.

Ukrainian budget reforms since the early years of independence have aimed at enhancing the effectiveness and efficiency of public service delivery through decentralization. The adoption of the 1996 Constitution, introduction of the 1997 Law on Local Self-Government, and the later introduction of the 1999 Law on Local State Administrations revealed serious discrepancies between the goal of decentralization and actual budgetary practice.

Provisions of the Constitution and the above-mentioned laws were entrenched in the 2001 Budget Code, the adoption of which was a milestone in the process of budgetary reform and fiscal decentralization in Ukraine.

Although the Code represents a serious step forward in intergovernmental fiscal relations in Ukraine, it does not provide sufficient grounds for full-fledged fiscal decentralization. It treats the two upper levels of local government (oblasts and rayons) as independent local budgetary units that receive transfers directly from the state budget according to the formula based approach. However, it does not go as far as fiscally disaggregating rayons into their constituent towns, villages and settlements and assigning them the status that cities enjoy. This fact actually preserves the old revenue distribution system that concentrates the financial and administrative power at the level of rayons.

The following scheme represents the hierarchy of the distribution of financial resources to local governments. The local budgets represented in the middle row benefit from direct financial relations with the state budget, while those in lowest one do not enjoy this privilege.

In 2003, the budget system of Ukraine was comprised of 12,074 local budgets, including the budgets of the Autonomous Republic of Crimea (ARC), the cities of Kiev and Sevastopol, oblasts (24), cities (171), city districts (92), rayons (488), towns (277), settlements (786), and villages (10,233). The state budget directly interacts with 686 budgets down to the rayon level through transfer payments.

According to the Budget Code, local budgets are built on the following principles:

- **Integrity.** Ukraine’s budget system is based on a unified legislative framework, monetary system, regulation of budgetary relationships, budget classification, and unified procedures for the execution of all budgets and the maintenance of accounting records and reporting.

- **Independence of budget levels from each other.** The state budget is not liable for budget commitments of local self-governmental bodies. Local self-governmental bodies are not liable for budget commitments of other localities, nor are they liable for commitments made by the state. The independence of budgets is provided by the assignment of specific
revenue sources to local self-governmental bodies, which have to decide how to use their funds in accordance with Ukrainian legislation.

- **Subsidiarity.** Division of expenditure responsibilities between the state and local budgets, as well as across local budgets, ensures provision of social services by the level closest to those receiving those services.
- **Equity and impartiality.** The budget system is based on equitable and impartial allocation of public wealth among citizens and territorial communities.
- **Openness and transparency.**

However, these principles have not yet been translated into reality. One of the Budget Code provisions assigns the responsibilities for drafting and executing of rayon and oblast budgets to local state administrations, though local government budgets must be approved by oblast and rayon councils.

The Constitution introduced funding arrangements for oblast and rayon budgets based on own local government revenues, delegated revenues (used for transfer calculations), and transfers from the state level. According to Article 143 of the Constitution, the state was obliged to fund functions delegated to local governments through transfers from the state budget and the assignment of state taxes to local budgets.

Own and delegated functions, implemented by local authorities, are financed from separate revenue sources, own and delegated funds, respectively (according to assigned revenue baskets). Transfer related expenditure functions assigned to local governments include health, education and other social programs. Non-transfer expenditure responsibilities of local governments relate mainly to the maintenance and improvement of local public infrastructure.

In terms of expenditures, local budgets in Ukraine are very socially oriented. In 2003 the share of local budgets’ social expenditures constituted 82.4% of their total spending. Table 1 shows the structure of local budget expenditure in 2003 by functions.

Since 1999, local budget funds have been grouped in two broad categories, general and special. Special funds include particular revenues or targeted transfers meant to finance specific types of expenditures (e.g. the ecology fund, road fund, etc.) General funds include all other revenues that are mostly used to cover ongoing or recurrent expenditures. Furthermore, within both special and general funds expenditures are subdivided into capital

### TABLE 1 Local Budget Expenditures in 2003

<table>
<thead>
<tr>
<th>Expenditure function</th>
<th>Shares in total expenditures</th>
</tr>
</thead>
<tbody>
<tr>
<td>Education</td>
<td>29.4%</td>
</tr>
<tr>
<td>Health care</td>
<td>23.4%</td>
</tr>
<tr>
<td>Social protection and social security</td>
<td>19.6%</td>
</tr>
<tr>
<td>Economic activity</td>
<td>9.7%</td>
</tr>
<tr>
<td>Public administration</td>
<td>6.9%</td>
</tr>
<tr>
<td>Housing and Utilities</td>
<td>5.5%</td>
</tr>
<tr>
<td>Culture, arts, and sports</td>
<td>4.5%</td>
</tr>
<tr>
<td>Environmental protection</td>
<td>0.6%</td>
</tr>
<tr>
<td>Law enforcement and public security</td>
<td>0.4%</td>
</tr>
</tbody>
</table>

*Source: State Treasury of Ukraine.*
TABLE 2  Structure of Local Budget Revenues in 2003

<table>
<thead>
<tr>
<th>Category of local government revenues</th>
<th>Share in total revenues, %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tax receipts</td>
<td>54.2</td>
</tr>
<tr>
<td>Non-tax receipts</td>
<td>7.1</td>
</tr>
<tr>
<td>Receipts from capital transactions</td>
<td>3.0</td>
</tr>
<tr>
<td>Block grants</td>
<td>1.5</td>
</tr>
<tr>
<td>Transfers from other levels of government</td>
<td>34.2</td>
</tr>
<tr>
<td>Total</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Source: State Treasury of Ukraine.

and operational ones, and revenues are classified under tax receipts, non-tax receipts, receipts from capital transactions, block grants, and transfers from other levels of government. Non-tax receipts refer to proceeds from property and business activities, administrative fees and levies, penalties and fines paid to government institutions and local authorities.

Table 2 shows the structure of local government revenues in 2003 according to the official classification.

The Budget Code divides local government revenues into two revenue baskets. “Revenue basket #1” is meant for funding expenditure responsibilities that have been delegated to local governments, and local governments’ own expenditure responsibilities are funded from “revenue basket #2.”

The first revenue basket includes taxes and other state revenue sources used for calculations of the intergovernmental transfers (delegated revenues). The composition of revenue basket #1 constitutes all the proceeds from the personal income tax, stamp duty, fees for licenses and certificates issued by local government executive bodies, administrative fines, trade patent fees (except those collected from the patrol stations), unified tax collected from small enterprises (Articles 64 - 66 of the Budget Code).

Before adopting the annual State Budget Law, the central government forecasts local government revenues from all delegated taxes that constitute the revenue basket #1 and respected local government expenditures for delegated responsibilities. Calculating delegated expenditures is done on a formula based approach, annually approved by the Cabinet of Ministers. If the amount of expenditure exceeds the amount of calculated revenue for a certain locality, the state compensates local budgets fiscal gaps. In the opposite case, the state extracts a surplus.

The revenue basket #2 of local budgets is funded from own revenues constituted from the land tax, other local taxes and fees, and is aimed to fund own local government expenditure responsibilities. Table 3 demonstrates shares of the tax revenues in local budgets.

The stability of local budgets significantly relies on personal income tax (PIT). In 2004 the central government took a step in reforming PIT. The progressive scale of PIT ranging from 10% to 40% of personal income was replaced by a 13% flat rate with the hope this would bring about an increase in PIT collection. However, according to the State Treasury data for the first quarter of 2004, PIT receipts remained at the 2003 level.

Generally, local taxes are a very underdeveloped part of local revenues. Only in a few cases do local taxes, fees and duties reach beyond ten percent of local budget revenue.
TABLE 3 Local Budget Revenues by Sources in 2003 *(without transfers)*

<table>
<thead>
<tr>
<th>Sources</th>
<th>Shares in total local budget revenues</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personal income tax</td>
<td>72.7%</td>
</tr>
<tr>
<td>Payment for land</td>
<td>10.9%</td>
</tr>
<tr>
<td>Unified tax for small businesses</td>
<td>4.8%</td>
</tr>
<tr>
<td>Local taxes and fees</td>
<td>3.2%</td>
</tr>
<tr>
<td>Motor vehicle tax</td>
<td>3.2%</td>
</tr>
<tr>
<td>Payment for trade patent</td>
<td>1.9%</td>
</tr>
<tr>
<td>Stamp duty</td>
<td>1.1%</td>
</tr>
<tr>
<td>Other taxes</td>
<td>2.2%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>100.0%</strong></td>
</tr>
</tbody>
</table>

*Source: State Treasury of Ukraine.*

Furthermore, for many localities levying of local taxes and fees is not effective since they hardly cover the costs of their collection. Besides, the margins for local taxes are defined at the state level and local authorities can only influence rates within these margins.\(^1\)

Of late, local self-governments have acquired autonomy to enter financial and borrowing arrangements. However, the right to borrow from foreign creditors (foreign governments, banks, financial institutions, etc.) is limited to cities with a population exceeding 800,000.

Local governments with populations less than 800,000 are allowed to borrow from domestic sources (banks, financial institutions, enterprises, central government, etc.). Among other restrictions on the use of debt as a revenue instrument by local governments is a limitation on general debt service costs that must not exceed 10% of current budget.

TABLE 4 Local Tax Revenues in 2003

<table>
<thead>
<tr>
<th>Local taxes and duties</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Market duty</td>
<td>50.2%</td>
</tr>
<tr>
<td>Communal tax</td>
<td>24.1%</td>
</tr>
<tr>
<td>Hotel duty</td>
<td>11.9%</td>
</tr>
<tr>
<td>Permit fees for location of trade objects</td>
<td>5.3%</td>
</tr>
<tr>
<td>Advertising tax</td>
<td>3.1%</td>
</tr>
<tr>
<td>Parking duty</td>
<td>1.9%</td>
</tr>
<tr>
<td>Auto-transit cross-border duty</td>
<td>1.6%</td>
</tr>
<tr>
<td>Duty on local symbols use</td>
<td>1.3%</td>
</tr>
<tr>
<td>Resort duty</td>
<td>0.2%</td>
</tr>
<tr>
<td>Other local duties</td>
<td>0.4%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>100.0%</strong></td>
</tr>
</tbody>
</table>

*Source: State Treasury of Ukraine.*

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\(^1\)In Ukraine both the tax base and the margins for tax rates are set by the state. For instance, in one Cabinet of Ministers resolution, the maximum parking fee rate margin is defined as 3% of the non-taxable minimum of personal income (presently 17 UAH) per hour. Local councils are free to establish any rate not exceeding this margin.
expenditure. A violation of this rule can result in terminating access to capital markets for a 5 year period.

Local councils can also independently decide to organize local lotteries, as well as to establish public banks and credit organizations as a source of additional income. However, these sources of revenue are still underdeveloped in Ukraine.

Given such resource possibilities local governments must learn to maximize the efficiency of their budget fund usage. In this context, it is a good idea to use a program budgeting approach with clear performance measures. That is what is recommended by the Cabinet of Ministers of Ukraine to local governments in the Concept of the Performance Program Budgeting in the Budget Process. There are several pilot projects in this vein in different oblasts of Ukraine. The Ministry of Finance is now working on the development of clear criteria and indicators by which budget performance can be measured and evaluated.

Citizen Participation in Local Budget Process in Ukraine

Direct Democracy and the Mechanism of Public Hearings

The law allows local government bodies to delegate their authorities, management of finances and communal property to lower levels of self-government formations, referred to as “the organs of self-organization of population,” that is, self-government organizations initiated by smaller territorial communities, like block of houses, streets and the like. Since establishment of these organizations can be initiated by local residents they can qualify as a form of direct self-governance.

Current legislation foresees a number of other effective means of direct democracy that allow citizen participation in local self-governance beyond election processes:

- local referenda, which can be conducted on issues of local importance and the outcomes of which are binding for local authorities;
- general resident meetings of a territorial community (zagalni sbori gromadyan) that can result in recommendations for local authorities to act on certain matters within their competence;
- local initiatives (mistsevi initiatiivi), a right of community residents to initiate closed and open examination of any issue within the powers of local government at local council assemblies;
- formal registering of “commissions” (doruchennya vibortsiv) by electorate to council representatives at meetings with elected deputies; and
- public hearings (gromadski sluhannya) that can be conducted on any matters within local government jurisdiction.

The case study in this chapter focuses on the mechanism of public budget hearing, a means of engaging direct citizen participation that is growing popular at the municipal level.

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2 In terms of citizen empowerment, the Law on Local Self-Government in Ukraine is rather progressive compared to the previous law of 1991. However, it is obvious that reinforcement mechanisms are missing for its successful implementation. By the estimates of specialists some additional 20 supportive legal acts are required to secure the legal package for all provisions of the law (Proshko 1999: 2). These reinforcement mechanisms need to be created at the national as well as at the local levels.

3 This is a formal mechanism whereby citizens pass suggestions or complaints, addressed to the local council, to an elected representative. By accepting the “commission,” the representative is obliged to act upon it.
A public budget hearing is a formal structured event that provides citizens, as well as interested groups and organizations, the possibility of direct contact with decision-makers and implementers of local budgets. A public hearing is a multipurpose mechanism. First, it allows local government to learn about community preferences and views on budget related issues, sometimes even receive constructive suggestions on better ways to address certain problems. Second, the public hearing is a form of public control and a vehicle for government transparency and accountability. If used correctly it can significantly improve trust between local authorities and citizens. And, last but not least, during the hearings government can seek community to support for local interests and lobby the higher levels of decision-making.

Public Budget Hearings: Case of Kamyanets-Podilski, Khmelnytsk Oblast

Town profile
Kamyanets-Podilski is a town center of Kamyanets-Podilski rayon within Khmelnytsk oblast. The town has the area of 27.84 sq. km. and a population of 99,600 people (2003). The average age is 35-40 years; 65,000 are capable of working.

The town is of great historical importance and has a rapidly developing tourism industry. Its XII century castle complex is listed in the UNESCO protection list and represents the major tourist attraction. Advancement of tourism is one of the priority goals defined in the town’s 2001-2005 economic development plan which also stresses the development of industrial enterprises, small and medium businesses, and local health care reform.

Today the town’s economy relies on 39 industrial enterprises that represent major employers locally (mainly in the area of machine-building, electrical engineering and metal working, food-processing, non-metal mineral products, and light industry). The service sector is represented by 240 trading and 137 catering enterprises, 22 markets, 26 bakeries, 21 tourist agencies and 8 hotels, 15 sawing and shoe-making businesses, 8 household machines renovation enterprises, 3 Internet and 19 computer games and slot games enterprises, 7 photo services, 39 drugstores, 15 petrol stations and 13 auto-services. Altogether there are 5,332 private entrepreneurs and 1,458 small enterprises registered in the town, with 576 actively working and providing employment to some 4,000 residents. As in other Ukrainian towns, there is also a significant gray economy, which is referred to as private sector but not reflected in official statistics.

Basic communal services are provided by public and private enterprises. In 2001 the town housing stock amounted to 1,682 thousand sq.m, of which 89.3% had central water and 70.6% hot water supply, 81.8% sewerage, and 92.4% gas supply. The local telephone network included 26,021 users.

The town has a university, an agricultural machinery academy, a military engineering college, five affiliates of other higher education institutions, and four professional technical schools. As well, there are twelve general secondary schools and eight special secondary education institutions, three special boarding schools, and eighteen preschool facilities.

The health infrastructure includes two general hospitals, two maternity centers, tuberculosis and dermatoveneraleal clinics, first aid and blood transfusion stations, three general poly-clinics, a dentist clinic and a children’s tuberculosis sanatorium.

The town has nine libraries with two connected to Internet, a culture and entertainment center, an art school, a school of esthetic education, musical, choral and
painting schools, and a historical museum. There is also a town stadium and a variety of sport schools and facilities.

Recent years have witnessed a growth in civil society activism. There are about 190 civil society organizations active on different fronts. Some work in close cooperation with local government, receive grants from the municipal budget and assist the authorities in resolving local social and economic problems.

The town population is becoming increasingly involved in local politics. In 2001 there were 29 registered political parties embracing some 5,000 people. Although many parties have a rather low membership, those with a wide membership base (branches of the Ukrainian Social Democratic Party, the Party of Businessmen and Industrial Entrepreneurs of Ukraine and the “Women for Future of Ukraine” Party) constitute almost a half of the total population enrolled in parties.

Citizen participation in local governance in this municipality goes beyond party activism. A number of direct democracy mechanisms have been introduced and are being developed with public budget hearings most prominent among them. Kamyanets-Podilski was the first Ukrainian municipality that adopted a public budget hearing mechanism as an integral aspect of local budget planning and decision-making process.

The town is enjoying a relatively high level of cooperation with international investors and development agencies. That is one of the reasons for its experiments in innovation. Its partnership relations with towns from the U.S., Poland, Belarus and Moldova have been a source of new ideas in municipal management and local governance practice.

Building knowledge: civic participation approaches applied

The first public budget hearing in Kamyanets-Podilski took place in January 2000. There have been five budget hearings conducted since. With experience, the practice of annual public hearings has been developed and now it follows clearly established procedures.

The public hearings take place in several stages: initiation, preparatory work and information dissemination, the actual hearing itself, and then the integration of hearing results into the budget planning process. There is also a follow-up component whereby citizens and organizations can monitor implementation of the budget throughout the year.

Generally, public hearings in Kamyanets-Podilski can be initiated by:

- a group of residents of a certain in-town rayon or quarter (at least 1% of the total in-town rayon population or by 1/20 of the total quarter population, respectively);
- town council (at least 1/5 of the total council members);
- the town mayor and/or the executive committee.

Those seeking a hearing must initiate the process in writing and register with the town council secretary. When the public hearing initiative gets official sanction, it is announced in local media.

Within five days following what is referred to as the “registration” of the hearing, the local executive and the initiating group approve a hearing preparation plan. Such a plan lays out a schedule of activities and usually foresees establishing a special hearing committee formed of experts. The hearing committee (doradchiy komitet) includes a government official, members of the initiating group (with one of them later selected as a committee chairperson), municipal council members, and representatives of local non-governmental
organizations. The membership can vary from 7 to 15, but the underlying goal is to ensure that all major views are represented.

In the first budget hearing of 2000 a large part of the preparatory work was conducted by the local non-governmental organization, “The Party of Revival of Kamyanets-Podilski” (Partiya Vidrodjenza Kamenets-Podilska), the group that initiated the hearing. The municipal department of the economy was responsible for publishing information about budget implementation from the previous year and a draft budget for the coming year.

Information about the public hearings is usually advertised through local newspapers, TV and radio. As well, the NGO sends out invitations for hearings and information materials to its members. The organization remains the major local non-governmental partner of the local authorities and continues to play a pivotal role.

The hearing preparatory phase can also include opinion polls that entail the involvement of the local academic community. Thus, in 2001, specialists of the sociology department of the local State Pedagogic University developed and conducted a two-week public opinion survey for defining citizens’ priorities in regards to local budget allocations. The survey polled a wide range of groups (doctors, scientists, teachers, public services employees, managers and workers at local enterprises, pensioners, housewives, unemployed, students and youth) and placed particular focus on the opinions of the most vulnerable groups.

A public hearing is conducted within a month of the “registration” of the initiative. Usually it occurs in December before the budget discussion session of the municipal council. Hearings take place in a town hall and are preceded by the distribution of reference materials.

The meeting is chaired by the hearing committee chairperson or her/his authorized representative who introduces the agenda and official participants. Among the officials taking part are the members of the municipal council and executive. Local government organizations and NGOs are also invited to take part in the hearings.

The hearing starts with the adoption of the agenda and procedures followed by a report about the previous year’s budget execution. A budget plan for the future year with reference to both expenditures and revenues is usually presented by the mayor. Aspects of the budget might be further explained by specialists of the municipal financial department.

The major part of a public hearing is dedicated to questions and answers. Individual citizens and representatives of participating organizations may pose questions, express their views, and make suggestions. When there are disagreements the organizers try to forge some measure of consensus.

At the hearings citizens discuss and examine both operational and capital budgets. Experience shows that citizens tend to be more interested in social issues as well as community services and infrastructure.

All opinions, suggestions, results of discussions and votes are registered in the minutes. Within three days of the meeting copies of the minutes are sent to the municipal council secretariat and the initiating group, and are posted on the municipal council information board. The conclusions of the hearings are summarized by the secretary of the municipal council and are submitted to council for consideration. Discussion of the public hearing outcomes is a compulsory part of the assembly’s annual budget discussion. This assembly is open to the public.

Next, these results have to be published in the official municipal newspaper. In addition, all council decisions are published on the local government’s website, administered
by the executive committee. However, given the low level of connectivity among residents, this is not yet an effective tool of communication.

When final decisions are made and the budget is approved, citizens have an opportunity to monitor the budget implementing process.

**Diagnosis: the way civic participation is constructed**

**FORMAL MECHANISM**

Public hearings generally are a mechanism of direct democracy as described in the Law on Local Self-Government in the Ukraine. In particular annual budget hearings have became an obligatory practice for all local governments. However, neither the Law nor the Budget Code provides clear guidance with regard to how these hearings should be conducted. This is an issue left to local regulation.

Municipal statutes define how authorities should adhere to democratic governance principles. Adoption of statutes is an effective tool that draws on the local historical, cultural and socio-economic context in the operationalization of the mechanisms of direct democracy. Procedures for implementing direct democracy can differ considerably from place to place and depend a lot on community characteristics.

Promulgating a statute is a recommended but not compulsory measure, and not all the cities have such statutes. There are examples of community statutes, adopted without citizen participation, which fail to provide clear guidelines and thus reinforce the existing regulatory practice. Some communities simply lack experience in the preparation of such complex documents; others treat statutes as declarative documents rather than functional tools.

Where there is no statute or the statute does not elaborate on the mechanism of public hearings in details, a special regulation (Polozennya) can be adopted by local councils. Kamyanets-Podilski Council adopted such a regulation in 2002.

**FACTORS INFLUENCING PARTICIPATION**

Apart from these formal provisions there are other factors that account for high citizen activism in this town. Kamyanets-Podilski is one of the Ukrainian towns with a history of functioning under the Magdeburg Law with its democratic governance traditions.4

There is also the fact of the openness and dynamism of the town leadership and the mayor personally.

Ukrainian legislation also provides citizens with the right to acquire information in regards to the budget process during regular meetings between the council delegates and the electorate in their respective electoral area. There are no studies on the correlation between citizens’ level of trust in authorities and their degree of interest in participating in decision-making processes. But some hypothesize that the lower the trust level the more citizens tend to resort to the mechanisms of direct participation.

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4Magdeburg Law is seen by historians as one of the most advanced system of self-management and local governance in European towns of the Middle Ages. The law is associated with limitations on state central powers, citizen democratic privileges, and establishment of such self-governing bodies as an elected magistrate, a tribunal and a ratusha (Ratusz in Polish, Rathaus in German, an equivalent of French Hotel de ville, or English Town-hall/Guild-hall). The name originates from the German town Magdeburg where the system was established first in 13th century. From the 13th to 18th centuries, rights under Magdeburg Law were granted to a number of towns located in the areas of contemporary Belarus, Latvia, Poland and Ukraine.
INITIATION OF PUBLIC HEARINGS

The first public budget hearings in the town were initiated in 2000 by the local NGO “The Party of Revival of Kamyanets-Podilski,” the biggest local NGO and an organization that cooperates closely with the government. It also enjoys a certain level of international support due to the international experience of some of its members and successful projects implemented on grants from international organizations.

The hearings of 2001 were organized under the auspices of its “Reviving the Town as a Community” project funded by the International Renaissance Foundation. Since then the NGO, jointly with the financial department of the executive committee, has assumed the role of the initiator of annual budget hearings.

The practice of publishing the budget at the official municipal Internet site was borrowed from the experience of the American town of Athens, Georgia, during the mayor’s study tour supported by US-Ukraine Community Partnership Project (implemented by US-Ukraine foundation and funded by USAID).

LEVEL OF CITIZENS’ PARTICIPATION

The first budget hearing of 2000 attracted the direct participation of about 300 citizens and some 1,000 people took part in the preceding survey on budget priorities.

Qualitatively, the audience is a mixture of individual interested citizens and organizations/community delegates. Social expenditure and investments issues are usually high on the agenda. The hearings attract those individuals and organizations specifically interested in the social sphere, many of whom work with vulnerable population groups. The needs and concerns of various groups, including the traditionally excluded, are studied in the course of surveys conducted prior to the hearings. Analyses of the results, general and disaggregated by different social groups, are forwarded to the municipal council.

The quality of citizen participation depends to a large extent on the participants’ knowledge of the background information. In this context, publishing the budget and its execution dynamics at the website has become an empowering tool, although it does not replace the release of information through traditional information channels, newspapers, TV and radio. The level of Internet connectivity among Ukrainian citizens is rapidly increasing but most poor and vulnerable are still beyond the reach of the technology.

Evaluation: the impact of civic participation approach on budgets

EMPOWERMENT

Public hearings in Kamyanets-Podilski seem to have produced an empowering effect on both citizens and the government. The citizens see their priorities and opinions integrated into the budget planning process and the government feels that their decisions are better reflecting real priorities on the ground.

The citizens do not hesitate to express their opinion even when they contradict government views. For example, in the first public hearings the residents did not support the government plan to invest in construction of a new trolleybus line and opposed a suggested entertainment park for tourists. Their opinions about investment priorities were clearly in favor of improving existing public infrastructure and services, especially in the area of health care, education, beautification of the town and roads repair.

Final budget decisions are made by the council, which can choose to which extend the hearings results should be reflected in the next year budget. But it can be difficult for the
council to ignore the residents’ opinions expressed during the hearings. Involving all participants in a budget related survey conducted on the day of hearings helps to ensure that the views of those who are less articulate are taken into consideration.

**Effectiveness, Efficiency and Relevance of Budget Allocations**

According to the mayor of Kamyanets-Podilski, budget hearings not only increase awareness, but also encourage local authorities to align budget strategies with the people’s priorities (*Partners 2000*). In this context, the mayor also thinks that it is essential to conduct budget hearings at the local level before budgets are considered and approved at the oblast and state levels.

However, it would be wrong to give the budget hearings all the credit for recent changes in municipal expenditures. Also, local budgeting is not a disinterested process. It is a highly political process as it represents the allocation of scarce resources.

Public hearings are effective when combined with other mechanisms of citizen engagement. Major changes in funding priorities in Kamyanets-Podilski were associated with the work of the public planning committee involved in the elaboration of a town strategic development plan. The plan managed to shift the investment focus towards the advancement of the tourism industry in the town, which, in turn, brought about an increase in local capital investment budget.

Generally, the tendency for there to be growth in local capital investment budgets is very recent in Ukraine. The fact that municipalities have the opportunity to plan their own investments is also a very recent development.

Kamyanets-Podilski is among the first Ukrainian municipalities to switch from line-item budgeting system to a program performance approach that focuses on resources and effectiveness. The new budget model differs considerably from the old one as it allows expenditures to be determined by programs instead of bureaucratic functions. The budget formulation process is then connected to achieving goals instead of maintaining budget entities while planning becomes a longer term strategic process, and transparency and lines of responsibility become more clear.

A shift to the new budgeting approach has only recently started in Kamyanets-Podilski and there is hope that such a model will make it possible to determine effectiveness, relevance and efficiency of budget allocations.

**Budget Hearings in Other Municipalities of Ukraine**

Although local governments in Ukraine are obliged to conduct general public hearings at least once a year, in many municipalities these hearings are treated as formalities. Not all Ukrainian cities yet have statutes or other council acts regulating public hearings.

Out of 179 public hearings registered by Research Triangle Institute project in Ukraine in 2001-2003, 13 were explicitly dedicated to budget formation. Cities where public budget hearings were implemented include Khmelnitskyi, Starokonstantiv and Derazhnya (Khmelnitskyi oblast), Tlumach and Kolomyia (Ivano-Frankivska oblast), Kupyansk, Nova Vodolaha, Valky and Vovchansk (Kharkiv oblast), Boyarka (Kiev oblast), Pervomaisky (Poltava oblast), and Bashtanka (Mykolaiv oblast).

Among 18 partners of the US-Ukraine Community Partnership Project, in addition to Kamenetsk-Podilski, six towns and cities conducted public budget hearings. They are: Artemivsk (Donetsk oblast), Berdyansk and Nikopol (Zaporizhia oblast), Kharkiv (Kharkiv oblast), Komsomolsk (Poltava oblast), Horodok (Lviv oblast) and Slavutich (Kijiv oblast).
The process of preparing and conducting budget hearings in most of these cities follows a pattern and procedures similar to those of Kamyanets-Podilski. These procedures are stipulated in either municipal statutes or a local Regulation on Public Hearings.

Among successful cases of local budget hearings that have been reported the following are worthy of mention:

In Berdyansk (Zaporizhia oblast) the budget hearing of February 2001 initiated by the mayor gathered about 400 citizens, including representatives of public institutions (health care and education institutions), city councilors, NGO leaders, entrepreneurs, and others. The hearing was preceded by the work of a special task force established by the mayor to analyze local budget spending in 2000 and to find ways of increasing cost-efficiency in the 2001 budget.

In Lviv (Lviv oblast) the first public budget hearings of 2000 were led by the local academic community. They were initiated by the Eastern Science Center NANU and the economic policy commission of the municipal council and conducted in the form of special round tables. Each round table was dedicated to budget issues in a specific sector and involved participants of relevant organization and enterprises. A series of round table meetings culminated in a final seminar at the local House of Scientists. An interesting detail is that during the hearings, a brochure about the “Lviv Budget of 1939-1940” was shared with the participants. That budget was the last autonomously created city budget!

Khmelnitsky (Khmelnitsky oblast) provides an outstanding example of budget transparency. As in Kamyanets-Podilski, here the city budget is published on the government website. Printed brochures with the budget’s details are made available to residents, along with updated information in the media in regards to budget implementation.

Horodok (Lviv oblast) city authorities produced an exemplary set of information on the local budget for citizens in 2003. This serves as an example to other municipalities.

Capacity-Building to Support Civic Participation

Capacity Demands

Making the hearings a valuable tool of local decision-making requires certain capacities on the part of both local authorities and civil society. In many municipalities the local authorities are ill-equipped when it comes to the issues of public mobilization and communication.

It is equally important to improve the capacities of citizen groups and community organizations, especially in rural areas, for greater participation and more effective and systematic engagement in the budgetary process. Under circumstances of “invited participation” in which the budgetary hearings usually take place, there is a danger that public engagement will be co-opted by government.

The ability to ensure the quality of public participation in the budgetary process is among the most crucial and most absent aspects, even in the most advanced municipalities. (In Kamyanets-Podilski women still seem to be underrepresented in budget hearings; only some 20% of participants in direct hearings are women).

The first experience with public hearings in Ukraine demonstrates that the availability of information about successful cases is another important component in advancing the public hearings practice.

For the stability of local budgets and for the mechanisms of public participation to advance further in Ukraine, adoption of a national law on local taxes will be a fundamental pre-condition.
Existing Capacity-Building Resources

There are a number of training and guiding materials on citizen involvement in budget process used by local governments in Ukraine:


All the above-mentioned publications explore procedural matters of public hearings and include typical examples of local-level legal acts regulating local hearings in Ukraine.

  “Council and Citizens” is one of three guidebooks prepared by Philip Orlik Democracy Institute and funded by the Dutch government’s MATRA program. The book suggests practical techniques on citizen involvement in local governance processes in Ukraine.

  This Manual on Budget Hearings is prepared by an expert team of the Financial Research Institute at the Ministry of Finance of Ukraine with the support of the International Renaissance Foundation. The publication contains methodological recommendations for local governments on how to conduct budget hearings. It elaborates on legal and organization aspects of local budget hearings, offers a model for presenting local draft budgets to public, and describes different well-established forms of citizen participation in budgetary process. Available at http://www.sefr.kiev.ua/ukr/ebm/

  The publication, issued under the Support for Economic and Fiscal Reform Project funded by USAID, is a part of training module materials for local governments on public hearings. It provides methodological support for the preparation and conducting of public hearings and suggests a package of procedural forms and documents for public hearings. Available at http://www.sefr.kiev.ua/ukr/ebm/

  This directory of 41 case studies of best Ukrainian local government practices is issued by the Association of Ukrainian Cities and funded by USAID. The chapter on Local Finance suggests successful examples of citizen involvement in budget process, including budget hearings.

The toolkit is published with the support of the World Bank office in Ukraine, Canadian Bureau for International Education, and the Canadian International Development Agency. The chapter on public hearings explains the method and procedures for conducting hearings, and explores the possible use of hearings results. It includes a brief case study from Kamyanets-Podilski.

  
The handbook is part of the Budget Code Training Program prepared by the Support for Economic and Fiscal Reform Project in cooperation with the Ministry of Finance of Ukraine and with the financial assistance of USAID. It contains a chapter on budget public hearings accompanied by successful examples that provide methodological support to hearings organizers. Available at http://www.sefr.kiev.ua/ukr/ebm/

  
A brochure issued by the Support for Economic and Fiscal Reform Project funded by USAID is dedicated to the process of public hearings preparation, information dissemination and design of hearings presentation materials. Available at http://www.sefr.kiev.ua/ukr/ebm/

Some of the above-mentioned manuals were created within internationally funded projects and are used to train local authorities. Chapter 3.3 contains more details on these initiatives.

However, for the most part, existing publications and training materials concentrate on budget hearings, since the hearing is the major mechanism of direct public participation in the budgetary process and is explicitly stipulated by Ukrainian law. The materials cover procedural matters and methodological guidelines for operationalizing hearing mechanisms in a comprehensive manner. However, few local government representatives involved in the budgetary process would be aware of the whole variety of publications and training resources available.

Most of these materials resulted from the experiences of local projects that use Internet as a major resource of information dissemination. Unfortunately, not all local authorities are connected to the web, and among those who are connected very few are active users. Even more disadvantaged as far as access to Internet resources are local non-governmental organizations and community groups.

It should also be noted that most current training materials are targeted at government officials, council members, and executive employees. There is an obvious deficit of resources aimed at civil society bodies, self-governing organizations of territorial communities, and the general public.

There are other resources that one can recommend highly to local authorities. These address a large variety of possible forms of citizen involvement in budgeting process:

This comprehensive guide to the essential managerial function of budgeting provides local governments with many tools: how to tailor budgets to meet community needs, balance financial control and managerial discretion, match the budget format to management goals, link performance measures to budget allocations, conduct successful budget hearings and working sessions, and manage conflict in the budgeting process. The book provides useful tips on how to work effectively with elected officials, staff, neighborhood/citizen groups, and the public. It includes examples from exemplary local governments in the U.S.


The paper discusses how to involve citizens in responsible decision-making on financial matters. It suggests strategies and tips for attracting and holding citizen interest and helping local government officials to design a participatory process that informs citizens and leads to rational decisions. It includes examples from several cities and counties.


The training manual is aimed at municipal finance managers and is dedicated to techniques of citizen involvement in budget management and planning. It provides an introduction to the concept of participatory budgeting and provides detailed analysis of each technique, including public hearings. The manual contains a wide array of case studies from Eastern Europe.

Among those resources that can be of interest to both civil society actors and local governments in Ukraine are:


This publication is the synthesis of the two-year experience of the St. Petersburg NGO “Strategy Center” with a project that promotes subnational budget transparency and citizen participation in Russia. It suggests techniques for applied budget analysis, as well as a scale for measuring budget transparency and a level of citizen participation in the budgetary process. Available at http://strategy-spb.ru


The book explores the concept of measuring budget transparency and a level of public participation in budget planning and suggests a wide array of case studies from Russian municipalities. Available at http://strategy-spb.ru


This website contains a description of various policy instruments available to local authorities for the promotion of citizen participation in local governance, including public budget hearings. Each instrument is discussed in terms of its target group, function, phase in the policy cycle to which it applies, actors involved, institutional context, preconditions for use, as well as the potential and limitations. There are examples from various countries of the world.
Major Actors Involved in Promoting Subnational Participatory Budgeting

**International actors**
The US Agency for International Development is heavily involved in supporting development of democratic local governance in Ukraine. The Support for Economic and Fiscal Reform is a technical assistance project implemented by Development Alternatives Inc. in January 2003. The project provides technical support to local governments in the area of local budget management, helps to develop transparent and efficient procedures for allocation of budget resources within *rayons*, trains local finance officers responsible for local budget formulation and implementation, and provides assistance in budget and tax matters to selected parliamentary committees. The project administers the Local Government Budget Reform website (www.sefr.kiev.ua for both Ukrainian and English versions) that suggests a wide array of resources pertaining to participatory organization and effective management of subnational budget processes in Ukraine.

The US-Ukraine Foundation’s Community Partnership Project funded by USAID facilitated establishment of partnership relations between Ukrainian and U.S. municipalities for the exchange of experiences in municipal management and governance. The Project also supports regional networking among government institutions and a number of regional training centers that provide training on various local governance issues including transparency and citizen involvement in budget process. Information about the Project and the centers is available at http://www.usukraine.org/cpp/ (English version) and http://www.cpp.org.ua (Ukrainian version).

Research Triangle Institute, (a U.S. private, not-for-profit contract research corporation) has been working on various local governance democratization projects in Ukraine since 1994. Its projects, mainly funded by USAID, concentrate on strengthening capacities of Ukrainian cities in the domain of municipal management and finance, urban transportation development, strategic planning, local government interests advocacy and networking. RTI is actively promoting public hearings as mechanisms of direct citizen participation and has supported introduction of a budget financial analysis model in partner cities. It implements its activities in collaboration with Mott Foundation, the Eurasia and the Renaissance Foundations, WB Community Development Project, and the Association of Ukrainian Cities. One of its current activities is the Budget Reform Project in Ukraine. Detailed information can be found at www.rti.kiev.ua

**Domestic actors**
Association of Ukrainian Cities is an NGO with some 400 cities-members that represent about 80% of the Ukrainian population. The NGO advocates for local government interests vis-à-vis higher level government, develops legislation proposals in regards to local governance, provides consulting and training support to its members. Reform of local government budget system is one of its priority issues. It has an active network of 25 regional offices. The Association hosts a website (http://www.auc.org.ua/amu/ - both Ukrainian and English versions) with links to successful case studies in municipal governance decentralization and to the Local Government Information Network.

Counterpart Creative Center (a Ukrainian NGO and an official branch of the Counterpart International Inc.), the Civil Society Institute and the Committee of Voters of Ukraine have joined efforts for the “Toloka” project. The project works with local councils, community activists, NGOs and self-governing bodies, and promotes implementation of the
Law on Local Self-Government in Ukraine. Among its focuses are the rights of territorial communities for participation in local decision-making and budgeting processes. The project site is http://www.toloka.kiev.ua/

The Ukrainian Association of Local Regional Governments is an NGO created by local government institutions. Its goals include representation of interests and protection of rights of local self-governments vis-à-vis higher level authorities, promotion of local government practices compliant with the Constitution and the European Charter of Local Self-Government, as well as supporting local authorities in the development of democratic forms and methods of governance. The organization has been actively involved into the process of budgetary reform. The Association’s website is at http://www.alau.org.ua

Foundation of Promotion of Local Self-Government of Ukraine was established by presidential decree with the aim that it would become the major national research, methodological and consulting body in the area of development of local self-government. Foundation experts are involved in drafting relevant legal acts, policies and strategies. Also, they issue specific thematic publications on various issues of local government reform in Ukraine. The Foundation administers a national competition of local self-government projects with the purpose of developing democratic and innovative practices. The Foundation website is at http://www.municipal.gov.ua/fond/

The Budget Committee at the Verhovna Rada (the Supreme Council) of Ukraine has a special subcommittee on local budgets. The Committee drafts laws and monitors implementation of existing legislation, including those pertaining to budgeting process at the local level. The committee website is at http://budget.rada.gov.ua
Annex 1: Government System Levels (legislative and executive)
Annex 2: Local Self-Governance System

Local council
Council committees

Head of executive committee

Executive committee
Departments and service units

Population self-organization organs

Territorial community
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