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# **The Budgeting Process and the Implications on Social Policies and Poverty Reduction: Alternatives to Traditional Models**

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background paper commissioned for the  
**UNRISD Flagship Report on Poverty**

July 2009 ▪ Geneva



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## Summary

In the recent decades, and greatly as a consequence of the policies and conditionalities imposed by the international financial institutions (IFIs), developing countries have adopted new public management modalities in concurrence with the change in the State's traditional role. This trend has occurred together with the strengthening of the political and territorial decentralization processes and the distribution of the decision-making power to favour local and regional administrations.

Public budgets are political tools. Public budgets enable governments to manage finances in accordance with political priorities and economic policy priorities. A budget constitutes a type of map that traces the fundamentals for decision making. Since the 1990s, significant changes have occurred in the allocation criteria of national, regional and local public resources, and in the budget approaches implemented by governments. Therefore, the key aspects of the budget process will be analyzed, the conditions and players necessary for its execution, and the different management models that have evolved. This paper addresses two of the alternative forms to traditional budgeting: participatory budgeting and gender-sensitive budgeting. These alternative forms of budgeting have brought local and regional governments closer to the population, responding to a vision of society and rights which stimulates citizens' participation, tolerance, the search for social contracts and basic consensus, the design of integrated and coordinated social policies, and transparency in government management.

These forms of budgeting are also related to new forms of allocation, the search for new funding sources for development and the implementation of normative frameworks of expenditure and strategies to reduce poverty in compliance with the Millennium Development Goals (MDGs). These goals, subscribed to by the United Nations, have since become the "navigation chart" to guide the development agenda and the current debate. Following this re-conceptualization, development assistance has also undergone remarkable changes in terms of principles and practices—at least according to what international discourse manifests—since funds are not only used to promote economic growth but also to encourage pro-poor actions and social programmes. Efforts have been made to encourage the implementation of "good practice" principles not only among recipients, but rather among donors themselves in the framework of aid aligned with national systems. Thus, international agencies and donors contribute to the

redeployment of the national budgetary policies. Here, “budget support” will be described as one of the strategies applied to such aim.

To summarize, this paper aims to give a glance over the core issues outlined below:

- ✓ The debates regarding the budget process and the budgeting approaches, as well as the related rationale, actors, and institutions;
- ✓ The new funding strategies promoted by international institutions, developmental institutions, and donors in relation to the budget process and poverty reduction;
- ✓ The alternatives to traditional budgeting: participatory budgeting and gender-sensitive budgeting, as well as the impact on social expenditure, investment and equality.

## Acronyms List

AFDB	African Development Bank
ASAAF	Africa Social Accountability Action Forum
BF	Basket Funding
BFP	Budget Framework Paper
BS	Budget Support
CIDA	Canadian International Development Agency
CIGU	Centro Internacional de Gestión Urbana
CDF	Comprehensive Development Framework
CEDAW	Convention on the Elimination of All Forms of Discrimination against Women
EFR	Economic and Financial Report
ECLAC	Economic Commissions for Latin America and the Caribbean
EU	European Union
FLACSO	The Latin American School of Social Sciences
FOWODE	Forum for Women in Democracy
GEST	Gender Equality Standing Team
GPPS	Global Programme for Parliamentary Strengthening
GRB	Gender-Responsive Budget
GSB	Gender-Sensitive Budgeting
GSI	Gender-Sensitive Initiatives
GSP	Gender-Sensitive Perspective
GTZ	Deutsche Gesellschaft für Technische Zusammenarbeit (German Technical Cooperation –International Service)
HIPC	Highly Indebted Poor Countries
IBP	International Budget Project
ICUM	International Centre for Urban Management
IFIs	International Financial Institutions
IMF	International Monetary Found
MDGs	Millennium Development Goals
MDP-ESA	Municipal Development Partnership for Eastern and Southern Africa
MTEF	Medium-Term Expenditure Frameworks
MTPIP	Medium-Term Public Investment Programme
MOWAC	Ministry of Women’s Affairs and Children
NEPAD	New Partnership for Africa’s Development
NGOs	Non-governmental Organizations
NGP	National Gender Policy
NPM	New Public Management
RIP	Rolling Public Investment Programmes
OBI	Open Budget Index
OECD	Organization for Economic Co-operation and Development
ODA	Official Development Aid
ODI	Overseas Development Institute
PSP	Parliamentary Strengthening Programme
PB	Participatory Budgeting

PEM	Public Expenditure Management
PFA	Beijing Platform for Action
PPBS	Planning, Programming, and Budgeting System
PRS	Poverty Reduction Strategy
PRSPs	Poverty Reduction Strategy Papers
SSA	Sub-Saharan Africa
SAPs	Structural Adjustment Programmes
SIDA	Swedish International Development Cooperation Agency
UNIFEM	United Nations Development Fund for Women
SWAp	Sector Wide Approach
UN-HABITAT	United Nations Human Settlements Programme
UNDP	United Nations Development Programme
VES	Villa El Salvador
VMT	Villa María del Triunfo
WB	World Bank
WBI	World Bank Institute

## I. Introduction

There is broad consensus that the neoclassic policies of stabilization and structural adjustment designed by the international financial institutions (IFIs) were unsuccessful in terms of achieving their goal of overcoming instability and market inefficiencies in developing countries. Based on three basic pillars—liberalization, market deregulation, and privatization—these policies imposed a set of standardized solutions for a wide variety of regional and national problems. The outcome was equal almost everywhere: an increasing level of inequality and poverty and a greater concentration of income and wealth, even in countries experiencing economic growth.

In the 1990s, the institutions of Bretton Woods faced a serious legitimacy crisis that urged a change in the course of action. Under new conditionalities and a new cycle of reforms, new programmes were developed to ensure the continuity of adjustment, but they were developed with a “human face”. The Medium-Term Expenditure Frameworks (MTEF) and the Poverty Reduction Strategy (PRS)<sup>1</sup> were implemented in the most indebted low-income countries with the purpose of reorganizing the economies under a multi-year expenditure assessment. These reforms and strategies have encouraged changes in public budgets design and programming and in new forms of territory management (decentralization). In this context, alternative approaches to traditional budgeting arise, such as “participatory budgeting” and “gender-sensitive budgeting”. Both will be fully addressed in this paper.

The two major goals of a public budget are distribution and allocation of resources in a way that is compatible with the respective political strategy, while maintaining fiscal discipline (Schick 2002; ODI 2004). These goals impact the whole economy and have the ability to transform the population’s daily life. Therefore, when establishing priorities for fiscal policy and budget allocations, these social and economic impacts must be taken into account. While this paper does not address social policies as a specific topic, the fact that social policies have been one of the main variables of adjustment for the neoliberal policies in the late twentieth century cannot be overlooked. Therefore, there is a wide debate on how to improve the allocation of revenues to social expenditure by way of a new social and financial contract that is reflected in the budget process. It is doubtless that social policies are a fundamental tool in order to build democratic, developmental, and inclusion-oriented societies. However, they are difficult to finance in developing countries, and thus require thorough examination and a search for new funding alternatives (UNRISD 2007b:2). In addition, even when funding is available, the question remains how to effectively translate monetary resources into social outcomes. Budgets express the decisions made by the governments. And participatory budgets, as their name indicates, help citizens to channel their social problems to the government agenda. These social problems may later constitute the state’s social policy guidelines.

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<sup>1</sup> The Medium-Term Expenditure Frameworks is the multi-year system for managing public expenditure (Schiavo-Campo and Tommasi 1999). It is oriented to the revision of national policies of revenues and expenditure (World Bank 1998). It has been considered by multilateral credit institutions as the “ideal” framework for developing countries which require greater budget flexibility. The PRS is based on the *Comprehensive Development Framework* (CDF) proposed by the World Bank (1999a, 1999b; see also WB and IMF 2005).

Last, it is worth noting that donors, through their aid to development and recently to the “budget support”, as well as multilateral institutions have achieved an increasingly prominent role. In the context of the challenges faced by the developing world, the United Nations adopted the canonical UN Millennium Declaration. By undersigning it, all member countries agreed to reach eight essential goals by the target date of 2015—the Millennium Development Goals (MDGs)—aimed mainly to reduce extreme poverty and hunger. The MDGs have since become the “navigation chart” to guide the development agenda and the current debate. The MDGs have had a significant mission, since they have highlighted the urgent needs and helped to redeploy the budget policies to favour poverty reduction. These pages contain some of the key references to the lessons learned and of their potential impact on development.

## **II. The budget process as a “political fact”: conditions, actors and approaches**

Throughout the world, the processes for determining how to raise, allocate, and spend public resources constitute the foundations of government. The way public resources are used is a major determinant of the achievement of public policy objectives (ODI 2004: 1-2). Public budgets enable governments to manage finances in accordance with political priorities and economic policy priorities. A budget constitutes a type of map that traces the fundamentals for decision making in relation to the resources generated by society and that have to return to society as supplies and services.

The “budget process” comprises various stages which are repeated each year: drafting, approval by congress, execution, monitoring and evaluation. Although referred to as a “fiscal year”, a budget always has implications beyond that fiscal year, especially if integrated into medium term fiscal frameworks.

Two equally reductionist ideas on public budgets have prevailed over the decades and still exist today: a purely fiscal approach, where budgeting prioritizes macroeconomic stability; and a technocratic approach, which reduces the budget to a mere neutral technical tool. Both approaches form the basis of orthodox policies and reflect a significant neglect of the political dimension of the budget.

In the broadest sense, the budget system focuses on the two goals already mentioned: fiscal discipline and distribution. Moreover, several factors and actors intervene in the process:

### **✓ Factors:**

- **Political-Institutional:** Formulation of public management priorities and budgetary goals.
- **Regulatory:** Laws and regulations governing budget drafting, approval, and control.
- **Economic:** Resource allocation of goods and services; income and wealth distribution; stabilization of the economy (Hofbauer and Vinay 2002).
- **Management:** Budgetary models and techniques.
- **Political-Cultural:** Relationship between power and culture, not only from a political viewpoint, but also within cultural codes shared by both government authorities and civil society (Bloj 2008).

- ✓ **Actors:** Agents, public and private, who interact dynamically, either directly or indirectly.

Scartascini (2007) highlights that “budget problems” emerge precisely from the inherent features of the process: governments decide on public funds and these decisions reflect sectoral interests struggling for the appropriation of these resources. In this sense, budget institutions play a key role in imposing the rules of the game, adopting procedures (formal and informal) and leading interactions with direct impact on fiscal and non-fiscal budgetary goals.<sup>2</sup> International experience indicates that the success of any budgetary reform lies mainly in the institutional context within which it takes place.

Therefore, far from being neutral tools, budgets are naturally political documents (Hofbauer and Vinay 2002; Norton and Elson 2002; ODI 2004; UNRISD 2007a). Budgets are true “political facts”. In the 1990s, the orthodoxy promoted by the IFIs installed a discourse that emphasized the neutrality of budgeting techniques based on imperatives such as “effectiveness” and “efficiency”, focusing on macroeconomic stability to the detriment of an overall development view. But some questions were avoided by this technocratic perspective: what makes a budget effective and efficient? And who reaps the benefits of public expenditure and investment? These questions reflect the tight line that connects rights, (scarce) resources, and government agenda priorities. Wildavsky’s (1980, 1992) classic formulation, which maintains that a budget translates financial resources into human purposes, is in line with more contemporary approaches that highlight the importance of a rights-based approach in budgetary analysis.

The traditional budget process has historically had a weak consideration of rights. The incorporation of international covenant<sup>3</sup> based on the “right to resources and regulations on service supply” (Norton and Elson 2002; Elson 2005) constitutes an important step, though not a total guarantee that these conventions will be observed. Governments have the ability to transform citizens’ rights and “social issues” into public issues, as long as they are incorporated into the agenda and the budget allocation. Among the mentioned actors, the legislature and the civil society are both expected to take a main role in this regard.

Legislatures have three basic roles: they represent the interests of social and regional groups, they legislate, and they control the expenditure and performance of the executive branch (Inter-Parliamentarian Union 2005). By looking at the African experience and at developing countries in general, Wehner (2007) highlights the need to question the role that parliaments play in financial scrutiny and how donors can strengthen this role. Development institutions make continuous and joint efforts to

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<sup>2</sup> The Organization for Economic Co-operation and Development (OECD) commissioned the drafting of a thirteen-country survey study that comprises the three indicators—budgetary institutions, procedure, and actors—in order to obtain comparative data for member and non-member countries (Curristini 2006).

<sup>3</sup> Here we refer to the International Covenant on Economic, Social and Cultural Rights” and “International Covenant on Civil and Political Rights”, adopted by the UN General Assembly of 1966, both known as “International Covenant on Human Rights”. These, the Universal Declaration of Human Rights, and the Convention of the Rights of the Child -in force since 1989-, make up the international chart of human rights.

strengthen the legislature's role in public funds allocation and accountability (Wehner 2007: 41-43).<sup>4</sup>

Civil society is another key factor, and although it will be dealt with more extensively later when discussing participatory budgeting, at this point it is important to make a brief mention of the "International Budget Project".<sup>5</sup> The IBP was founded in 1997 and has been part of the Center on Budget and Policy Priorities (Washington DC) since 1981. This project is a remarkable worldwide initiative that gathers independent researchers and civil organizations in order to provide information on the budget process to ensure transparency. Participation of legislatures and civil society in government decision-making is required to fully reach this goal. Transparency and participation are mutually reinforcing and both are needed for better budgetary outcomes (International Budget Project 2006). Most developing countries have insufficient information or restricted access to it; hence, the project aims at educating federal and local organizations about the importance of participating in the debate on resource allocation.

A remarkable initiative was the "Open Budget Index." In 2006, civil society organizations of 59 countries adopted this proposal within the International Budget Project framework. Actually, this is the first instrument that shows governments' willingness to make budgets transparent to society. If available, this information may enable internal and external actors (including donors) to identify the budget reforms needed by each country and to enhance their positive impact on public policies and overall development.

It is obvious that the consultation and accountability processes are not free from obstacles. Firstly, governments are reluctant to perform decision reviewing, legislative veto, or civil society questioning. Secondly, national interests may clash with local interests, generating tension at different power levels (Falk and Shapiro 1999). Achieving greater understanding and coordination between the executive level, the legislative level and civil society is a necessary goal in order to overcome this obstacle and to improve the budget process. It is worth mentioning that, although the state and civil society have a central role to play, the defining of budgeting priorities also involves external actors. Moreover, developing countries are sometimes pressured to accept externally imposed agendas.

### **III. An overview of the main budgeting approaches**

Modern budget systems were generalized in the late nineteenth and early twentieth century (Fozzard 2001). At first, the budget was drafted as a yearly financial-legal plan

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<sup>4</sup> Examples of this are the UNDP's Global Programme for Parliamentary Strengthening (GPPS) launched in 1999, and the Parliamentary Strengthening Programme (WBI) of the World Bank Institute, focused on African and Asian countries.

<sup>5</sup> "The International Budget Project (IBP) assists non-governmental organizations (NGOs) and researchers in their efforts both to analyze budget policies and to improve budget processes and institutions. The Project is especially interested in assisting with applied research that is of use in ongoing policy debates and with research on the effects of budget policies on the poor. The IBP works primarily with researchers and NGOs in developing countries or new democracies" (Quote from the website of the International Budget Project 2006).

(Marcel 1998, 2006) focused on the production of public goods and services with the public administration as the main actor. Over time, different management models have been explored. The budgetary management models are underpinned by theories which promote not only academic debates, but also concrete national policies (Norton and Elson 2002).

In the following box, we will try to summarise the different budgeting approaches:

Period	Country	Main Events	Budgeting Approaches
Late Eighteenth Century	UK	<p>Theoretical and practical fundamentals of the budgeting process appear.</p> <p>It is in connection with the political parliamentary system and with the expansion of the liberal ideology.</p>	<p><b>“Traditional or Administrative Budget”</b></p> <p>It is a classical budgeting conception: an expenditure control tool.</p> <ul style="list-style-type: none"> <li>• Annual Term: fiscal year</li> <li>• Incremental criterion: Every annual budgeting process is marked by a number of increases which are ‘pre-programmed’</li> <li>• Focuses on regulations and procedures, and on inputs rather than on outcomes</li> </ul> <p>Advantages</p> <ul style="list-style-type: none"> <li>• Incremental budgeting is relatively easy to implement</li> </ul> <p>Limitations:</p> <p>It encourages departments to spend their entire allocated budget to ensure that there is an increase next year.</p>
Twentieth century: 1913/1950	USA	<p>Great Depression of late 1920s’.</p> <p>Spread of the Welfare State and the Keynesian model.</p> <p>Spread of planning and programming in many countries with market economies.</p> <p>Substantial political changes which require more than mere parliamentary control</p>	<p><b>“Performance Budgeting”</b></p> <p>It is a system of planning, budgeting and evaluation that emphasizes the relationship between money budgeted and results expected. It represents a departure from traditional budgeting.</p> <ul style="list-style-type: none"> <li>• Multi-year strategic planning: a <i>long-term perspective</i>.</li> <li>• <i>Links</i> strategic planning and resources allocation</li> <li>• It involves policymakers, managers, and often citizens in the budget “discussion” about strategic plans, identification of spending priorities, and evaluation of performance</li> </ul> <p>Advantages</p> <ul style="list-style-type: none"> <li>• Gives managers the flexibility to determine how best to achieve results.</li> <li>• Selects the best methods to manage a given programme</li> </ul> <p>Limitations</p> <ul style="list-style-type: none"> <li>• Contrasts with the PPBS, Performance Budgeting’s final goal is not that of selecting the most appropriate programmes.</li> </ul>
POST World War II 1960	USA	<p>The Kennedy administration introduces new rationality principles in the Federal Budget based on the logic of private companies</p> <p><b>1965:</b> President Johnson officially introduces the Planning, Programming, and Budgeting System in all the Federal administration</p>	<p><b>“Planning, Programming, and Budgeting System”</b></p> <p>It is a budget in which expenditures are based primarily on programs of work and secondarily on character and object. The major contribution of PPBS lies in the planning process, i.e., the process of making program policy decisions that lead to a specific budget and specific multi-year plans</p> <ul style="list-style-type: none"> <li>• It criticizes the classic incremental practice and proposes the ongoing revision of the programmes through definition of the goals and the estimation of yearly and multi-yearly costs.</li> <li>• It applies a rational method for the choice of programmes through several techniques of resource allocation: Cost-Benefit Analysis, Cost-Effectiveness Analysis, and System Analysis</li> <li>• It proposes a systematic assessment of the budget</li> </ul> <p>Advantages</p> <ul style="list-style-type: none"> <li>• Yearly and multi-yearly estimates</li> </ul>

			<ul style="list-style-type: none"> <li>It integrates goals, programmes and budget allocations of the different public administration sectors</li> <li>Strengthens the cost-benefit analysis</li> </ul> <p>Limitations</p> <ul style="list-style-type: none"> <li>It is difficult to design and usually provokes rejection from bureaucratic structures.</li> </ul>
<b>1964//1970/1980</b>	<b>USA</b>	<p><b>1970:</b> The ZBB was developed by Peter A. Pyhrr, a staff control manager at Texas Instruments in Dallas. This version was implemented by President Carter in all the administration.</p> <p><b>1973:</b> Pyhrr published “Zero-Base Budgeting: A Practical Management Tool for Evaluating Expenses”</p> <p><b>1980:</b> Organizations in the three governmental levels (Federal, State and Local) and leading private companies apply this initiative.</p>	<p><b>“Zero-base Budgeting”</b></p> <p>“Its key message was that deeper reflection should be invested in the definition of the mission and the goals of organisations as well as the choice of means to pursue them. <b>Decision units</b> should be identified, and their activities should then be divided into “cost centres”, soon rechristened “decision packages” (Tarschys, 2007:3).</p> <ul style="list-style-type: none"> <li>Critic of incremental budgeting: The budget process reassumes the position it had lost within the incremental logic, in which it was reduced to the mere repetition of figures detached from broader goals (Oliveira Alberti 2001). In turn, “strategic planning” is an inherent tool of this approach.</li> <li>Officers must prove that the proposed expenditure is justified through systematic analysis</li> <li>Budget decisions are made according to a hierarchy of priorities</li> </ul> <p>Advantages</p> <ul style="list-style-type: none"> <li>The budget for any activity at the start of each year is set at zero. All expenditure must be justified on a cost/benefit basis, including justification of continuity of its existence.</li> <li>Leads to the most efficient allocation of resources</li> </ul> <p>Limitations</p> <ul style="list-style-type: none"> <li>Preparation of cost/benefit analyses entails huge difficulties.</li> <li>ZBB can lead to short-term thinking rather than long-term strategic thinking.</li> </ul>
<b>1980/1990</b>	<b>USA OCDE</b>	<p>Since the 1980s, the IFIs encouraged administration and budgeting changes within the framework of the “New Public Management” paradigm.</p> <p>It accompanies the neoliberal agenda of the 90s and the public sector modernization driven by the Clinton administration</p>	<p><b>“Results-oriented Budget”</b></p> <p>The results-oriented budget relates objectives, results, and impacts on the basis of planning, the softening of regulations, the application of more solid evaluation systems, and the lengthening of the strategies to the mid- and long term (Maluquer I Amorós and Tarrach I Colls 2006).</p> <p>Advantages</p> <ul style="list-style-type: none"> <li>Transparency and accountability</li> <li>Stimulates parliamentary discussion</li> <li>Relates outputs/outcomes</li> <li>Decentralizes responsibilities</li> <li>Applies more solid evaluation systems</li> </ul> <p>Limitations</p> <p>Following the neoliberal perspective, there is predominance of a technical approach.</p>

The Results-Oriented Budget rhetoric highlights the fact that it capitalizes on all the previous perspectives, since it reasserts the importance of the goals and plans under the “performance budget” and the multi-year strategic planning of the budget by programme. Furthermore, it introduces potential changes in the yearly programming, in a position closer to the “Zero-base Budgeting” approach.

Norton and Elson (2002) consider that, in the debates on public policy and management, attention has increasingly shifted from the allocation of inputs, to the question of the efficiency with which these are translated into outputs, and the effectiveness with which they achieve outcomes, the ultimate end of policy.

A successful reform of the administration system may not be exclusively achieved by the application of a standardized recipe, but rather by making the adaptations needed to address domestic priorities and conditions. However, a set of common problems arise during the implementation of a results-oriented strategy, including:

- ✓ The inherent features of the public sector do not always match the same administration model designed for the private sector.
- ✓ It promotes citizen role splitting, since it considers citizens as rights-holders, but also as customers who demand a result, with special emphasis on the latter.
- ✓ Both outcome assessment and accountability are highly complex due to their dependence on variables that exceed expenditure programming.
- ✓ Parliamentary systems are more prone to adopt this strategy than presidential systems (Monasterio Escudero 2007).
- ✓ Frequently, multi-year budgets become fictional, due to the fact that in every country commitments may be at risk.
- ✓ A noticeable imbalance exists between sub-national governments, which tend to use output measures, and the central government, generally inclined to a results-oriented criterion (Diamond 2005).

According to Tarschys (2002), in the poorest and most vulnerable countries, fiscal years are “too long”—a problem that Caiden and Wildavsky (1974) called “repetitive budgeting”—and which requires expenditure to be repeatedly legitimated during the same fiscal year. Moreover, it must be highlighted that Planning, Programming, and Budgeting Systems and Zero-base Budgeting” are deeply rooted in developing countries.<sup>6</sup>

The abovementioned budgeting alternatives have been applied to all regions. However, as developing countries have extremely different realities than developed countries, they have faced an additional set of problems. Consequently, no approach has been fully satisfactory, even though each has offered its own contribution (Fozzard 2001).

#### **IV. Decentralization: new budgeting strategies and poverty reduction**

In the recent decades, decentralization processes have been associated with a concern for democracy, governability and social participation. Moreover, they have been the framework for new forms of allocation of public resources and for the implementation

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<sup>6</sup> On this issue, see also Premchand 1993.

of normative frameworks of expenditure and strategies to reduce poverty in compliance with the MDGs.

Decentralization is a complex process that involves five dimensions: territorial, political, administrative, financial, and socio-cultural dimensions. It requires a progressive transformation of decision-making, the delegation of duties by a central government to lower administrations, the renewal of political culture, and new interactions between public and private actors in order to solve conflicts and build collective consensus. However, the decentralization policy has been adopted by different discourse platforms, favoring distribution and participation, or otherwise deepening the inequity resulting from an inappropriate delegation of duties as outlined above.<sup>7</sup>

Decentralisation has been a major concern for developing countries, the international development community and researchers for two decades. The debate has centred on two sets of questions. The first examines the main driving forces and reasons for decentralisation and how its overall benefits can be maximised [...] The second assesses the impact of decentralisation on variables of interest such as corruption (Fisman and Gatti 2002), government responsiveness to local needs (Faguet 2002), public-service delivery (Litvack and Seddon 1999; Lieberman 2002) and political stability (World Bank 2000). Although decentralisation has been a popular topic for a considerable time, its relationship to poverty has only recently received attention (Jütting et al. 2004:8).

It is worth mentioning that sub-national authorities have differential resources, and a defective coordination may cause decentralization to “legitimate” major distributive and territorial imbalances. Therefore, rather than reinforcing a centralization-decentralization disjunctive logic, it would be far better to articulate decentralization processes in light of local priorities and needs, while maintaining the benefits of a centralized investment coordination.

But, to what extent has this policy been applied and how has it contributed to reduce inequity? This question does not have a straightforward answer. Firstly, it should be noted that the policy has a narrower scope than specified by the “pro-decentralization rhetoric” for a number of reasons, among which are: (a) it requires a degree of legality (legal and financial autonomy at sub-national levels) that central governments have consistently refused to grant; (b) it was promoted by international entities to be applied in certain political arenas lacking the proper degree of institutionalism, coordination, and democratic consolidation. The determination of the level of decentralization and its derived impacts requires a comprehensive evaluation of competences, financing costs, and changes on utilities through a thorough analysis of regional and local government performance in terms of output and outcome (Monasterio Escudero 2007). It is beyond this paper to analyze the depth of this aspect. To do so, we should consider each country and the wide range of changes in its management of social and tax policies, in local investment, in institutional strengthening and in the deepest reform of the State. However, it is worth mentioning some studies that explain the issue in more detail.

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<sup>7</sup> This trend is not exclusive to democratic governments, as evidenced by the fact that many Latin-American and African countries have been ruled by military governments that took the first steps in this direction (Bloj 2008).

In developing countries, particularly in Latin America, the debate on decentralization process arose in the mid-1970s, and gained force by the 1980s and 1990s, along with the set of reforms aimed at reducing the State. The reports made by the Economic Commissions for Latin America and The Caribbean (2003) highlight that the outcome of decentralization processes for Latin America and the Caribbean are more auspicious in terms of democratization than in terms of service supply, while the general trend has been to transfer expenditure programmes to local governments, though without enough resources.<sup>8</sup> Comparing Latin America with other developing regions, the outcome in Africa has been even more heterogeneous, and in the specific case of the Sub-Saharan region, the strategy proved less successful than in certain Asian countries, which reflected higher civil society participation and greater leadership of local governments (United Nations 2004).

The paper by Jütting et al. (2004) compares the impact of decentralization on poverty reduction on the three regions (Asia, Africa and Latin America), shows that these processes have been uneven. The study considers four performance categories of these impacts (positive, somewhat positive, somewhat negative, and negative). In the first category, there are countries like Bolivia, the Philippines and India (West Bengal); in the second category are China, South Africa, Mexico and Ghana; in the third category are Paraguay, Brazil, Nepal, Vietnam, Uganda, among others; lastly, the countries that have been impacted negatively are Guinea, Mozambique and India (Andhra Pradesh). It is estimated that a third of the countries examined reflect a positive outcome with regard to participation, vulnerability reduction, and access to public services. However, conversely to the desired situation, the poorest countries experienced negative effects due to institutional weaknesses. A better outcome was achieved when governments met the conditions to ensure territorial and distributive balance, and when social actors participated actively in decision-making and management control. Moreover, two main conclusions can be drawn: “first, in more than two thirds of the cases, the impact of decentralisation was reported to be either “somewhat negative” or “negative”, indicating that one has to be very cautious in promoting decentralisation for poverty reduction. Secondly, although it appears that the chances of pro-poor decentralisation seem to increase with the level of a country’s overall development—all negative performers are least developed countries (LDC’s) while most of the positive performers are middle-income countries—important exceptions, such as the Indian state of West Bengal, remain” (Jütting et. al 2004:14).

As mentioned above, from the Structural Adjustment Programmes (SAPs) in the 1980s, which were strengthened in the 1990s, developing countries have been pressed by the IFIs to carry out fiscal and institutional reforms focused on their economies. The shift from an omnipresent to a minimized state contributed to the weakening of the national systems of public investment, planning, and audits (CEPAL 1998). In line with this shift, there appeared new organization models, and institution and management adjustment devices (Palermo 1998). These reforms included measures to improve public administration and to increase management capacity in order to achieve a better performance of markets (López 2003): within the “New Expenditure Management”

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<sup>8</sup> In general, if “decentralization” is conceived as the transfer of decision-making, powers, and resources from the central administration to lower government levels, there abound examples of “de-concentration” processes instead, that is, a delegation of duties without equal attribution of powers and resources (Mahuad 1995).

approach there has been an increasing tendency in developing countries towards a results-oriented budgeting approach so that public expenditure programmes could meet—in theory—the goals of lower costs and higher quality. The results-oriented budgeting approach is directly connected with the implementation of expenditure frameworks (Medium-Term Expenditure Frameworks) and with poverty reduction strategies in developing countries. Together with the adoption of these frameworks, multilateral institutions promoted the enactment of accountability, stabilization, and fiscal transparency laws, which conditioned budget systems and extended “good practice” codes (OECD 2001; IMF 1998, 2001, 2003).

The shift from a budget governed by compliance with laws and procedures to a results-oriented approach (Makón 2003) has been quite traumatic. Within the decentralization framework, a result-based management aimed at reducing poverty and inequity is possible under certain conditions: (a) the reinforcement of an appropriate distribution of expenditure competencies and functions between the central government and sub-national agencies in order to avoid overlapping, competition, or expenditure unbundling; (b) the adoption of a horizontal coordination between regional and local governments tending to maximize advantages and “good practices;” (c) the implementation of expenditure assessment and control mechanisms; and (d) the reinforcement of the broadening of transparency, temporal horizons and budget sustainability (Monasterio Escudero 2007). Although at present this modality is extensively legitimated, the effects are far from auspicious, and still depend largely on preexisting national conditions. It should be stressed that the implementation of this management model in developing countries has occurred in the framework of incomplete and disorganized restructuring, both at the administrative and political levels and within conflictive decentralization processes.

As previously mentioned, this was due to the fact that not all developing countries possess the institutional and financial conditions or territorial decentralization processes to implement this management model. Notwithstanding, all countries have shown efforts in this direction (Schick 2005), within the Medium-Term Expenditure Frameworks and Poverty Reduction Strategy schemes, which were applied in Africa, as well as in Latin America and Asia. The management model was implemented as an articulation between policy-making, middle-term macroeconomic and fiscal planning, as well as the yearly budget programming, but as it can be easily inferred, reality diverges from the ideal. Most countries have experienced substantial changes, and even abrupt interruptions to the democratic processes.

Uganda and Ghana were pioneers in this field adopting these schemes in 1992 and 1996 respectively. As stated in the study carried out by Andrew Bird (2003), the Medium-Term Expenditure Framework was initiated with the preparation of the Budget Framework Paper (BFP) prior to the finalization of the annual budget. The BFP initiative addressed two problems: (i) the macro-fiscal performance which deteriorated in 1991/92 when inflation increased to 100%; and (ii) the Government being unable to meet its counterpart funding commitments on donor financed projects. In the case of Ghana, the government implemented an integrated public financial management reform of which MTEF is a part.

A nine-country study (Mozambique, Rwanda, Ghana, Malawi, Tanzania, Guinea, Kenya, Uganda, and South Africa), commissioned almost a decade later by the World

Bank in order to evaluate the impact of this scheme on public finance and economic management, leads to interesting conclusions. It remarks on varying national conditions and highlights the success of the Botswana case, where there had been a pre-existing practice of drafting development plans since the post-independence period, which facilitated the implementation and the shift of income from natural resources to social policies and overall development (Le Houerou and Taliercio 2002: 13).<sup>9</sup>

The Conference on Governance and Development held on November 2007 in Algiers by the New Partnership for Africa's Development (NEPAD), restated that, although in recent years Africa has shown increased growth rates and a remarkable tendency to promote good governance, there are still many obstacles to overcome since poverty continues to grow and the Millennium Goals are far-reaching.

In Latin America and the Caribbean, the frameworks and the conditionalities related to the "results-oriented approach" have been practically identical. Argentina, Brazil, Chile, Guatemala, Peru, Uruguay, and Venezuela were at the forefront of the application of Medium-Term Expenditure Frameworks (Le Houerou and Taliercio 2002:15), a trend which was later followed by Bolivia, Costa Rica, Colombia and other Central American countries.<sup>10</sup> A study on the Poverty Reduction Strategy experience commissioned by the British Overseas Development Institute (2003), which was conducted shortly after the implementation of these frameworks, included two groups of countries: highly indebted poor countries (HIPC II), Bolivia, Guyana, Honduras and Nicaragua; and as a second group, Guatemala, Paraguay, and other Caribbean countries.

The first group of countries started the process of implementing Medium-Term Expenditure Frameworks in 2000 in a situation of impaired governance, corruption, dependence on development aid, high inequity and poverty linked to ethnical issues. A salient aspect of the report is that it is based on the perception of social development advisors and civil society actors within respective countries. Moreover, it was estimated that compliance with the 2015 Millennium Development Goals would be feasible only if extremely beneficial changes occurred. One of the major limitations to prioritizing poverty alleviation within the budget was that the Medium-Term Expenditure Frameworks had not yet been implemented in the four countries of the first group mentioned above. In the region in general, the Poverty Reduction Strategy Papers initiatives were treated through a poverty "social fund", rather than through budget support (ECLAC 2003:9); two financial planning strategies which will be briefly addressed below.

## **V. Funding in a crisis context**

In the framework of the Medium-Term Expenditure Framework and of Poverty Reduction Strategies, international institutions and donors have supported public budgeting, in varying degrees, through funding instruments which have generally given

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<sup>9</sup> It should be remarked that taxes, especially indirect taxes, are one of the most important sources of revenue in African countries.

<sup>10</sup> In Colombia, the legal framework dates back to 2003 (Fiscal Accountability Law) and the Implementation Executive Orders of 2005 and 2007 (Ministry of Finance and Public Credit of Colombia 2007).

priority to social expenditure. We will briefly mention discuss “social funds” and what is known as “budget support”.

In developing countries, the “social investment funds” were driven by multilateral banks aiming to alleviate the negative effects derived from the same policies of adjustment and stabilization that they had originally designed. At least in most Latin American countries, they have been funded by international aid through World Bank credit, or by mechanisms of external debt swap.

Since their first application in Bolivia in 1987, social funds have become a relevant tool for social policies and a supposedly more flexible and innovative, focalized system that has poorly affected social policies of broader coverage (Amadeo et al. 2003). These funds transfer external funding resources to sectoral projects for focalized groups. While they were initially planned to mitigate the immediate effects of poverty (short-term logics), they were later extended to medium and long-term programmes. The funds’ objectives, their addressees, operations and elements vary widely (ILO, 2000). A remarkable aspect of this tool is that it maintains autonomy with regards to governments and bureaucracies. However, this quality has been criticized, since it has not contributed to strengthening the countries’ institutions.

On the other hand, the budget support, framed within the Alignment principle (Donor-Partner) subscribed by the Paris Declaration (2005)<sup>11</sup>, expresses the dilemma between the programmatic support and social funds. Broadly speaking, the logic behind budget support aims at reducing the conditionalities on governments, thus allowing wider margins for investment and expenditure decisions. Donors seek to align their aid with governmental decisions with regards to the domestic budgets (UNIFEM. 2006c).

In practice, the funds provided by donors and development aid agencies are channelled to programmes and projects that impose upon the recipients a duty to comply with specific procedures and invest time and resources to comply with the established requirements. Although this tendency prevails, a growing percentage of these funds - though even lower and highly uneven among regions, as already stated in this paper- has been earmarked to assist specific sectors and overall government budgets (Hayes and Van Zyl 2008). As Sindzingre suggests, “The new ‘paradigms’ of aid such as budget support do not eliminate aid dependency and the associated problems of volatility and burden on local civil services” (2006:25).

As widely known, in order to leverage resources and finance social public expenditure, most countries resort to different monetary sources and techniques in accordance with national policies (Taxation, Social Security Contributions, Pension Funds, Natural Resources and Mining Revenue, Remittances and Official Development Aid) (UNRISD 2007a). For some extremely low-income countries, Official Development Aid represents almost 50% of the national income, which has a substantial impact on national budgets, though not always directly on social policies (Sindzingre 2006). At present, ODA is more closely related to the budget process, since donors have started to

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<sup>11</sup> The Paris Declaration (2005) on Aid Effectiveness summarizes these challenges in five basic principles: ownership, alignment, harmonization, managing for results, and mutual accountability. This new financing architecture includes not only the Budget Support, but also the Sector Wide Approach (SWAp), the Poverty Reduction Strategy Papers and the Basket Funding (UNIFEM 2006b, 2007a).

give a part of these resources as direct budget support. Although the average of direct budget support remains at a low 5 per cent, in some countries it has reached 20 per cent (Hayes and Van Zyl 2008). In Uganda, for example, about 50 per cent of the domestic budget is funded by donors. Half of this percentage is provided as budget support (AGEZ, KOO and EU Platform 2005). This financing is channelled bilaterally or through international or multilateral institutions, via the beneficiary country public budget.

The risks are higher in contexts where the Poverty Reduction Strategy has deepened dependence on external support, since donors do not provide budget support outside of a programme or contract monitored by the IFIs. Then, budget support is an encouraged, but also argued against trend. In fact, it broadens the scope of the recipients' decision, and reduces external control and conditions. It also requires that donors comply with the above-mentioned "good practices" to make resources more traceable and encourage civil society participation (ODI 2003, 2007). Furthermore, although budget support contributes to the strengthening of national governments, it is not a "magic recipe" for all countries, since it also requires a solid accountability structure (Hayes and Van Zyl 2007).

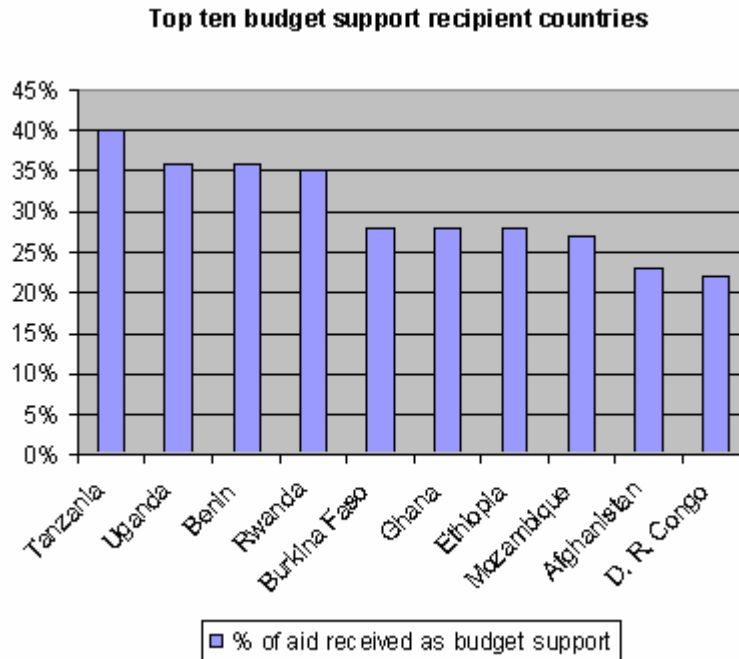
A recent study commissioned by the Swedish International Development Cooperation Agency (SIDA) dealing with similar cases (Bolivia, Honduras, and Nicaragua) highlights that in 1994, Bolivia interrupted the original Poverty Reduction Strategy which was subsequently replaced by various plans, though none with the same nature. Since then, the communication channel between the country and the donors has been strengthened by the "Multi-donor Programme for Budget Support" (Vos, Cabezas and Komives 2006). Conversely, in Honduras the PRS became stronger. Nicaragua replaced the original programme with a new national development strategy supported by donors. In 2005, internal political struggles in Nicaragua relegated the poverty reduction goal to second place. Although a certain degree of progress was evident in the coordination and execution of financial pacts in favour of "budget support", "Nicaragua is 'off-track' for reaching MDG 1 and most of the other goals" (Vos, Cabezas and Komives 2006: 4).<sup>12</sup>

Within Latin America: Argentina, Brazil, Honduras, Paraguay, Peru, Uruguay, and Venezuela have a multi-year budgeting framework, aimed at reducing the fiscal deficit with more flexibility. Chile, Ecuador, Guatemala, Mexico and Nicaragua have a similar framework, but there are no limits set for the individual years it comprises. (Filc and Scartascini 2003).

The frameworks above are still supported by donors and international institutions, though the relationship with national budget systems is weak (Vos, Cabezas and Komives 2006). In the context of greater efforts to coordinate pro-poor actions and larger aid instrumented directly as budget support, issues related to budgeting issues have focused on the need to ensure efficiency, transparency, and accountability (ODI 2004).

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<sup>12</sup> MDGs 1: Halve, between 1990 and 2015, the proportion of people whose income is less than one dollar a day.



Source: Paris Declaration Monitoring Survey OECD (Hayes and Van Zyl 2008: 3).

In general terms, although the Medium-Term Expenditure Frameworks have contributed toward improving fiscal balance in some countries, they have not achieved extreme poverty and hunger reduction. This shows that fiscal regulations are as necessary as distributive and political strategies committed to development. In developing countries, there are many obstacles to overcome: planning difficulties, lack of transparency, intra- and inter-sectoral coordination, outcome assessment, atomization or overlapping of sectoral efforts, weak leadership and democratic instability, and lack of public administration motivation. No ideal model, mechanically and exclusively applied, can overcome these deficits. Rather, complementary interventions are necessary to design and enact policies according to local contexts. If national, institutional, and political conditions are disregarded, or if the feasibility of these programmes is not discussed, the outcome will mostly be unsatisfactory, thus worsening the funding difficulties experienced by developing countries.

## **VI. Alternatives to traditional budgeting: the citizen voice**

This section focuses on two of the innovations that contribute to the transformation of budget management: Participatory Budgeting and Gender-sensitive Budgeting. They encourage wider citizen participation, social inclusion, and recognition of political, economic and social rights, which strengthen transparency and accountability in public expenditure management. These processes have drawn the attention of governments and international institutions due to their potential impact on taxation and social expenditure. “Recent moves towards ‘participatory’ budgeting have raised hopes and expectations that spending and revenue generation can be made more pro-poor if informed citizens and their non-traditional political organizations participate directly in budgeting decisions” (Bräutigam 2004). Active participation of civil society is a key dimension in decision making.

Unlike other historical moments that have silenced people's voices in developing countries, the re-democratization in Latin America in the 1980s, along with the end of colonial dictatorships in Africa at the beginning of the 1990s, has revitalized citizen participation, thus restructuring the relationship between state and civil society. Likewise, credit institutions and donors established new political and governance conditionalities linked to the neoliberal reforms. In this scenario, the major role assumed by civil society has been analysed from different standpoints. On the one hand, it was considered as a resource for weakened states which delegate duties to civil society. On the other hand, it is also the exercise of a legitimate citizen's right to participate in public affairs.<sup>13</sup>

Moreover, it is worth mentioning that the term "civil society" is frequently subject to a reductionist homogenization or confusion with the concept of "third sector". As a matter of fact, it comprises a wide variety of actors and ideas that represent "non-state public" interests (Bresser Pereira 1999) and interact with or against the state.

Civil society organizations and, broadly, the citizenship as a whole play a key role as public sector interlocutors, which may contribute to guarantee compliance of social contracts and the application of policies on behalf of collective interests (IDB 2008). During democratic periods, these actors promote, participate in, and monitor the government, a clear example of their power of transformation.

### *1. Participatory Budgeting*

A participatory budget (PB) is the process by which the destination of a percentage of the total budget of local governments or regions is decided upon by a deliberative process that involves the participation of different actors, thereby constituting a public and private co-management mechanism. This device is inspired by the social concept of financial management that includes the proposals made by citizens from their territory (Matias 2004:21) within the framework of participatory democratic practice. What problems are identified by the citizenship? Which priorities are established? How are resources allocated? What public investments are made? These are some of the dilemmas to be solved by the participatory process.

The Brazilian city of Porto Alegre pioneered this trend in 1989, which was later followed by Montevideo, Uruguay, in 1990. That was the beginning of a broad PB expansion in Latin America and the Caribbean, Europe, and Africa, in more recent times. So far, more than 2000 cities have initiated this particular method and thousands of other participatory processes. Their urban range goes from small through intermediate towns to big ones that involve millions of citizens.

Considering the African regimes, from the Municipal Development Partnership for Eastern and Southern Africa (MDP-ESA) perspective, participatory budgeting can be

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<sup>13</sup> Moreover, it is worthwhile mentioning the representation crisis experienced by the Latin American political elites from the 1990s. Citizenship is not deemed exclusively in terms of "rights and duties," but rather as a dynamic multidimensional experience, a sort of identity-target which involves a wide group of daily representations, actions, and ideas, and contributes to positioning individuals before themselves, others, and the state (Bloj 2008).

defined as a cyclical process by which governments widen mechanisms for promoting civic commitment, identifying local needs, and deciding social preferences. Moreover, it can foster budget implementation, monitoring, and assessment, by taking into account expenditure requirements and available resources.

At present, local governments have become privileged political and administrative levels to deepen democratic processes, and more specifically, to implement alternatives to traditional budgeting. As stated above, this tendency is related to advances in decentralization, and with a search for new articulation schemes between the different government levels that ensure a more collaborative relationship and greater independence from the central government with regard to the decision-making process. As a result, “local governments have evidenced a strengthening of political structures” (Stre 1997:24). Therefore, most of these innovations are implemented at sub-national levels.<sup>14</sup>

Although the objectives that guide these processes are varying, there is a common denominator, and many cities—mostly in Latin America—place great financial and political expectations on this system, which can be summarized as follows:

- ✓ Encourages participation and deliberation
- ✓ Improves equity in the allocation of public resources
- ✓ Helps citizens to learn the dynamics of the public administration and of the budget structure
- ✓ Democratizes the government management and the budget process through “politicisation” and institutionalization of the social problems, and the inclusion of rights in the local agenda
- ✓ Strengthens the legislative work on budget and its relation with the executive branch.

These potential goals are derived from the “good governance” framework and from principles underlying the concept of participatory democracy: universal participation, revenue and expenditure transparency, process flexibility, objective resource allocation in order to ensure credibility, and a gender-oriented, multicultural, and multi-ethnic approach (Cabannes 2007).

Like the general budget process, the participatory budget is developed yearly. It comprises different “rounds” or stages that involve the appointment of counsellors, the work at the numerous participatory councils, the identification of priorities, the estimation of investments, feasibility assessment, and yearly planning design and its submission to the legislative branch for approval. The functioning scheme of the Brazilian model is paradigmatic. However, each city has adopted a local criterion on the basis of its own idiosyncrasy, which shows that a universal matrix may not be replicated in whole. One of the process’ features is the scarce regulation on the matter, since most experiences are governed by general and flexible regulations and municipal ordinances.<sup>15</sup>

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<sup>14</sup> There are few examples of isolated experiences at provincial level, as in the case of Rio Grande do Sul (no longer in effect), Colombia, and Peru.

<sup>15</sup> Peru is a case with a National Participatory Budget Framework, which sets general provisions on implementation (Shack 2007). For further detail on the Peruvian experience, see Zolezzi 2002, Llona and Soria 2003, Conterno 2005, and Salhuana Cavides 2008.

As previously stated, a distinctive quality of participatory budgets is that they gather public and private actors in a common deliberative space. These actors include:

- i) The Municipal Executive branch which is comprised of directly liable authorities, technical teams that coordinate functioning, government secretariats that receive demands and advice on project drafting, cost definition, and investment feasibility.
- ii) The Municipal Legislative branch, which is the agency in charge of approving PB planning. Legislatures play a key role; councillors, who are appointed by local citizens through a vote, are ultimately liable for the approval of the PB planning, which promotes a stronger relationship among public authorities, and between public authorities and society.
- iii) Citizens and civil society organizations, that is, interlocutors with the state such as NGOs, professional associations, companies, universities, researchers, worker unions, neighbour assemblies, etc.

The comparative study on 30 Latin American and European countries systematized by Yves Cabannes (2005:25), together with the Manual Publisher in 2007 that accounts for the experience recorded in 14 cities,<sup>16</sup> constitutes an invaluable contribution to deepen the analysis of the participatory budget process<sup>17</sup>. These papers share common criteria and indicators to compare participatory budgets, according to five basic dimensions: participatory, financial, territorial and regulatory, political, and governmental dimensions.

Concerning participation, the attributes of the PB experience are embedded in the concept of “participatory democracy” and in the construction of a participatory/deliberative space that incorporates the voice of the citizens. Cabannes (2005) differentiates between a “more advanced” form of direct democracy and an “intermediate” form, more frequent in Latin American experiences.<sup>18</sup>

It is a “representative” and “communitarian” democracy, which will be referred to as *Communitarian (or Associative Representative Democracy)*. Despite the proximity of the citizenship as a whole and its communitarian representatives, this form of representative democracy may present risks and limits similar to those of a conventional representative democracy (Cabannes 2005).

This combination varies in each specific city. While sometimes a delegate representation of participants supported by neighbourhood associations and existing policies is encouraged (the territorial component is essential in Latin American experiences); in some other cases the sustained trend is towards more direct participation of citizens with no type of mediation by social or political organizations. This concept is summarized by the expression “one neighbor, one vote”.

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<sup>16</sup> Brazil: Alvorada, Belo Horizonte, Campinas, Caxias do Sul, Icapuí, Porto Alegre, and São Paulo; Latin-America: Cotacachi, Cuenca, Montevideo, Ilo, Villa El Salvador; Europe: Cordoba and Saint-Denis.

<sup>17</sup> Here we use as reference the second Spanish version (2007).

<sup>18</sup> “Participatory or semi-direct democracy was advocated by Max Weber in the early twentieth century and his model of “prebiscitary democracy”. It evokes a form of democracy in which the citizens participate more actively in the public decision-making than in the traditional representative system. Macpherson states that it can be considered a pyramidal system, based on direct democracy and the delegative democracy above it. (Macpherson, 1991).

Moreover, even when neither modality is detrimental to the other, informal or hidden representation mechanisms are present in most cases. A variable to be considered is the context in which a programme emerges and the broader surrounding political conditions. The very notion of introducing a participatory practice into a rigid framework through a representative democracy predicts tensions between these systems. Even the paradigmatic Porto Alegre model is itself subject to controversies.

Those who critique this mechanism cast doubt on the scope of the participation and highlight the insignificance of the decisions made; the Porto Alegre participation was approximately 5%. Moreover, some weaknesses are highlighted in the mechanism of participatory democracy, emphasizing that it takes place in a political-institutional framework close to representative democracy and has not substantially modified the political culture.

Concerning the financial dimension, the abovementioned studies considered some fixed indicators, such as the percentage of resources discussed in the PB, the municipal budget per capita percentage of the PB, and the relationship with the fiscal fabric. For instance, per capita income varies from 2,200 USD in European countries to less than 20 USD in Villa El Salvador (Peru); these are values that have a direct impact on the PB capacity (Cabannes 2007).

An analysis of the revenue component requires considering each local government's financial autonomy, its tax collection capacity, and its society's current fiscal culture. The PB usually allocates resources from endogenous sources and, at least in Latin America, international resources are not subject to open debate in this framework. Another noteworthy aspect to consider is the percentage of overall municipal PB, which does not follow a fixed rule. In some cases, even a single experience has been subject to varying criteria over time. In the Porto Alegre model, for instance, the percentages given to the participatory budget are annually agreed to with the citizens and involve the discussion of the whole budget and general planning and, as a consequence, it has suffered several percentage variations in time (12 per cent, 8 per cent). Such as Poggiese indicates, "this permits the residents in the regions know the way in which what they will ask in the government existing general plans fits in" (Gentinetti 2006).

The Participatory Budget represents in overall terms, but especially in Brazil, between 2 per cent and 10 per cent of the performed budget or, actually, of the portion of budget effectively spent, which is frequently lower than the budget planned the previous year. These figures reflect a variable percentage of the town hall's investment resources. However, some cities place more than 10% of their budget to open debate, whereas a few, such as Mundo Novo and Porto Alegre, debate—at least formally—the 100 per cent of the budget (Cabannes 2007).

The case of Rosario in Argentina—one of the most advanced experiences in the country—started with a percentage of approximately 8 per cent of the total budget, which was later reduced to 4 per cent, until becoming a fixed amount at present (Bloj 2008).

If attention is focused on expenditure, it is clear that the highest percentage of the participatory budget is dedicated to short-term investment within the respective fiscal year. However, it is worth noting that, in practice, expenditure execution extends over time, sometimes due to governmental (budgetary or administrative) deficiencies.<sup>19</sup> A review of different urban experiences reflects that priority investments are basic sanitation, road paving and street construction, education, low-income population health, and housing.

**Porto Alegre-Results achieved in 15 years of Participatory Budgeting  
(1989-2003)**

- a. Housing: It was possible to expand the average number of units produced locally, from 493 per year in the period 1973-1988, to 1,000 per year from 1989-2003, which allowed Porto Alegre, for the first time, to contain the growth of the housing deficit.
- b. Street paving: The existing deficit of paved roadways was reduced from 690 km in 1998 to 390 km. In 2003, the PB helped to improve access to collective transportation and public infrastructure in the poorest areas of Porto Alegre.
- c. Access to water and basic sanitation: The percentage of dwellings with access to treated water rose from 94.7 per cent in 1989 to 99.5 per cent in 2002; the proportion with access to the municipal sewer network grew from 46 per cent in 1989 to 84 per cent in 2002; and the percentage of liquid waste that is treated went from 2 per cent in 1989 to 27.5 per cent in 2002.
- d. Education: The number of public schools rose from 29 in 1988, to 84 in 2002, with a corresponding increase in enrolment from 17,862 students to 55,741 students. In addition, the range of educational services offered was broadened to include Adult Literacy and Youth and Adult Education, which were integrated into the public education system. Also, through the PB the Child Care Compact was created, which today reaches 126 child care institutions, serving 10,000 children.
- e. Health: Although health only appears since 2000 as one of the three priorities of the PB, public health management is an integral responsibility of the municipal government. This is in spite of the virtual freeze in the amount of the annual transfers from the central government. The Mayor today commits close to 18 per cent of the expenditures of the central administration for health, compared to an annual average of less than 10 per cent during the decade of the 1980s.
- f. Social Welfare: This area was only included in PB priorities from 1997 onwards. The various activities currently underway address a number of groups, such as people with special needs, children and youth at risk, homeless people, victims of violence, elderly in situations of abandonment, low-income families and others. Source: Baierle, S. in Base Document (Cabannes 2004:24).

To a large extent, the legitimacy of the programme depends on the coherence between planning, finance availability, and execution of the projects voted for within the participatory budget. In this sense, the PB's decisions are not always in harmony with

<sup>19</sup>Brazil has a combined budget system, and therefore, the Multi-year Investment Plan is also discussed in this framework (Cabannes 2007:84).

broader municipal programmes, such as Master Plans and Strategic Plans, among other short and medium-term policies.

Concerning the impact on tax-collection and municipal revenue, it is noteworthy that a positive effect is present in most cases. Short-term improvements, transparency, and participation create confidence that enhances fiscal culture.

#### **The relationship between Participatory Budgeting and fiscal performance**

In Campinas, Recife and Cuenca, the collection of taxes increased significantly in just a few years, while in Porto Alegre, the level of arrears in property taxes declined from 20 per cent to 15 per cent. The effect was logical, in less than 10 years property taxes went from being 6 per cent to nearly 12 per cent of current revenue of the municipality. In Mundo Novo, Brazil, the reduction in non-payment of taxes also stands out.

In the municipalities of Ilo and Villa El Salvador, Peru, the distribution of the Participatory Budget resources by zone is directly tied to the level of tax arrears. While direct, tangible evidence of the effect of the "linked tax criteria" to improvements in the level of tax non-payment is lacking, it is clear in the Municipality of Ilo that "the process permits greater awareness about city resources, their limits and their origins."

Source: Case Studies, VES and Ilo - See illustrative cases (PB Toolkit) (Cabannes 2004:42)

Like in Latin America, Africa exhibits a clear trend towards adopting the PB system. It should be noted that since 1998, the Municipal Development Partnership for Eastern and Southern Africa (MDP-ESA) and the World Bank Institute (WBI) have joined in a project to raise awareness and exchange of information on participatory budgeting (Municipal Development Partnership for Eastern and Southern Africa, 2008). In 2005, the Regional Participatory Budgeting Knowledge and Action Support Centre for Africa was created as a response to the international demand to share the knowledge gained from the application of participatory budgets in low-income countries. A similar process in Latin America and the Caribbean was channelled through the International Centre for Urban Management (ICUM) in Ecuador. The purpose of the MDP-ESA proposal is to improve public administration and accountability through the enhancement of citizen participation as a key tool of the budgeting process. In order to attain this goal, local authorities are supported in the creation of networks and joint initiatives with international institutions and programmes, such as UN-HABITAT, UNDP, EU, AFDB, CIDA, and the World Bank.

As highlighted by Kalimba (2008) in relation to the Malawi experience, "budget demystification" and transparency are relatively new concepts associated to these processes in the region.

#### **Budget Demystification**

It is important to note at the outset that effective engagement in the budgetary process can only happen when adults have been enlightened on the contents of the budget. Demystifying the budget through the distribution of information translated into layman's language and terms is an important contribution to

budget review and analysis, a process requiring that citizens should understand the budget allocation (Thando Mlobane 2008:3).

Largely, the debates held in the *World Meeting Participatory Democracy, for which Development?* (Rhône Alpes - France) in December 2007, and more specifically during the Durban (South Africa) Seminar on Participatory Budget of March 2008 show that most African countries still maintain traditional budgeting models at the local level, but a growing citizen demand exists for more participatory roles.<sup>20</sup> Countries like Uganda, South Africa, Malawi, and Mozambique, among many others, have recently undertaken strong commitments to promote participation and management control (Da Conceição Coliche 2008). However, at the municipal level, these are just incipient trends (Kumar 2008).<sup>21</sup>

**To summarise**, we may systematize certain common learning and future guidelines:

- ✓ The movement towards participatory budgeting has a distributive impact on expenditure, which contributes to the generation of income by municipalities. Resources mainly assist low-income sectors in the fields of infrastructure and social policy.
- ✓ It increases budget legitimacy and contributes to social cohesion (Shack 2007).
- ✓ It enables a budget to be responsive to rights and demands: in some cases, it is even possible to talk about affirmative action and positive discrimination (Cabannes 2005).
- ✓ It strengthens transparency and reduces corruption and arbitrary resource allocation.

Nevertheless, the process is not short of difficulties, among which the most remarkable are:

- ✓ The resistance derived from institutional inertia and a bureaucratic political culture that impairs citizen access to information.
- ✓ The limitations that result from the narrow budget margin subject to decision within the PB framework (Cabannes 2007).
- ✓ The gap between approved investment projects and effectively performed works, and the shortage of resources regarding growing demands, which is even worse in the case of the poorest municipalities due to fiscal deficits.
- ✓ Political clientelism by political parties, together with the politicisation inherent to this practice.
- ✓ The instability of citizen participation, since this process requires a high level of commitment.

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<sup>20</sup> See Halfani 2008 and Musoni Protais 2008

<sup>21</sup> Other previously organized remarkable events were: the Special Session on Participatory Budgeting at the Africities Summit, held in Nairobi 19-23 September 2006: "Participatory Budgeting: Building Inclusiveness in Policy Making and Municipal Finance for the Implementation of the Millennium Development Goals (MDGs)". In 2007, the MPD-ESA hosted a "Regional Workshop on Participatory Budgeting in Africa" in Harare, Zimbabwe. (6-8 March 2007). The Africa Social Accountability Action Forum (ASAAF) includes a description of the different participatory processes at sub-national level in Tanzania, Mozambique, Nairobi, Uganda, Zimbabwe, Zambia, and South Africa; see also the MDP-ESA website. To update the principles that guide participatory budgeting and the situation in Africa today see UN-Habitat (2008).

- ✓ The accountability and evaluation systems, which are still not sufficiently efficient to ensure “good governance.”

Structural problems and unforeseeable conjunctural challenges still remain. To a large extent, there is a need to continue improving fiscal and expenditure policies so as to provide the programmes with a greater impact on the whole population, but especially on poorest sectors. Two main debates are still pending: i) whether this decision-making modality may be transferred to the public budget allocation at all levels, and ii) the determination of the relationship between PB and resources at supra-municipal and international levels, as Cabannes highlights, there are just a few experiences where international loans are subject to approval by the Participatory Budget Council (Cabannes 2007).

Since participatory budget promotes dialogue and the circulation of information, it permits citizens to have more tools for making their own decisions and to have a closer approach to the government management. But how effective are participatory budgets in including citizens in the decision-making process and in the construction of the budget agenda? How do they contribute to the improvement of government management on the basis of a political culture? These questions should not be overlooked, since the answers will depend on whether the PB experiences in each municipality continue, decrease, or increase their credibility with the passing of time.

## *2. The Gender-Sensitive Budget*

The term “gender perspective” usually refers to the socio-cultural and political meanings of the relationships between men and women and the discrimination and inequalities that have characterized these relationships throughout history (Bravo and Rico 2001; Guzmán 2002; UNIFEM 2007a).

The crisis that befell developing countries in the 1980s and 1990s has changed the role of women who increased their participation into the labour market under unfavourable conditions that affect both their resources and average income. The abovementioned decades were crucial in the struggle for gender rights, inclusion, equality of opportunities, and gender institutionality (ECLAC 2004). Therefore, “affirmative action” and mainstreaming gender inside the state have been essential tools to re-orientate priorities, decision-making modalities, and the performance of more equitable public policies. Despite the advances made, gaps and disparities still remain among and in countries, and the gender basis of public policies is far from ideal (Bloj 2006).

The gender and policies debate in the 1990s (UNRISD / UNDP 1995) within the framework of development institutions, and the 1995 Beijing Platform for Action (PFA), constitute a milestone in this track; the “gender navigation chart” was retaken by the Beijing+5 Document and, partly by the MDGs. The MDGs are not immune to criticism, since they conceal and disperse joint efforts made in specific Women Conferences, such as the CEDAW<sup>22</sup> and the Beijing Platform (Echavarria 2007). This is proof that the gender focus in development goals has not yet reached its peak, although poverty primarily affects women. However, in order to reach the 2015 Millennium Development Goals, gender problems are being addressed more actively.

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<sup>22</sup> The “Convention on the Elimination of All Forms of Discrimination against Women” was adopted in 1979.

**Linking gender equality to the aid effectiveness agenda**

Gender equality is central to achieving the MDGs and other development goals, making it important to ensure that aid structures target and monitor progress towards gender equality goals. Ultimately, gender equality outcomes will be important signs of the effectiveness of the new approach to aid delivery and partnership.

To support gender equality, the new aid architecture should include:

- adequate financing for programmes that respond to women's needs;
- accountability systems for governments and donors to track and enhance their contributions to gender equality; and
- gender-sensitive progress assessments, performance monitoring and indicators for aid effectiveness (UNIFEM 2006a: 2)

The traditional economic view of development has disregarded gender variables and their impact on growth and distribution. This has forced the revision of the interactions between economic policy and social policy, as well as the drafting of public policies. The analysis of gender relationships in the resource allocation process is based on the fact that budgets impact men and women differently. In contrast, a regular budget does not make any specific reference either to men or women, and ignores different social roles (Budlender and Sharp 1998). This “neutral” character is not only due to the way in which budgets are drafted, but also due to a broader public expenditure policy that disregards differential effects in the gender structure. This condition does not indicate sole neutrality, but rather *gender-blindness* instead (Elson 1997).

A gender-sensitive expenditure policy aims at equality. The constituents and structure of a budget under this type of policy must reflect an intention to achieve gender-system equality, as well as the priorities of an equitable public expenditure policy (Gutiérrez de Toranzo 2004: 26).

Conversely, a Gender-Sensitive Budget (GSB) is part of a government revenue and expenditure policy that distinguishes the needs and rights of men and women, and their specific contribution to the production of goods and services and the mobility and distribution of resources (Inter-Parliamentarian Union 2005). The GSB accounts for a wide range of processes and instruments that enable the assessment of governmental budgets in terms of gender (Budlender and Sharp 1998).

The International Labour Organization has highlighted that, although the SAP's social costs have particularly affected women, little attention has been given to gender focus in domestic budgets and social funds. While women, especially poor ones, are often the main target of social funds programmes, these programmes have not always been translated into actions and achievements. Therefore, the gender approach in domestic budgeting and in participatory budgeting attempts to compensate for this deficit, legitimizing and labelling expenditures which will be included into the budget and not only funded through a social fund.

Within the framework of gender-sensitive public policies aimed at eliminating inequality and discrimination, gender-sensitive budgets are not addressed only to women, but also to the overall improvement of social conditions (Llavaneras Blanco 2006a).

This type of initiative does not seek to create separate budgets for men and women, but rather to include all gender differences and inequalities in all stages of the budget process. It does not necessarily mean an increase of public expenditure, but rather a more effective use of existing resources for the reduction of gender inequalities and social inequity, thus contributing to human development and poverty alleviation. (Martínez Martínez 2006).

In the introduction to *The Women's Budget*, Debbie Budlender lists three roles of women: reproductive, productive and communitarian (1996: 31). A main aspect of GSBs is that they focus on women's unremunerated contributions to society through their reproductive work, their household work—such as caring for children, adults, or the disabled—and the resulting savings of social public expenditure, which revitalizes monetary compensation and invested time (Martínez Martínez 2006).

In short, the incorporation of a gender-sensitive approach to budgets implies:

- ✓ Identifying the different impacts of policies, programmes, and budgets on men and women.
- ✓ Acknowledging the existence of implicit or explicit power relationships between individuals in each specific culture.
- ✓ Valuing women's contributions to the economy.
- ✓ Encouraging a transversal inclusion of the gender perspective to national policies, programmes, projects, and strategies at all stages (Inter-Parliamentary Union 2005).

In this sense, GSBs reflect not only women's conditions, but also gender relationships.

Gender initiatives in general and the GSB formulation in particular, contributed to the remarkable changes experienced by various developing countries on different continents. Governments and the groups of actors (civil society and women's organizations) committed to equity principles are giving clear signals in this direction, since: "it is not only about budgets, but also there should be a stronger connection with the analysis of macroeconomic policies, based on budgets as a starting point" (UNFPA/UNIFEM 2006:44).

Transformation in the budgeting process in Morocco was demonstrated with the production of the first gender-sensitive Economic and Financial Report (EFR) which accompanies the 2006 Finance Bill. This EFR includes a gender report, which represents a baseline to measure progress in relation to budget and outcome indicators in four ministries (Finance, Health, Education and Agriculture). (UNIFEM 2006a:9)

Broadly, GSB promotes:

- ✓ **Equity**, since it is grounded in a human rights approach.
- ✓ **Accountability**, since it is an instrument that strengthens governments' commitment to citizenship.
- ✓ **Effectiveness**, since it focuses on actions and resource allocation, thus causing a greater impact than expected.

- ✓ **Transparency**, since it incorporates civil society to the political debate, thus strengthening governance.
- ✓ **Growth and Development**, since it improves public expenditure, increases human capital, and reduces corruption, thus alleviating poverty.
- ✓ **Bond Strengthening**, since it improves the relationship between macroeconomic and social policies.

The budget analysis from a gender-sensitive perspective (GSP) has given rise to specific methodologies that include gender analysis, macroeconomic analysis, budget analysis techniques, and problem or sector diagnoses (Inter-Parliamentarian Union 2005). Therefore, GSP includes short and medium-term economic policies, an analysis of beneficiaries, and disaggregated measurements of the impact caused by income and expense.<sup>23</sup>

GSB experts acknowledge the invaluable contribution of two core analytical frameworks: the three-way categorisation of expenditure by Rhonda Sharp in Australia, and the five-step approach by Diane Elson in South Africa.<sup>24</sup>

#### **The three-way categorisation**

1. Gender-specific expenditure;
  2. Equal opportunity expenditure for civil servants; and
  3. General expenditure (the rest) considered in terms of its gendered impact.
- (Budlender and Hewitt 2003)

Rhonda Sharp created this classification of government expenditure for application in Southern Australia, but it was later widely spread and adapted in order to attain gender visibility in government budgets. Sharp considered that the first two categories are more easily identifiable in budgets. However, gender and opportunity equality programmes are normally reduced —never above 1 or 2 per cent of total expenditure—, which indicated a clear need for an analysis on the gender impact on overall expenditure, but not on specific expenditure (Elson 2005).

#### **The five-step approach**

The five-steps are:

1. Analysing the situation of women, men, girls and boys;
2. Assessing the gender-responsiveness of policies;
3. Assessing budget allocations;
4. Monitoring spending and service delivery;
5. Assessing outcomes.

This framework has been used either implicitly or explicitly for outside-government initiatives such as those in the Philippines, South Africa, Tanzania and Uganda (Budlender and Hewitt 2003:90).

In the view of Elson (2005), the direction of this process leads to gender mainstreaming.

<sup>23</sup> The information on expenditure and men and women's economic position in the labour market, health, and education derive from different sources, such as official statistics, academic research, and information issued by government institutions and civil society organizations (Budlender and Sharp 1998; Budlender and Hewitt 2003).

<sup>24</sup> See references on this issue by Sharp (2002, 2004) and Hofbauer and Vinay (2002).

To a large extent, the abovementioned guidelines help to detect resource allocation priorities and to monitor the commitments undertaken through the specified set of indicators (Gutiérrez de Toranzo 2004). However, these guidelines may not be taken as rigid models, but rather as models that urge for context adaptations, which have in turn led to new methodological variants.

The first GSB was implemented by the Australian government in 1984 upon demand of activist women who held positions as government officers. Later, some form of the representation of women in the budget was introduced countrywide (Elson 2005).

The South-African gender-sensitive budget experience launched in the 1990s was also at the forefront of this initiative. At present, the country has two types of GSB: i) the Women's Budget Programme initiated in 1995 by the joint efforts of legislators and NGOs, which is focused on national and provincial budgets, and receives the financial support of international donors; and ii) the gender-sensitive perspective incorporated in the Finance Department in 1997 upon the initiative of the Commonwealth as a preliminary stage for the mainstreaming of macroeconomic policies, which was later extended to the other government agencies and instrumentalities (Budlender and Sharp 1998).

Although the actors involved in these processes may vary depending on the governmental level under analysis (national, regional, or municipal), the primary actors are:

i. **Civil society:** Since the 1980s, civil society has played a salient role in the field through the participation of NGOs due to its contribution to ensure transparency, accountability, and social auditing of resource allocation and use. One of the limitations that impaired the Australian GRB initiative was that civil society failed to get involved (Budlender and Hewitt 2003).

ii. **Governments:** Some initiatives are exclusively driven by the state, through the intervention of Finance Ministries, Women Secretariats or Ministries, legislatures, the Office of the Auditor-General, or decentralized agencies. Therefore, the cooperation of women organizations and civil society has led to more successful experiences.

South Africa's Women's Budget Initiative is a classic example of a legislature-civil society alliance. The formation of the alliance was facilitated by the large increase in the number of women parliamentarians in the 1994 elections, and the fact that many of these women were part of the broad women's movement in the country. (Budlender and Hewitt 2003:84).

The GSB in Uganda also illustrates the collaboration between NGOs and female legislators.

**Including women in decision-making processes**

In Uganda, the Forum for Women in Democracy (FOWODE) and their allies first focused their attention on getting a quota clause in the constitution. The clause ensured that at least 30 per cent of local government representatives were women. Winning this victory, however, was only the first step. FOWODE and its allies then worked to increase the capacity of the local women

representatives to understand and promote gender equality. They developed a gender budget initiative that brought together local government officials, local women representatives, national members of parliament for the area, CSOs and academics to analyse the local government budgets (Budlender and Hewitt 2003:39).

The “budget circular” is an interesting tool to support government tasks, which, even when it is present in almost all countries, does not allow for gender considerations.<sup>25</sup> Gender-sensitive circulars would facilitate legislators’ and civil society’s participation in the budget debate, and would further collaborate to make officers aware of the need to rely on more adequate gender statistics (Budlender and Hewitt 2003).

**iii. External Agencies:** Bilateral and multilateral development agencies, international foundations and NGOs support gender budget work, thus becoming key actors. Largely, official agencies tend to provide direct assistance to governments, whereas NGOs and foundations address their efforts mostly to civil society (Budlender and Hewitt 2003:87).

Debbie Budlender (2002:123) determined a key role in what she called “agents’ triangulation” to make Gender-Sensitive Initiatives (GSI) sustainable and sensitive to “good practice” principles. This comprises elected progressive politicians, government institutions with special training in gender-related issues, and strategic alliances with well-informed NGOs. On the other hand, Rhonda Sharp (2002:88) proposed a “triangulation of goals” aimed at sensitizing governments in gender-related issues and their impact on budgets and policies, ensuring that governments account for their budget and political commitments, and improving budgets and policies in order to promote gender equality. Furthermore, it establishes a hierarchy of goals in which the achievement of the first goal is necessary for the achievement of the second goal and, in turn, compliance with the first two goals enables compliance with the third one (Elson 2005:44). Both perspectives may be complementary.

In Latin America, UNIFEM initiated its GSB work in 2000 through the Regional Programme on Gender-Sensitive Budgets. First initiated in Ecuador, the experience was later spread to Bolivia, Brazil, Chile, Colombia, Mexico, Peru, Argentina, and Venezuela (Martínez Martínez 2006).<sup>26</sup> Also worth mentioning are the similar experiences in Barbados, Costa Rica, El Salvador, Honduras, Guatemala, Nicaragua, Paraguay, and the Dominican Republic.<sup>27</sup> At present, there is growing support for

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<sup>25</sup> A budget circular is an official notice issued by the Ministry of Finance, The Planning Committee, or other similar entity at the beginning of the budget cycle. The purpose is to instruct government agencies on how to present budget reports for the coming year (Budlender 2007).

<sup>26</sup> Besides the reports and papers previously quoted, further systematized information on some of the experiences in the region are available at Andía et al. (2005); for further information on Ecuador, see Armas Dávila (2006) and Palán Tamayo 2002; for further information on Argentina, see Echavarría (2007); Peru (Villa el Salvador) see Andía and Beltrán 2002.

<sup>27</sup> In Guatemala, for example, the Presidential Secretariat of Women, together with the German Technical Development Cooperation (GTZ), UNDP, FLACSO, and UNIFEM, has encouraged expenditure allocations in the National Public Budget of Guatemala towards a narrower gender gap. Technical and political steps were taken in order to include the gender perspective in the elaboration and execution of the National General Budget of Income and Expenditure. In 2003 the application of the Budget Sorter by Gender in the Financial Administration System of Guatemala was encouraged. (UNIFEM, 2006).

national, regional and local initiatives. At the local level, participatory budgets—a previously mentioned powerful tool—constitute an invaluable launch platform.

**Initiative 7: Villa El Salvador and the Southern Cone of Lima (Peru)**

Mostly composed of low-income homes, Villa El Salvador (VES) is one of the 11 districts of the Southern Cone of Lima. In 2003, a law was enacted that compelled all municipalities to adopt a participatory budget, at least partially.

**What did the initiative consist of?**

In 2002, UNIFEM analyzed the municipal budgets of VES from a gender-sensitive perspective. In 2003, a plan of action was implemented to incorporate the gender-sensitive perspective to the participatory budget, the Development Plan, and the public administration policy of VES. Jointly with the women of the municipalities of VES and Villa María del Triunfo (VMT), DESCO organized agendas with the 10 most urgent issues for their negotiation in participatory budgets. One of the most remarkable improvements was the creation of the Agency for the Promotion and Development of Women of the Municipality of VES through municipal ordinance.

In 2006, an analysis was made of the 2003, 2004, and 2005 participatory budgets considering the legal dimension, the participation of women in decision-making and the allocation of resources to improve women's conditions. Some of the recommendations emerging from the budget analysis are: to incorporate the gender-sensitive approach as a criterion for project selection; to establish a minimum level of women's participation in participatory processes, to sensitize authorities and civil society on gender-related issues; to make time management studies; to make equality of opportunities plans; and to generate information disaggregated by sex (Martínez Martínez 2006).

The analysis of the Bolivian national budget is made on the grounds of the research made by Gutiérrez de Toranzo called *Public Budget from a Gender-Sensitive Approach*. Concerning the impact of external aid specifically, the study reflects the importance of a harmonious relationship with national policy in order to obtain effects at the macroeconomic level. So far, the government did not have an explicit financing policy in favour of prioritizing gender equality (Gutiérrez de Toranzo 2004:166). However, various financing lines are transferred to focalized programmes. Pursuant to data obtained from the External Financing Information System in the 1998-2002 period, international collaboration entities allocated 15 per cent of total aid to the development of institutional strengthening programmes and projects, 17.4 per cent to economic programmes; 67.6 per cent to development programmes and projects, and finally, 21.7 per cent to the promotion of Basic Social Investment. This means that 32.4 per cent of assistance is addressed to programmes and projects with no direct impact on development (Gutiérrez de Toranzo 2004:169).

Women's redistributive functions are channelled through the state's social expenditure, and the effects of external aid on gender equality are indirect. In short, the total resources addressed to gender equality are allocated to: i) investment of basic social expenditure; ii) focalized programmes; and iii) varying unofficial aid resources (e.g.,

from NGOs). The most remarkable figures result from the main collaboration agencies, and the author states that the total amount in the last five years is USD 13, 573.7 (Gutiérrez de Toranzo 2004:168-171).

In Venezuela, GSB has recently become an institutional priority. Based on the experience of other Latin American countries and the analysis of Diane Elson, a methodology was developed for the specific context. The 2004-2009 Women's Equality Plan established the legal and institutional framework that sets priorities agreed upon by different sectors of Venezuelan women movements (Llavaneras Blanco 2006b:33). Eight action courses were proposed with regard to budget cycles:

1. Labelled Social Expenditure: the incorporation of a gender equality section effective as of the 2007 budget
2. Analysis of incidence and benefit of social expenditure
3. Operating expenses
4. Incorporation of gender-related variables to the 'New Stage' Platform
5. Incorporation of equity criteria to budget drafting guidelines
6. Incorporation of gender-related variables to the Logical Framework Methodology
7. Sensitizing representatives of the National Assembly to gender-related issues
8. Incidence on the local field (Llavaneras Blanco 2006a).

In Rosario (Argentina), the participatory budget was first adopted in 2002. Two years later, a request from the Women Department of the Municipality gave rise to the "Participatory Budget and Women Citizenship Participation Programme", which primarily aimed at encouraging women's participation and training, and the gradual incorporation of the gender perspective. In fact, women represent almost 60 per cent of active participants in the PB, although there is not yet a gender-sensitive budget in its strictest sense.<sup>28</sup>

To a large extent, the region reflects significant improvement in women's participation in public affairs. However, it is still not enough to ensure full access to women's rights and the acknowledgment of a set of affirmative actions, mostly at local levels, in relation to the implementation of participatory budgets including: i) the adoption of *municipal quotas policies* to ensure that 50 per cent of the agents are women or the creation of the conditions necessary to raise the number of women agents; ii) *specific-subject boards* composed of women in different locations; iii) *municipal facilities* such as day care centres to overcome any obstacles that may impair women's participation; and iv) *municipal budget analysis*, from a gender-sensitive perspective (Cabannes 2007).

Concerning the conditions in Africa, there is evidence of similar efforts aimed at attaining gender equality and autonomy, considering the traditional role of women over history and their importance in the fight against poverty. The purpose of ensuring full access to basic social rights throughout the continent, as well as greater representation in legislatures and the private sector, is a long-term goal (UNCEA 2005). However, since the 1990s there has been a growing tendency towards gender-sensitive affirmative action and processes in the socioeconomic and political dimensions.

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<sup>28</sup> See Ciciliani (2007)

### **Mainstreaming Gender in Ethiopia**

In Ethiopia, a National Women's Affairs Policy was adopted in 1993. The policy proposed the establishment of Women Focal Points in each ministry both at federal and state levels. The main purpose of these focal points is to mainstream gender into the activities of each sector and authority, which includes engendering the budget. There is also a Women's Affairs Committee in parliament that is one of nine Standing Committees. The role of this Committee is to see that every piece of legislation that is passed by parliament has incorporated the proper gender balance. In addition, the Committee tries to monitor how effective the activities of various ministries and agencies are in gradually ensuring real gender equality (Budlender and Hewitt 2003:38).

As previously mentioned, development aid plays an overall key role in this continent, and more specifically, with regard to budget support and gender affirmative actions in particular. In 2005, UNIFEM launched a monitoring survey on gender equality and aid effectiveness in various regions, with the participation of a wide range of public actors and civil society organizations.<sup>29</sup> The *Gender Equality and Aid Effectiveness Discussion Papers* record the improvement made in relation to the principles established by the Paris Declaration and explore the inclusion of new gender sensitive indicators regarding the debate held at the High Level Forum on Aid Effectiveness in Ghana 2008.<sup>30</sup> The cases from Zambia, Kenya, Senegal, Ghana and Burundi are explored in the report on *Aid Effectiveness and Gender Equality in Africa* (2006).

### **Ghana**

In Ghana the Ministry of Women's Affairs and Children (MOWAC) facilitates the National Gender Policy (NGP) through a strategic implementation plan and with the support of gender desks and gender focal points at local levels. The key coordination strategy being used to ensure that gender and women's rights are at the centre of the new aid modality agenda is through the establishment of a working group, the Gender Equality Standing Team (GEST) working group. The GEST is working to spearhead efforts to harmonize an approach to gender equality. While efforts to increase gender equality visibility in national policy dialogue and sector groups are underway, the gender machinery in Ghana faces serious constraints to meaningful engagement with the Aid Harmonization & Effectiveness Action Plan process (UNIFEM 2006a:6).

Unlike Ghana, with collaboration embedded in the government structure itself, most countries reflect a need to incorporate greater capacities to develop a gender-sensitive approach at all levels (UNIFEM 2007a).

Broadly, the analysis of the discussion papers showed a shared interest to promote gender equality as well as the need to debate financing strategies. According to Diane Elson (2005), gender inequalities have a negative impact on the governments' general performance and carry social costs not only to women, but also to the society as a whole. Furthermore, women's actions in the negotiation and follow-up of budgets may

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<sup>29</sup> Participating countries included Chad, the Democratic Republic of Congo, Egypt, Ethiopia, Morocco, Mozambique, Niger, Rwanda, Senegal, South Africa, Sudan, Ghana, Mali, Tanzania, Togo, Uganda, and Zambia.

<sup>30</sup> See the following discussions papers: UNIFEM 2006a, 2006b, 2007a, 2007b, 2008.

make decision-makers more aware of the issues at hand, which would have a positive incidence in the adoption of resource allocation decisions (Gutiérrez de Toranzo 2004). Consequently, the contribution of the gender-sensitive perspective must not be disregarded.

Concerning developing financing, the importance of promoting gender equality in the allocation of resources is a key component in all institutions' platforms (UNIFEM 2007a). However, it is worth analyzing whether this premise translates into a priority for financing policies in each case. Consequently, as previously stated about the Bolivian case, it is necessary to consider national women's inclusion policies, and the areas addressed by the flow of international aid.

The integration of a GSP will improve effectiveness provided it is accompanied by a parallel development of gender-sensitive capacities and national policy frameworks. The sustainability of these initiatives will depend on various conditions: technical tools and training, teams willing to devote their time and resources, the flexibility and adaptability of local realities, the financial support received, and last but not least, the proper performance of follow-up functions (Budlender and Hewitt 2003:65).

The debate is far from closed, and rather, it should be deepened through the encouragement of a broader participation of women in all public and private fields. In this sense, UNIFEM and the EU have identified a number of initial priorities:

- ✓ Strengthening national capacity
- ✓ Sex-disaggregated data and targeted dissemination
- ✓ Gender-sensitive performance indicators
- ✓ Supporting civil society's accountability function
- ✓ Clarifying donor and recipient countries' accountability for advancing women's rights (UNIFEM 2006a:10)

As stated above, for some countries, aid flows represent a highly significant percentage of the national revenue, and therefore, beyond the inherent risks of this dependence, the challenge is to invest funds in activities that promote gender equality as a key component of poverty alleviation and development.

## **VII. Development: a final thought**

Social policies face economic, political, and international challenges that set the need for a multi-faceted debate designed to consolidate the relationship between economic and social policies. This goal requires a debate on the conditions of a new social and fiscal pact backed by the legislative branch and civil society as a whole, and the establishment of new social, economic, political, and cultural development goals, aimed mainly at individual and collective welfare. The orientation of the reallocation of revenue and social expenditure will be reflected by public budgets, which account for models of administration, political decisions, priorities, and government strategies.

Regarding public budgets, the lessons from the decades of adjustment can be systematized as follows:

- ✓ Decisions are mainly political, rather than exclusively technical

- ✓ Experience shows that budgeting without planning, or vice versa (planning without budgeting), are feasible alternatives, but their lack of coordination is detrimental to the quality of the process
- ✓ There is no universal management model and, although the tendency is towards a results-oriented approach, it is paramount to consider each country's peculiarities
- ✓ Processes must be gradual and voluntary, since they involve cultural, institutional, and social changes.
- ✓ Formally, budgets could be multi-annual but, in fact, there are still certain traditional incremental criteria
- ✓ Increasingly active participation of actors (executive branch, legislative branch, civil society, and international actors) is necessary in the budget process decision-making stage
- ✓ Deficits of information and of system integration must be eliminated by encouraging dialogue between the state and civil society, and the central government with sub-national governmental agencies.

It is essential to make a detailed diagnosis of management systems prior to any programme implementation and monitoring, in order to assess the impact of the different budget systems (including techniques and policies) on poverty reduction.

Regarding the Millennium Goals, poverty reduction and social development are unsustainable without economic development and redistributive policies. Development has a social character only when mobilized in all dimensions: human, socio-cultural, symbolic, and economic. It is impossible to develop a virtuous circle between economic and social development on the exclusive basis of a “pro-economic growth” approach.

The MDGs set up an “agenda for development” that comprised more integral goals than in the past, concentrating their efforts on the reduction of poverty. This directionality is not alien to the recent transformations of the concepts of development and poverty. The economics rationality that ruled development theory has given way to a more complex perspective that contemplates not only economic growth, but also a set of socio-cultural variables. Development is not the ideal model which can be achieved through identical tracks, and at present, there is a consensus that “one-size-fits-all” strategies have not performed well for the economy, and have even performed worse for development in general (Mosley, Hudson and Verschoor 2004). Furthermore, poverty includes a variety of situations that have traditionally been represented and measured using uniform criteria which have disregarded poverty nuances. The public policies based on the concept of ‘individuals who lack everything’ (economic, social, symbolic capital) are examples of this viewpoint. Conversely, we advocate the conceptualization of poverty as a multidimensional process which builds a bridge towards the enhancement of citizens’ conditions.

Although income is one of the most relevant parameters, other indicators must be considered, since poverty entails a set of resources and social, political, symbolic, and socio-cultural capital. This adds to the fact that men and women (and boys and girls) are affected differently at home. These subtleties are disregarded in standardized measurements (UNRISD 2007a, 2007b). The issue is even more complex since, while poverty has slightly decreased in most countries, the inequality gap has increased. The Gini coefficient proves this fact: while the wealthiest countries with the highest per-

capita GDP reflect coefficients below 0.40, the poorest countries reach 0.71. Latin America and Africa are within the latter.

Following this re-conceptualization, development assistance has also undergone remarkable changes in terms of principles and practices—at least according to what the international discourse manifests—since funds are not only used to promote economic growth but also to encourage pro-poor actions and social programmes. Budget revalorization as an expression of distributive policies, and expenditure as a redistributive interregnum, are worth noting. The new modalities of participatory budget and Gender-Sensitive Budget have renewed national and international expectations of a more equitable allocation of investment funds, which encourages citizen participation in the decision-making process, thus replacing the traditional actors (Bräutigam 2004). There have also been efforts aimed at encouraging “good practice” principles to be implemented not only among recipients, but rather among donors themselves, as a foundation for aid relationships in accordance with national systems. This should take place through the consolidation of the leadership and goals set by each country, the strengthening of the transparency of the aid, the harmonization of operation expenses, and the simplification of requirements, to achieve a higher predictability of resources and conditionalities (ODI 2004).

These alternative forms of budgeting have brought local and regional governments closer to the population, responding to a social vision and a rights vision which stimulate citizen’s participation, tolerance, the search for social contracts and basic consensus, the design of integrated and coordinated policies, and transparency in government management.

Regarding ODA, and given its importance—especially to the poorest countries, since it represents a large portion of their budgets—some questions should be addressed: Can external actors contribute to the reorientation of investment policies and priorities? What is their role? There is not a straightforward answer to this question since a difference should first be made between types of donors, agencies, and IFIs, and this would exceed the scope of this paper. Moreover, there is no monolithic policy, and this implies a set of different amounts, addressees, strategies, conditionalities, and types of dialogue with each state. Nevertheless, it is still possible to summarize some of the desirable courses of action:

- ✓ Ensuring support for development
- ✓ Coordinating actions with governments in order to revitalize their leadership and political role
- ✓ Extending the deadline of financial commitments, so as to enable the development of internal capacities
- ✓ Establishing new alliances to strengthen the role of legislatures and civil society in accountability
- ✓ Strengthening each country’s institutional structures and abilities in order to manage funds properly
- ✓ Stimulating research on budget issues, the exchange of regional networks’ management experiences and technical collaboration

One of developing countries’ priorities, regarding the allocation of funds to social policies, is to have adequate counselling and technical assistance to assess the

macroeconomic and sectoral effects of these funds on poverty reduction and citizen conditions. As previously noted, international experience has proved that the pressure exerted on expenditure by the IFIs failed to yield the results expected by the countries, which has undermined credibility in these institutions. Despite the efforts to reorient policies, the determination of the scope of national policies and agendas is yet an open debate.

Although poverty and development are multidimensional phenomena, the issue is not just about applying blind recipes in disregard of peculiarities, but rather creating a policy that is sensitive to them, which requires a more thorough examination of the “pro-poor” concept, related national and international rhetoric, and the direction of current policies. None of the current financing concepts can be considered to be universally valid in time and place, since each region has its own operating platform. Likewise, the principles of “good governance” may not be adopted as exclusively technocratic and ordinary variables. In Africa, this is an open debate, together with the debate on the need to advance towards a less prescriptive relationship between state and society. This is not to disregard the intrinsic relationship between governance and development, but rather to accept that: “a key lesson however, is that governance is contextual” (NEPAD 2007:4).

If too many problems take a worldwide dimension, national actions must be complemented with international commitments. The international community, development institutions, recipient countries, and donors must share duties and efforts to face the critical living conditions of the poorest population. Paradoxically, despite donors’ promises to increase ODA, aid has dropped in real terms (1990-2007). This reality reflects the inconsistency between “promises” and concrete financial commitments (United Nations 2007a:16).

This paper clearly shows the budget system’s core challenges to support development, to reform spending priorities, to develop innovative instruments, and to define new alliances. These challenges require the commitment and participation of the civil society as well as the best tools for resource management, which will lead to greater transparency and efficiency in both national and cooperation policies.

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