

# What's behind the budget?

## Politics, rights and accountability in the budget process

Andy Norton

Centre for Aid and Public Expenditure  
Overseas Development Institute, London

Diane Elson

Department of Sociology/Human Rights Centre  
University of Essex

June 2002

## Acknowledgements

This study was commissioned by the Social Development Department at the Department for International Development, and we thank them for their support. Andy Norton led the process of producing the study, and co-authored this report with Diane Elson. Charles Abugre contributed a background paper and Polly Vizard a briefing paper on the work of Amartya Sen.

We would like to thank the following people for valuable commentaries on earlier drafts of the report: Debbie Budlender, Karin Christiansen, Tim Conway, Rosalind Eyben, Clare Ferguson, Mick Foster, John Gaventa, Jeremy Holland, Warren Krafchik, Keith MacKiggan, Simon Maxwell, Rosemary McGee, Caroline Robb, John Roberts, Aaron Schneider, Alison Scott, Ken Sigrist, Carrie Turk, Sushila Zeitlyn.

## Acronyms

CBO	Community Based Organisation
CBP	Child Budget Programme
DFID	Department for International Development (UK)
GBI	Gender Budget Initiative
HIPC	Heavily Indebted Poor Countries
IMF	International Monetary Fund
MDAs	Ministries, Departments and Agencies
MF	Ministry of Finance
MTEF	Medium Term Expenditure Framework
OECD	Organisation for Economic Co-operation and Development
NGO	Non Governmental Organisation
PEM	Public Expenditure Management
PER	Public Expenditure Review
PAC	Parliamentary Accounts Committee
PPA	Participatory Poverty Assessment
PRS	Poverty Reduction Strategy
PRSP	Poverty Reduction Strategy Paper
SWAP	Sector-Wide Approach
TGNP	Tanzania Gender Networking Programme
WBI	World Bank Initiative

ISBN 0 85003 597 X

© Overseas Development Institute 2002

All rights reserved. Readers may quote from or reproduce this paper, but as copyright holder, ODI requests due acknowledgement.

# Contents

- Acknowledgements..... ii
- Acronyms..... ii
- Summary ..... v
  
- 1. Introduction ..... 1
  - 1.1 Objectives and Background ..... 1
  - 1.2 Why now? Contemporary trends in development practice ..... 2
  - 1.3 Challenges..... 3
  
- 2. Key issues in understanding budget processes ..... 5
  - 2.1 Definitions, literature and the growing elements of consensus ..... 5
  - 2.2 The budget cycle ..... 7
  - 2.3 Formal roles and responsibilities of different actors in the budget process..... 9
  - 2.4 Common weaknesses in budget processes..... 13
  - 2.5 The limitations of the budget as an entry point for promoting policy change and improved implementation..... 14
  
- 3. Rights, politics and accountability in the budget process..... 15
  - 3.1 Human rights, entitlements and public policy ..... 15
  - 3.2 The politics of budget formulation and execution..... 22
  - 3.3 New approaches to strengthening accountability in public policy and expenditure management: results oriented management and performance assessment..... 30
  
- 4. Pro-poor and gender-sensitive budget initiatives in developing countries ..... 35
  - 4.1 Research-based advocacy initiatives on behalf of disadvantaged social groups ..... 35
  - 4.2 Government gender budget initiatives ..... 38
  - 4.3 Government-led consultation exercises with poor people..... 39
  - 4.4 Transparency and information initiatives..... 40
  - 4.5 Participatory budgeting ..... 42
  - 4.6 Initiatives to develop a rights-based approach to public provision for poor people..... 43
  - 4.7 Lessons from experience ..... 45
  
- 5. Conclusions - approaches to strengthening voice, accountability and responsiveness to the poor in policy and budget processes ..... 47
  - 5.1 A typology of approaches for strengthening accountability and citizen participation in budget and related policy processes ..... 47
  - 5.2 Implications for development co-operation ..... 48
  - 5.3 Looking forward – areas for further study ..... 51
  
- References..... 52



# Summary

## Purpose and objectives

This paper was commissioned by the Department for International Development, UK (DFID) as part of the programme of work to take forward the human rights strategy as outlined in the document *Realising Human Rights for Poor People* (2001). The purpose of the paper is to contribute to the evolving understanding of public expenditure management as a political, rather than a purely technical, process. The paper identifies issues, partners, tools and methods that may help development actors to support citizen accountability and a pro-poor, gender-equitable, focus in public expenditure management. The paper aims to take this debate forward by looking at the ways in which a rights approach can contribute to strengthening pro-poor voice and outcomes in budget processes.

Addressing the connections between the theory and practice of human rights and that of public expenditure management means dealing with two different ‘knowledge communities’ – with different languages, assumptions and perspectives. The rights community is predominantly concerned with individuals’ claims on the states that govern them. Specialists in public expenditure management have a major legitimate concern with the state’s claims on its citizens (for taxation), and tend to view the moderation and control of financial claims on the state as a major objective of the practice of their craft. The paper argues that integrating a rights perspective with a good understanding of the mechanics and politics of public expenditure management has potential for advancing understanding of the key question of how a pro-poor focus can be encouraged and fostered in the mainstream of public policy.

The specific objectives of the paper are as follows:

- to provide a basic guide to the budget process, and related aspects of public expenditure management and public policy;
- to review different conceptual approaches for addressing issues of human rights, entitlements, political accountability and citizen participation in relation to the budget process;
- to review some of the experience with pro-poor and gender-sensitive budget initiatives and draw key lessons;
- to provide guidance for the identification of entry points, methodologies and partners which can help to strengthen voice, accountability and responsiveness to poor men and women in policy and budget processes.

The structure of the paper follows these objectives, with Chapter 2 addressing key issues in the budget process, Chapter 3 dealing with the area of rights, accountability and politics in processes of resource allocation, Chapter 4 summarising the experience with pro-poor and gender budget initiatives, and the final chapter drawing operational and policy conclusions.

## Key issues in understanding the budget process

The national budget is a document that, once approved by the legislature, authorises the government to raise revenues, incur debts and effect expenditures in order to achieve certain goals. Since the budget determines the origin and application of public financial resources, it plays a central role in the process of government, fulfilling economic, political, social, legal and administrative functions.

There are substantial areas of consensus in the available literature on the analysis of the budget process, including the following points:

- In order to understand the budget process it is necessary to understand the accompanying processes of policy and planning;
- The process of allocation of resources to different institutions and purposes is essentially a political, rather than purely technocratic one. Any attempt to address content of budget allocation without looking at political process is therefore unlikely to be helpful;
- The problem of budget allocation (how resources are divided) cannot be abstracted from macro economic and revenue issues (which determine the size of the overall resource envelope) and

efficiency/effectiveness in the use of funds. A holistic understanding of public expenditure systems - and the institutional cultures that condition them - is important in order to formulate strategies for change and improvement;

- It should never be automatically assumed that allocations translate accurately into spending. What money actually gets spent by whom, on what items and for what purpose is often determined during the process of budget execution.

These areas of consensus are indicative of a constructive general climate for debate on budget issues. Governments, civil society advocacy groups, research institutions and multilateral institutions are all engaged in this debate and there is a good level of communication and cross-referencing between the various groups. There are still, however, some areas of the budget process which are heavily contested – notably on how social concerns should be incorporated into macro-economic policy.

## **Politics, rights and accountability in the budget process**

### *The politics of budget formulation and execution*

As indicated above, there is a growing consensus that public expenditure management is a political, rather than a simply technocratic, process. Studying the politics of the budget process essentially means examining the ways in which the distribution of power within that process affect the subsequent distribution of public resources. From a social theory perspective, this has two key dimensions – power as formal structures, and power as the informal incorporation of dominant norms and values into operating procedures and practice. In any given process of budget formulation and execution, unequal power relations may be expressed by: inclusion/exclusion or proximity by different social groups to the decision-making process; norms and values explicitly expressed in the statement of purpose and implicitly embedded in the priorities and assumptions contained within the process, structure and content of the budget. Power also plays a significant role in the legitimation of knowledge, and in determining who has access to information which guides decision-making.

The prevailing balance of interests and pressures in any system of public expenditure management is unlikely to reflect a pro-poor, gender-equitable, orientation in any simple sense. It is also unlikely to reflect an uncomplicated commitment to sharing information about the process, and including the excluded in decision-making. It is very likely that attempts to move in this direction will run into both overt and covert resistance, with adoption of formal commitments to policy goals by governments being insufficient to guarantee meaningful change. Ideally, therefore, for a development actor to understand the politics of a given budget process it would be valuable to have information about the following: a) The formal structure of roles and responsibilities within the budget process; b) The formal rules governing decision-making, political choice and accountability within the public expenditure management system; c) The networks of stakeholder power and influence (outside the formal allocation of roles and responsibilities), which influence the outcomes of the budget process; d) Incentives for action (covert as well as overt) affecting the decision-making of politicians and officials during budget formulation and execution; e) The latitude for independent discretionary action of bureaucrats at all levels of the budget execution process; f) The norms and values prevailing in key institutions within the budget formulation and execution process.

A technocratic approach to understanding the politics of the budget process would be satisfied with understanding levels a) and b) of the above typology. At a practical level this kind of approach will focus on producing recommendations for a range of procedural measures designed to achieve change beneficial to poor women and men by strengthening the space for technical analysis applied through a transparent process. In countries where the broader institutional and political configuration is not hostile to goals of widening accountability and strengthening a pro-poor, gender-equitable, focus, this may be an effective course of action to pursue. However, if the factors in levels c) to f) outlined above are pulling in the opposite direction (supporting vested interests within or outside the bureaucracy) then technical improvements are unlikely to be transformational in practice – and there are clear dangers in acting ‘as if’ the deeper levels of budget politics do not matter, as formal policy goals are unlikely to be achieved. Under these conditions a deeper level of political analysis can be helpful in seeking to identify significant stakeholders who may support change beneficial to poor men and women, and changes that strengthen incentives for pro-poor action in budget execution as well as formulation. An incremental approach – seeking to build on

positive elements of the existing policy framework which already have significant support – may be more effective than attempting to re-design policy from a poverty perspective from a ‘clean slate’.

The paper illustrates some of the ways in which pro or anti-poor orientations may occur at various levels and stages of the budget process. The review of case material suggests some broad lessons for development actors interested in furthering gender-equitable poverty reduction, including the following:

- The transparency of the system of budget management is critically important. Transparency takes many forms, but in all its forms is founded on a system of budget information that allows for both officials and the public to scrutinise what actually happens to the money. When such information is available, and publicly disseminated, it can act as the ‘nourishment’ on which a culture of greater accountability can develop – often in ways that cannot be planned or predicted in advance;
- The norms and values that operate within key institutions – especially the central budget office – can have a strong bearing on the execution of the budget. There may be a particular case for strengthening the capacity of ministries working on key areas for poverty reduction and gender equity to contest resources effectively throughout the process of budget execution;
- The detail of social, political and historical context has a huge bearing on the extent to which different strategies for strengthening poor peoples’ rights and claims in the budget process are likely to be appropriate or successful. The empirical study of this is very challenging, as processes of decision-making about resource allocation are often not open to examination. But an attempt to get an understanding of these issues is likely to be time well spent, in terms of developing a better capacity to identify partners, approaches and strategies which can contribute to strengthening the pro-poor outcomes of budget processes.

#### ***New approaches to strengthening accountability for the delivery of public services; performance assessment and results-oriented management***

New ideas of accountability based on values of ‘performance’ and ‘effectiveness’ and a focus on ‘outcomes’ are an important part of the way that the debate about pro-poor, gender-equitable, politics is evolving. If politicians are prepared to commit themselves to achieving particular results (e.g. improved health status) then the focus of their accountability may be more clearly geared to equitable outcomes for all citizens. By contrast, if the promises politicians make relate to increasing inputs (levels of spending on health, education etc.) or delivering outputs (e.g. building public housing) then the possibility exists that these inputs or outputs can be delivered to particular client groups. Robust systems of pro-poor targeting, with transparent procedures, can act to prevent this happening, but require strong technical and ethical standards in implementing institutions.

The hypothesis that an ‘outcome focus’ can contribute to enhanced accountability in governance has an attractive logic. It resonates well with a human rights approach in that the formulation of economic and social rights in relevant treaties is generally formulated in ‘outcome’ terms (the right to health is about health outcomes, not specific rights to the outputs of public health services). There are, however, a number of significant challenges which are associated with putting this into operation including:

- Developing information systems capable of a) providing feedback on timescales which policy makers can respond to, and b) reliably assessing complex phenomena;
- Communicating to the public measures of result and effectiveness of institutions at the local level so that pressure for improvement in areas with poor conditions and public services can develop;
- Addressing barriers to institutional change, which prevent institutions from effectively collaborating across structural boundaries to achieve outcomes (e.g. health and education services working together to improve child health);
- Creating space for local level identification of problems and solutions, so that top-down output ‘targets’ do not constrain the possibilities for action of public sector managers.

These challenges are considerable. The development of effective performance assessment frameworks, which enable both policy makers and the public to judge institutional and personal

performance, is difficult. When the measures and incentive frameworks are inappropriate, there is a danger of creating perverse incentives.

Without a wide-scale effort at transforming the structures of authority within the government system, it also will remain unlikely that a simple change in policy rhetoric ('results orientation') will be enough to change the deeply embedded norms and values in public institutions that impede effective poverty reduction action. An 'output' focus is more in tune with the hierarchical 'command and control' structures which characterise the public sector in most countries. Moving to a focus on 'outcomes' requires a willingness to allow space for creativity, institutional learning and decision-making at more levels in the system.

### ***Rights, statutory entitlements and policy***

A range of work has emphasised the importance of an entitlement or rights-based approach to the provision of public services and transfers on the grounds that this is empowering for the poor and socially marginalized. A common theme is the importance of translating international human rights norms into national budget processes through establishing entitlements to resources and standards of service delivery.

In everyday terms, an entitlement can be defined as a claim or right defined by reference to custom or an established procedure. Entitlements provide concrete and specific content to rights – often taking a right (e.g. to social security, or maternity leave) and indicating 'how much'. Entitlements, like rights, must be legitimised by a particular source of authority, but the legitimisation may be through cultural norms or through statute law. *Statutory entitlements* set out what provision which members of the population have a legal right to claim from the state, or other parties such as employers.

The arguments for the development of statutory entitlements take a number of forms. If mechanisms of redress are effective and accessible, then statutory entitlements are likely to be more transparent and equitable than other policy instruments. Claiming such entitlements is less likely to be stigmatising and taken as a sign of failure or dependency than provision which is formally at the discretion of bureaucrats. Statutory entitlements are more secure than narrowly targeted discretionary safety nets or market-based entitlements. They can be changed by the political process and their real value may be eroded by rising prices, but it is clear that the government has responsibility for these entitlements and must be held accountable for them. Such entitlements are a form of mutual assurance and symbolise citizenship as a social bond.

There are also, however, some potential difficulties with statutory entitlements as a policy mechanism. The fact that an entitlement is statutory, and in theory universal, does not guarantee that all can access it. Legal recourse is beyond the means of many poor and excluded people, but without effective redress a universal statutory entitlement may be in practice 'anti-poor'. If a notional entitlement to a publicly provided service or transfer is beyond the means of the state to provide for all, then it is very likely that rationing will occur and that the poor will be the losers, rather than the beneficiaries of the process. There is also the possibility, if the system becomes over-loaded with entitlements, that expenditures either get out of hand altogether, or become so rigid that public policy loses the capacity to respond to new policy priorities. So it is clear that statutory entitlements to public provision, as a policy instrument, may not be pro-poor, and may not further the realisation of universal human rights.

There is, however, another level of argument for the development of at least some basic universal entitlements in poor countries, which relates to the evolution from a clientelist mode of politics, to one where claims can be made on the basis of citizenship, rather than patron-client relationships. According to this argument the development of some entitlements (not necessarily across the full range of economic and social rights) may have long-term benefits in terms of changing the basis on which people mobilise.

In summary, there seems to be a strong case for establishing, protecting or strengthening some clear entitlements to public provision in most countries. Under the following 'ideal' conditions it would be clear that such provisions were pro-poor in practice:

- The entitlements are provided on a citizenship basis, non-discriminatory in intent, and act to strengthen the well-being of poor people or weaker social categories or groups;
- Legal or administrative systems of redress exist which are sufficiently effective and accessible to all to provide incentives for the system to function equitably;



- The entitlements can realistically be provided on a sustainable basis, without damaging the state's capacity to respond to other priorities;
- The entitlements have been established through a relatively accountable, democratic process.

Where systems of public entitlements do not meet the above desirable conditions they may be subject to some of the perverse effects discussed above. The most serious distortions would often apply in situations where the capacity to make claims is restricted to elite groups. Approaches to overcoming or guarding against this include: a) restricting entitlement-based provision to goods or services which add little or nothing to the welfare of the better off (e.g. literacy, public works employment schemes) so the incentive to claim is greater for the poor; b) targeting such provisions to disadvantaged groups, or sections of the population where the poor are disproportionately represented (e.g. older people, landless labourers); c) strengthening access to mechanisms of redress for the poor or disadvantaged; d) strengthening the capacity of the disadvantaged to make claims through improving access to information or organisational skills.

### **Pro-poor and gender-sensitive budget initiatives in developing countries**

The experience with budget initiatives oriented to equality and poverty goals varies along a number of different axes, including the following: the nature of the objectives; the level of the exercise (central, sector or local government); the scope of coverage in terms of budget issues; the role that government plays in the initiative; the involvement of different kinds of civil society organisation; and the methods or approach used.

The experience of budget initiatives with social goals (whether related to poverty, gender equity or other dimensions of discrimination) suggests a number of broad lessons that can help guide development practice, including the following:

- Successful work to take forward social goals in budget processes often involves networks of actors with different positions and skills – including NGOs, researchers, parliamentarians, members of political parties, technocrats and members of the social groups in question themselves.
- Many successful social initiatives on the budget process in developing countries have benefited from donor support. Sometimes this has been through support to civil society groups, sometimes through support to building capacity in government, and sometimes through the provision of extra resources (e.g. through HIPC debt relief).
- Successful initiatives (such as the participatory budgeting movement in Brazil, or the gender budget initiative in South Africa) are often facets of a broader popular political movement or project.
- Where governments have particularly strong frameworks of policy goals, or other frameworks for accountability (such as constitutional provisions related to economic and social rights), the space for pro-poor engagement in the budget process is stronger.

### **Conclusions - approaches to strengthening voice, accountability and responsiveness to poor men and women in policy and budget processes**

The donor literature on Public Expenditure Management focuses largely on procedural and technical adjustments to policy and budget systems themselves. The review of material presented here suggests that – necessary as this work is – it needs to be accompanied by a broader understanding of the political context, and more emphasis on the spaces and capacities needed for civil society to ask questions of public policy and implementation systems, and the capacity of the disadvantaged to make claims for service outcomes.

On the basis of the experience reviewed in this paper the following seven factors can be identified which are likely to facilitate accountability and a gender-sensitive, pro-poor focus in the budget process. Most of the seven features are inter-linked and mutually reinforcing – but they vary in the degree to which external actors such as donors are likely to be able to bring any constructive influence to bear.

#### ***1. A constitutional framework and political culture oriented to citizenship and rights***

A large number of the examples of effective and dynamic citizen engagement with budget processes can be found in countries such as South Africa, India or Uganda that have incorporated a strong social vision, including elements of human rights, into the constitution. The embodiment of

national purpose in a constitution is an area where respect for sovereignty should be high – so donor influence and action is only likely to come into the process in the case of specific requests for assistance.

## ***2. A system of issues-based political competition***

Socially disadvantaged groups are best able to influence state policy in contexts where there is institutionalised political competition between ideologically diverse parties or factions. This is because political competition encourages parties or factions to seek alliances with new social groups and to promote their interests. This was an important factor in three of the case study examples presented; the gender budget initiative in South Africa, the participatory budgeting initiative in Brazil and the right to information movement in Rajasthan.

## ***3. Sufficient fiscal resources for wide-scale delivery of some basic services***

The literature on citizen action for more accountability in the budget process draws predominantly on developing countries with considerable fiscal capability (such as Brazil, India, South Africa). Donors can play an important role in enhancing that capability. An example is Uganda, where a considerable momentum for pro-poor reform, bringing together civil society and governmental actors, has developed around the Poverty Eradication Action Plan. Donor support, through HIPC debt relief as well as grants and loans, has been an essential element of this process. This suggests that there is a strong argument for backing countries which make a real commitment to accountability, transparency and a poverty focus in the implementation of the public budget with direct budget support – so the dynamic of citizenship is reinforced through ensuring that the domestically accountable public sphere is the channel of delivery.

## ***4. A clear framework of policy goals, aligned to a vision of society with respect for social justice***

Clarity at the level of policy goals and objectives facilitates accountability in the sense that statements of intention are essential to any attempt to evaluate progress. The project of establishing such a framework has often provided motivation for administrations to consult on citizen's priorities. The establishment of effective systems for monitoring the achievement of policy goals provides a potentially powerful framework for citizen engagement – although so far empirical examples of this seem rare.

## ***5. Transparent systems of decision-making about budget allocation, and of budget execution***

Technical work to strengthen the transparency of the systems of recording and reporting decisions and expenditures remains critically important. In particular there is need to strengthen the capacity to provide data on the distribution of the benefits, disaggregated by income, sex, age and location. Technical support, however, needs to be better informed by a broader political analysis. This can help identify key actors in public service and civil society who can bridge the gap between citizen groups and the typically relatively closed world of officials engaged in the budget process.

## ***6. An active, engaged civil society able to access information, produce analysis and hold government to account***

This is a key condition for effective citizen-led pro-poor budget initiatives – as is repeatedly demonstrated in the case study material. There have been donor activities that have aimed at improving economic literacy and other forms of capacity building in this field. There is also a growing international civil society movement which promotes civil society budget work through encouraging networking and sharing of information, supported by grants from foundations, governments and inter-governmental agencies.

## ***7. Active, informed citizens able to draw down services, make claims and hold service providers and policy makers to account***

Formal systems of political representation form only a small part of the conditions necessary for citizens – and particularly poor and excluded groups – to make effective claims on public policy, budgets and services. Making claims on public services involves factors such as: access to information; group solidarity; development of skills and capabilities; the help of allies capable of providing advocacy at other levels and in distant institutional domains; access to a 'fair regulator' capable of assessing competing claims according to rights provisions without being captured by elite groups. There are multiple channels through which donor agencies can help to build this level of accountability – involving engagement with both governmental and non-governmental structures.

# 1. Introduction

## 1.1 Objectives and Background

This paper was commissioned by DFID as part of the programme of work to take forward the human rights strategy as outlined in the document *Realising Human Rights for Poor People* (2000). The purpose of this paper is to help development actors identify issues, partners, tools and methods which will help to build citizen accountability and a pro-poor focus into public expenditure management and budget processes. The paper was originally commissioned in response to requests from DFID staff for information for non-specialists on budget processes, and a summary of the experience of civil society budget initiatives for poverty or gender goals. It addresses a general audience of development practitioners interested in social and poverty goals of public policy in developing countries, and particularly in the opportunities for strengthening pro-poor citizen engagement in budget processes. The focus of the discussion is on developing countries, although experience from elsewhere is included where relevant.

The specific objectives of the paper are as follows:

- to provide a basic guide to the budget process, and related aspects of public expenditure management and public policy;
- to review different conceptual approaches for addressing issues of human rights, political accountability and citizen participation in relation to the budget process;
- to review some of the experience with pro-poor or people-centred budget initiatives in the developing world, and draw key lessons;
- to provide guidance for the identification of entry points, methodologies and partners which can help to strengthen voice, accountability and responsiveness to the poor in policy and budget processes.

The term ‘voice’ refers to the range of measures – such as complaint, organised protest, lobbying, making claims and direct participation in decision-making and product delivery – used by civil society actors to put pressure on service providers and policy makers to demand better service outcomes and performance of public policy.<sup>1</sup> Responsiveness describes the extent to which the public policy system, at all levels, demonstrates a willingness to gather, absorb and act on the views, complaints and suggestions of citizens. As noted by Goetz and Gaventa (2001) most state bureaucracies tend to be ‘responsive’ – but not on an equitable basis, favouring powerful interest groups rather than the poor. Promoting responsiveness to a broader range of social groups, and particularly to the poor and other socially excluded groups, can involve promoting counter-cultural reforms in bureaucratic behaviours.

With reference to policy and budget systems the key term ‘accountability’ obviously has multiple meanings and dimensions. People can be held to account formally – on the basis of legal or administrative rules, or informally – on the basis of norms and values (including the failure to fulfil promises or live up to standards which have been claimed). Different professional groups have different models for accountability (financial, legal, political), different methods for constructing ‘accounts’, and different sanctions to apply when standards are not met or rules are broken. There are horizontal forms of accountability (checks and balances internal to the state, such as public audit systems) and vertical forms of accountability (external mechanisms used by non-state actors to hold power holders to account). Accountability has a positive sense, of responsibility for doing something, and a negative sense – of who is to blame if things do not work as they are supposed to. In its broadest sense struggles over the public sphere and what should be included in it are also struggles over accountability. The understanding of accountability in this paper is broad, and gives primacy to accountability to citizens. As Gita Sen (1992) notes this implies an understanding of the public sphere where ‘we can think of people participating along with governments; in defining needs, in making choices appropriate to those needs, and in enforcing accountability’.

The structure of the paper is derived from the specific objectives listed above. Following this introduction the each of the four sections will deal in turn with each of these. The individual

---

<sup>1</sup> Adapted from Goetz and Gaventa (2001).

sections have been written to stand on their own, so the paper can be used as a ‘sourcebook’. The conclusion will draw together the key lessons for development practice.

The scope of the paper is considerable, and it has not been possible to deal with all of the issues and areas we would have liked. In particular, the treatment of the revenue side of public expenditures (and the considerable equity and governance issues associated) is not extensive. In this respect the paper reflects the emphasis in the current literature on the budget process, which is stronger on the expenditures side. The current debate on aid instruments (and particular the move by many donor agencies towards mainstream budget support) is not a central focus of the paper. As this forms part of the context for the current interest in the budget process, practical and conceptual connections with these issues are highlighted.

## 1.2 Why now? Contemporary trends in development practice

A variety of recent trends make this a good time to address this general area of theory and practice in international development:

- Approaches to the analysis of deprivation increasingly focus on empowerment and participation as key dimensions of effective action to reduce poverty. The key ‘millennial’ statements of the two most influential publications in international development took up these themes. The UNDP Human Development Report directly addressed this through the issues of human rights.<sup>2</sup> The World Bank’s World Development Report included ‘empowerment’ within its own three part typology of the actions needed for poverty reduction while avoiding explicit use of a language of rights.<sup>3</sup>
- In recent years development agencies have been seeking to develop channels of assistance which work as far as possible through the mainstream processes of partner institutions. The motivations behind this are multiple, and well documented elsewhere,<sup>4</sup> but include an emphasis on assisting partners to develop the capacity to manage their resources coherently. For mainstream assistance to governments in developing countries this means that the ‘ideal’ form of development assistance in many cases is now perceived as being direct financial assistance through the public budget.<sup>5</sup> However, to justify this against the stated over-arching aim of development assistance, it is necessary to demonstrate that budget support and associated dialogue can lead to a growing effectiveness of the state in reducing poverty. This has led to a focus on understanding the budget and related policy processes, and the ways in which policy change can come about and lead to effective poverty reduction. A basic level of competence and transparency in the management of public expenditures is also critically important for donor agencies to be able to justify passing financial assistance through mainstream government channels. From the perspective of governments – there is a corresponding awareness that they are increasingly defined and judged by the way they manage public expenditure.<sup>6</sup>
- There has been a rapid growth of interest in the budget process as a site of action for strengthening the accountability of governments to their own citizens. Pro-poor advocacy initiatives led by civil society organisations focusing on the analysis of budget issues have developed at a striking rate in recent years.<sup>7</sup> A recent global conference of civil society organisations took human rights in the budget process as one of its main themes.<sup>8</sup>

---

<sup>2</sup> UNDP (2000).

<sup>3</sup> World Bank (2000).

<sup>4</sup> For example, Foster and Fozzard (2000), DFID (2001a).

<sup>5</sup> This is particularly the case in highly aid-dependent countries. Arguably, where aid dependence is lower the case may be stronger for international development agencies to provide specialist, knowledge-based programmes of support rather than mainstream support to the provision of infrastructure and services. Where aid dependence is high the constraints to providing money directly through ‘budget support’ are generally seen as relating to low levels of management capacity or what are perceived to be poorly developed policy frameworks. (Foster and Leavy 2002).

<sup>6</sup> DFID (2001a).

<sup>7</sup> This has been ably documented by the work of the International Budget Project (2000, 2001a) who keep a regularly updated, informative website – [www.internationalbudgetproject.org](http://www.internationalbudgetproject.org).

<sup>8</sup> The Third International Conference of the International Budget Project, Mumbai, India, November 2000 (IBP 2001b).

### **1.3 Challenges**

There are a number of major challenges in addressing the connections between the theory and practice of human rights and the theory and practice of public expenditure management. One is that it means dealing with two different knowledge communities – with different languages, assumptions and perspectives. The scope for misunderstandings is immense. The rights community is predominantly concerned with individuals' claims on the states that govern them. Specialists in public expenditure management have a major legitimate concern with the state's claims on its citizens (for taxation), and tend to view the moderation and control of financial claims on the state as a major objective of the practice of their craft.

Another challenge is the scope of the practical and theoretical issues involved, and the empirical experience that could be reviewed. The paper will argue that integrating a rights perspective - with an emphasis on equity, inclusion and social mobilisation against a framework of citizenship – with a good understanding of the mechanics and politics of public policy and public expenditure management has potential for advancing understanding of the key question of how a pro-poor focus can be encouraged and fostered in the mainstream of public policy.



## 2. Key issues in understanding budget processes

### 2.1 Definitions, literature and the growing elements of consensus

In essence, the national budget is a document that, once approved by the legislature, authorises the government to raise revenues, incur debts and effect expenditures in order to achieve certain goals. Since the budget determines the origin and application of public financial resources, it plays a central role in the process of government, fulfilling economic, political, social, legal and administrative functions.

The consolidated annual national budget as a policy instrument dates to the late 19<sup>th</sup> Century. Prior to that budgeting in most countries was characterised by weak executive power, little central control and processes that were ad hoc and idiosyncratic. Traditional ‘line item’ budgeting is itself a reform born of a concern that the lack of adequate spending controls was contributing to an environment where there was increasing danger of substantial corruption. For this reason public finance management systems have traditionally emphasised values of control and economy over those of achievement and performance.<sup>9</sup> In the modern era debates about public expenditure management have tended to focus on means of making the budget process more responsive to policy direction, focused on the achievement of results rather than control of resources, and increasing openness, transparency and accountability.

The aim of this chapter is to provide a basic guide to the budget process, and related aspects of public expenditure management and public policy. It draws on four principle sources, listed below in the order of publication.

1. *Public Expenditure Management Handbook* (The World Bank, 1998). This was influential in developing a broader view of the budget process, stressing the importance of understanding the links between policy, planning and budgeting for an effective PEM system. The handbook used a typology of three levels of desirable ‘budgetary outcomes’: level 1 being ‘aggregate fiscal discipline’, level 2 ‘allocation of resources in accordance with strategic priorities’ and level 3 ‘efficient and effective use of resources in the implementation of strategic priorities’. The PEM Handbook also provided a strong impetus to the development of Medium Term Economic Frameworks in developing countries, which were seen as a useful mechanism for strengthening budgetary outcomes at all levels, if effectively implemented.
2. *Aid and Public Expenditure: A Guide* (2000, Mick Foster and Adrian Fozzard, Centre for Aid and Public Expenditure, ODI). This working paper is closely based on the relevant chapter of the DFID Economists’ Manual. It outlines the basic elements of the budget process, and deals with the specific issues relating to donor agencies providing direct support to public expenditures.
3. *Understanding and reforming public expenditure management: Guidelines for DFID* (2001, DFID). This document provides a more concise presentation of the budget process and related elements of a public expenditure management system. It places greater emphasis on a framework for diagnosis of problems in Public Expenditure Management (PEM), and how that analysis can be translated into the design of systemic reform.
4. *A Guide to Budget Work for NGOs* (2001, International Budget Project). In contrast to the three documents above, which all address primarily donor agency staff and consultants, this guide addresses civil society actors wishing to engage in ‘applied budget work’, for the purposes of strengthening the social and poverty reduction content of budgets and related policy frameworks.

The summary presentation of the budget process in this chapter is necessarily limited in scope. A more detailed treatment of the issues in public expenditure management is provided in the above documentation, for those who wish to follow up. The literature on public expenditure management is a fundamentally normative one – it mostly aims to outline how such processes ‘should’ be managed for practitioners. Any single presentation of these issues is likely to have a bias towards particular types of arrangements or systems. The sources drawn on here are stronger on

---

<sup>9</sup> Foster and Fozzard (2000), World Bank (1998).

anglophone, either ‘Westminster-model’ or North American systems than others. While many of the general principles will apply in all cases, the detail will differ in many other instances (for example East Asian, francophone African or Latin American systems).

It is worth noting that, despite differences in emphasis, audience and objectives in the above documents, there are substantial elements of consensus which emerge in the discussions of budgets and public expenditure management presented. The emerging consensus on *key issues in the analysis of budget processes* can be summarised as follows:

- In order to understanding the budget process it is necessary to understand the accompanying processes of policy and planning. The key issues at all levels are those of the effectiveness of the public sector in promoting real results or outcomes (improved health, reductions in poverty etc.), rather than issues of economy or efficiency which are means rather than ends in themselves;
- The process of allocation of resources to different institutions and purposes is essentially a political, rather than purely technocratic one. Any attempt to address content of budget allocation without looking at political process is therefore unlikely to be helpful;
- The problem of budget allocation (how resources are divided) cannot be abstracted from macro economic and revenue issues (which determine the size of the overall resource envelope) and efficiency/effectiveness in the use of funds. A holistic understanding of public expenditure systems - and the institutional cultures that condition them – is important in order to formulate strategies for change and improvement;
- It should never be automatically assumed that allocations translate accurately into budgetary outcomes. What money actually gets spent by whom, on what items and for what purpose is often determined during the process of budget execution. This widens the field of concern beyond the legislature, Ministries of Finance and spending agencies down through the chain in the operation of line ministries and local government. Bureaucrats exercise discretion in the allocation and use of resources throughout the budget cycle and at every level from the ‘top’ of central government through to sharp end of contact with service users and citizens.

This consensus in terms of understanding the context and process of budgeting and PEM has led in turn to a growing consensus on a broad range of *operational priorities for the strengthening of public expenditure management processes*:

- To be at its most effective as an instrument for political accountability and economic and social policy the budget should be universal and unified in its treatment of public expenditures. This implies that all state revenues and expenditures (including donor flows in highly aid dependent countries) should be presented within the same budget;
- The budget process should be closely linked to policy and planning processes, all of which should be under the effective direction of a legitimate, democratic, government. It is increasingly recognised that formal channels of political participation alone may not be adequate to produce genuine, non-discriminatory and equitable public accountability in the management of public expenditures. A range of methods for promoting enhanced citizen participation from the micro level to the macro are being explored by central and local governments, civil society organisations and international development agencies;
- A well specified policy environment – with clearly articulated goals that are widely accepted as legitimate – is a helpful condition for improving the effectiveness of public expenditure management;
- It is important to get the basics right before it is possible to engage in ambitious reform of budget processes and systems. Without an effective system for recording and reporting expenditures it is impossible to assess the degree to which budget allocations match the reality of expenditures on the ground. Under these conditions there is substantial potential for corruption, or reallocation of expenditures according to the unaccountable discretion of officials. Similarly if the budget is not *predictable* – i.e. the actual disbursements from the Ministry of Finance do not match the projections under which the allocations were agreed – then there is considerable scope for unaccountable discretion in budget execution (e.g. spending the allocations for officials’ transport in full while cutting back on basic services). In fact, these two features are linked. It is unlikely that key actors will invest effort in making a budget realistic if the execution is unaccountable;



- Transparency and openness in the management of public expenditures are critical to establishing effective political and public accountability. The Code of Good Practice on Fiscal Transparency, prepared by the IMF in response to a request from its inter-governmental Interim Committee, has established a global standard for government practice in this area. The code defines good practice with regard to: clarity of roles and responsibilities; public availability of information; open budget preparation, execution and reporting; independent assurances of integrity.<sup>10</sup> While there are still some arguments for certain points in the budget formulation process to be closed (where policies are under formulation which have sensitive implications for markets, for example), the consensus has moved dramatically in recent years towards a position that systematic information disclosure is an essential element of good public expenditure management.

The substantial elements of consensus above are also indicative of a constructive general climate for debate on these issues. Governments, civil society advocacy groups, research institutions and multilateral institutions are all engaged in this debate and there is a good level of communication and cross-referencing between the various groups.

There are, however, still many contentious areas and contested issues. Foremost among these are differing approaches to macro economic management. Most of the work on public expenditure management that has taken place in the Washington institutions and bilateral development agencies has emphasised aggregate fiscal discipline as the highest value in public expenditure management.<sup>11</sup> This order of priorities is in turn associated with a package of other macro economic policies (e.g. an emphasis on low inflation and external deficits, and the maximum possible degree of openness to external trade and investment) sometimes collectively referred to as the ‘Washington consensus’.

There is an active debate on the social dimensions of macro economic policy. At the heart of this debate is a difference in views on the extent to which unregulated markets can be relied on to produce desirable social outcomes. Critics of the Washington consensus models tend to focus on the extent to which the operation of power, and asymmetries of status and information, mean that unregulated markets will not produce socially just, equitable outcomes.<sup>12</sup> According to Elson (2000), the neo-liberal stance is associated with significant biases in macro-economic policy formulation which interact to disadvantage women and people in poor households.<sup>13</sup> Analysts who advocate a more explicit treatment of social issues in macro policy will tend to advocate a more active role for public policy in regulating markets, and ensuring equitable provision of services and employment (especially to the disadvantaged). This is a complex debate, which it is not possible to summarise in detail here.

It is helpful to be aware of areas of debate as well as those where there is growing common ground. For the purposes of the practical country-level analysis, however, the significance of the differences can be over-stated. Whatever any government’s macro-economic stance, there is still likely to be a situation where overall claims on the budget exceed the maximum allowable expenditures, and priorities have to be set.

## 2.2 The budget cycle

The budget process is cyclical, and in almost all countries the cycle is annual. There are essentially two ways of characterising the cycle. One outlines the bureaucratic tasks associated with the functional stages of formulation, enactment/approval, execution and audit/evaluation. This kind of presentation (as reproduced below from Foster and Fozzard, 2000) focuses on the budget itself, and treats the policy processes that interact as factors ‘outside the circle’ which impinge and condition the budget process. It also demonstrates in some detail the bureaucratic process associated with preparation and enactment, but compresses the implementation process.

<sup>10</sup> World Bank (1998) Annex J reproduces the code in full. The International Monetary Fund has now produced reports on fiscal transparency for 26 countries, including Argentina, Azerbaijan Republic, Bulgaria, Cameroon, Czech Republic, Estonia, Hungary, India, Latvia, Mozambique, Pakistan, Papua New Guinea, Uganda, Ukraine, and Uruguay. To read about the observance of these standards by country go to: <http://www.imf.org/external/np/rosc/rosc.asp>.

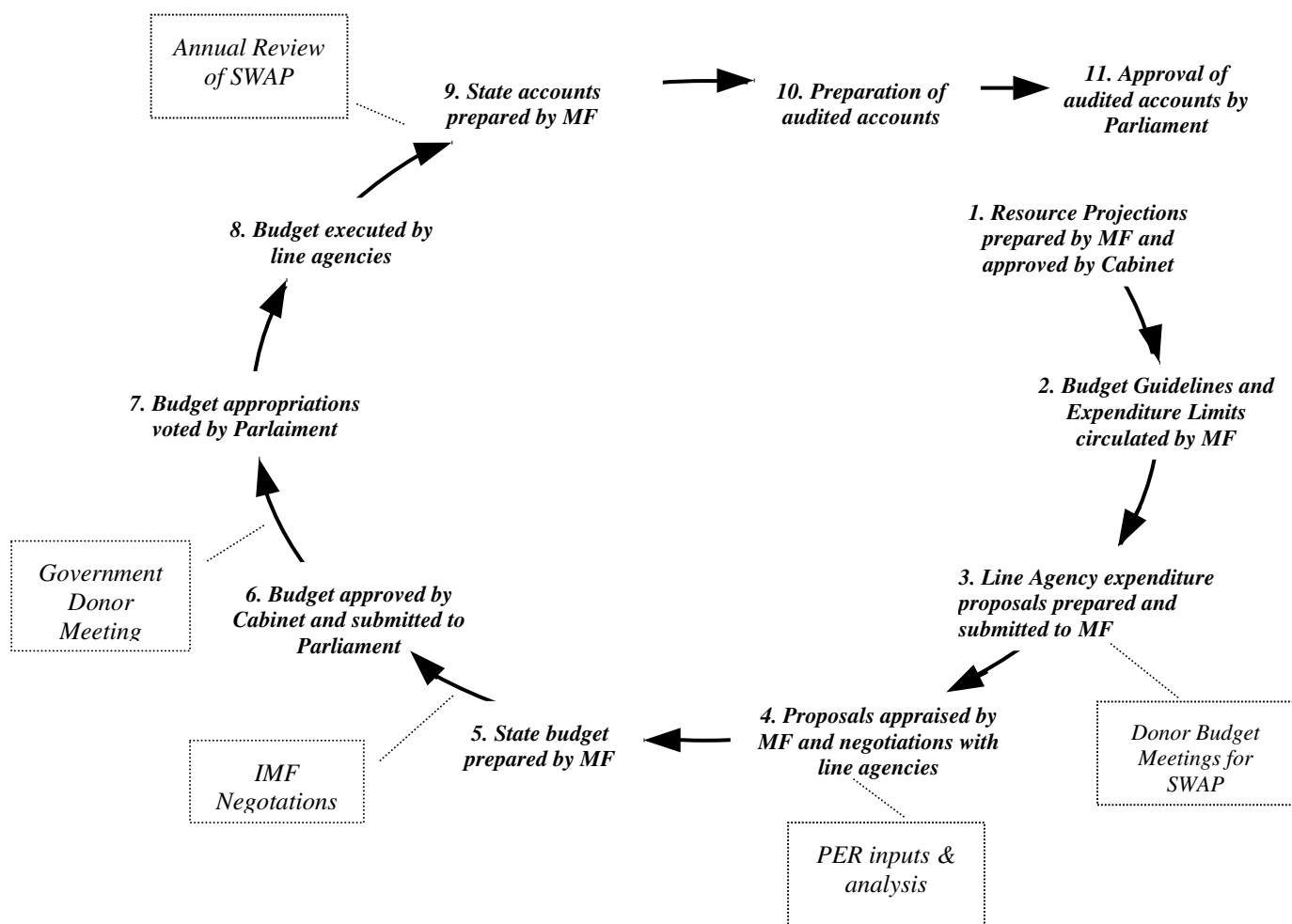
<sup>11</sup> Significantly it is level 1 of the desirable budgetary outcomes of the Bank’s PEM Handbook (1998, p2)

<sup>12</sup> See Elson (2000) and Stieglitz (2001) for critiques of the neo-liberal macro-economic stance. Kanbur (2000) provides a helpful analysis of the differences in underlying assumptions which condition disagreements on macro policy.

<sup>13</sup> These are characterised as ‘deflationary bias’, ‘male breadwinner bias’ and ‘commodification bias’ (meaning a bias towards providing services as commodities, purchased in the market-place).

**Figure 1: The Budget Cycle<sup>14</sup>**

Source: Foster and Fozzard, 2000



The content of the stages outlined above is dealt with in detail in other sections of the Foster/Fozzard paper. The authors make a number of general points to aid understanding of the overall operation of the budget process:

- with proposals for the key outputs, such as overall resource envelope, sector limits and sector budget proposals, being subject to review and revision.
- The time frame for budget preparation, execution and the finalising of accounts is typically three years: budget preparation may start a year or more before the budget year, execution lasts a year and it takes a further year to prepare and audit the final accounts.<sup>15</sup> This means that at any one point of time three or more budgets will be various stages of preparation, approval, execution and auditing.
- An annual budget is too short a time frame for addressing development priorities, which require sustained implementation of programmes and policies over a longer period. The budget cycle needs to be nested within a longer-term policy and planning process, which provides a clear link from planning to the allocation of resources.
- The key stages in the budget cycle are, usually, the responsibility of different departments: budgets are usually prepared by a budget department in the line agencies and the Ministry of Finance, hopefully with contributions from planners; executed by accounts or administration departments in line agencies with oversight from an accounts department in the Ministry of

<sup>14</sup> The presentation here places a high emphasis on donor relations and their influence on the budget process (in boxes outside the circle) reflecting the emphasis of the Foster and Fozzard (2000).

<sup>15</sup> It may take considerably longer than this – especially in post-conflict situations where state institutions are being rebuilt after a period of stress or destruction.

Finance; and audited by an independent auditor. As a result it is difficult for any one agency or individual to have overview of the whole process. Typically, information flows between departments are poor so that, for instance, the departments responsible for execution are unaware of the policies underlying budget allocations and so fail to take them into account when authorising budget alterations.

- Finally, the characteristics of the budget cycle, as described above, make it extremely difficult to close the feedback loop. The budget cycle is, purportedly, a planning cycle in which monitoring and evaluation inform formulation. This is only imperfectly so: in practise the most recent final out turn data available at the start of the budget preparation will generally be for two years before the actual execution period. Consequently, analysts usually have to make do with incomplete provisional estimates of expenditure out turns. It should be pointed out, moreover, that accounting information is prepared to verify compliance and so lacks the analytical content needed to support budget preparation. For these reasons, policy makers tend to place more reliance on periodic in-depth studies of public expenditure, such as Public Expenditure Reviews, than routine ‘monitoring’ information.

Other presentations of the budget cycle, such as those in the World Bank’s Public Expenditure Management Handbook (1998, p32) or the DFID guidelines for PEM (2001 p11) owe more to the generic logical flow of the ‘stages’ model of the policy process.<sup>16</sup> The Bank’s PEM Handbook, for example, argues for an integrated policy, planning and resource management cycle which moves through the following stages: policy review; policy setting and planning; mobilisation of resources; implementation; monitoring and accounting; evaluation and audit. These presentations appear to assume that the process of policy review and formulation can take place in step with the budget cycle – which is hardly ever feasible in practice for the reasons outlined above. While the stylised functional stages outlined can be a useful normative or heuristic device (illustrating how things *should* work in an ideal world), in practice multiple political, policy, implementation and budget cycles and processes overlap in such complex ways that its descriptive usefulness is limited.

The version of the budget cycle outlined in figure 1 is complex, but has the advantage that it does capture the particular content of the annual cycle of the national budget.<sup>17</sup> At various points in the text that follows a simpler presentation will be needed, and for these purposes the process will be compressed into four broad functional stages: budget formulation, approval/enactment, execution and evaluation/reporting.<sup>18</sup>

## 2.3 Formal roles and responsibilities of different actors in the budget process

Generally the executive arm of government (led by Cabinet, in a Parliamentary system) has primary responsibility for the formulation of budgets and their implementation. The legislature (Parliament) is responsible for approval – and also has a significant role in evaluation and reporting (the Auditor General being responsible to parliament, often through reporting to a cross-party Public Accounts Committee). The relations within the executive, in particular are immensely complex. The following highlights some of the key sites and actors within the budget process and indicates aspects of their roles and responsibilities. It is not a comprehensive presentation, but intended to highlight some important elements.

### *Cabinet*

In a parliamentary system Cabinet refers to a regular meeting of ministers, chaired by the head of government, with authority to make decisions for the government as a whole.<sup>19</sup> Where Cabinet government works effectively, it operates according to the twin principles of collective responsibility and accountability to parliament. It is the lowest point in the system at which it remains possible to unite all factors in a single national policy framework, and the highest point in the system at which sector strategic considerations can be expressed, and therefore a key junction point between policy and strategy. An effective, functioning, system of Cabinet government can

---

<sup>16</sup> The stages model will be familiar to anyone who has worked with the tools of ‘project cycle management’. John (1998) discusses the strengths and weaknesses of this and other broad models of the policy process.

<sup>17</sup> Though it should be noted that the language and content of the Foster/Fozzard version of the cycle describes a Westminster/Commonwealth model of the budget process and its legal and political content.

<sup>18</sup> This simplified presentation builds on the stages as outlined in IBP 2001.

<sup>19</sup> Under non-Parliamentary systems (e.g. US Presidential) cabinet may refer to a meeting of ministers which is consultative to the head of govt. but does not share responsibility for final decisions (McLean ed. 1996).

achieve things which are otherwise extremely difficult, such as agreement on the reorganisation of responsibilities, and the development of strategies which address outcomes that require a number of ministries and agencies to work closely together to produce the intended result. Cabinet is also the mechanism that forces all Ministers and their departments to accept the final outcome of the budget process – whether they have done ‘well’ or ‘badly’ in the allocation process. The literature on public expenditure management consistently refers to the benefits of both strong political engagement, and a clear policy framework. In a parliamentary system effective Cabinet decision-making provides a means for achieving both of these conditions. This does not imply that the determination of policy goals should be a top down process. An effective democratic culture will encourage dialogue, communication and widespread involvement of the public, civil society and officials in the setting of policy goals, and the assessment of the extent to which they are achieved. A cohesive Cabinet, however, adds to the sustainability and commitment with which a policy framework can be pursued by promoting active participation of all key agencies in government in developing and implementing programmes and strategies.

Cabinet decision-making may or may not be supported by a dedicated administrative structure, separate from the office of the leadership – i.e. a Cabinet Office. Where this does exist it will take on core functions of managing the business of cabinet and its committees, and mediating in processes of dispute and debate prior to finalising decisions. It may also take on a range of other functions including: management of the policy making process; standard-setting and quality control of policy ‘products’ from line ministries; long-term visioning and strategy formulation; housing particular functions not allocated to line ministries.

### ***Ministry of Finance***

In most systems the body co-ordinating the budget process is the Ministry of Finance. The MF has the overall responsibility for management of public expenditure, and the management of the government’s cash resources. The MF has primary responsibility (with the involvement of the Central Bank in many cases) for the initial starting point in the budget cycle – the determination of the available resources for public expenditures. This involves a comprehensive assessment of the macro-economic situation, and entails developing projections on the growth rate, trends in revenue generation, etc. It also involves assessing non-discretionary spending which will have to be met, such as debt servicing and pension obligations. After subtracting contingencies and non-discretionary spending, the MF can forecast the resources available for allocation to spending departments. The division responsible for these calculations is not usually the Budget Division, whose job starts once this figure has been determined.<sup>20</sup>

The next stage in the preparation process is for the MF to issue a Budget Guidelines paper, setting out the basis on which spending departments should prepare their budget bids for the coming year. This usually includes indicative ceilings for each department, generally developed largely on historical precedent – with adjustments according to revenue trends and policy commitments. Departments are able to contest these during the process of preparation. The MF has the task of reconciling the different bids with resources available, which entails a process of negotiation, usually with some involvement by Ministers. The draft budget is presented to Cabinet where further revisions may be made. The Budget is then presented to and debated in the legislature (Parliament), which confers the formal legal approval to spend.

The MF also controls the generation of revenues for central government, and during budget execution manages the flow of funds to spending departments. These are generally drawn on a special Central Bank account, known in most Commonwealth countries as the Consolidated Fund. It is not unusual for these arrangements to be specified in the national constitution – backed up by more detailed legislative instruments passed by Parliament. The mechanics of disbursement vary a great deal in different national systems, and are discussed in more detail in Foster and Fozzard (2000).

### ***Implementing agencies – line ministries or ‘spending departments’***

So-called ‘line ministries’ or spending departments tend to be divided on a sectoral basis (health, education etc.). They are responsible for the planning, management and delivery of public services,

---

<sup>20</sup> In Jamaica, for example, the lead on determining the resource envelope lies with the Fiscal Management Unit of the Economic Management Division (Prescod, 2002 p12). These units continue to play a role in determining whether disbursements on a monthly basis can proceed according to the budget projections. They have the authority to impose in-year cuts if the macro situation deteriorates.

and the preparation and management of agency budgets. Their mandate is to implement central government policy, and their budgets are allocated on a discretionary basis under Cabinet leadership and Parliamentary authority. Budget officers, planners, senior officials and ministers are all involved in the preparation of bids and the different negotiations that follow.

These departments are the key locations of budget execution. An immensely complex set of interactions in any spending department will determine what money actually gets spent, to the benefit of which clients and for what purpose. Lipsky's work on 'street level bureaucrats' demonstrated that in the US the discretion exercised by front-line service providers was much greater than had conventionally been recognised.<sup>21</sup> In recognising the essential futility of attempting to align policy intentions with actual actions by ever tighter forms of control of resources, the trends in public sector management reform in recent years have tended to emphasise greater flexibility and authority for decision-making at the operational level – balanced with systems for assessing the performance achieved with the resources. This may appear to be a fairly simple matter where public sector roles consist of providing agreed 'outputs' through programmes that are entirely under the control of managers (e.g. road construction). Where public sector managers are supposed to act to achieve 'outcome' results, such as improved health status, through networks of relationships with partners (whether civil society, community-based or private sector) the assessment of performance becomes much more challenging.

Systems of user-fees for services may create additional resources for public sector provision. There is a complex debate over this. The principal arguments in favour of user fees are: firstly, that they can provide extra resources in resource-poor countries where the public budget clearly cannot stretch to extensive provision of basic services; secondly, that, if managed accountably, they can ensure that money is available at the local or facility level (given that 'tracking studies' tend to show that adequate centrally allocated funds often do not reach the front-line service providers). The single over-riding disadvantage of cost-recovery systems is that the fair, transparent and effective identification of those who cannot afford to pay for services in order to effect exemption from charges has proved virtually impossible under most conditions. This means that user fees will tend to be controversial where a stated goal, or implicit public value, is that a given service should be universally available.<sup>22</sup>

### ***State and local governments***

State or Provincial governments (in a federal system) and local governments (Districts or other units) differ from line ministries in that they should in theory have devolved authority to manage a given set of functions, with a corresponding system of political accountability and leadership. They are usually funded through some mix of locally raised revenues (e.g. property or market taxes) and contributions from Central Government, which may be either discretionary or based on entitlements, specified in the Constitution or other legal instrument. Funding systems for states, provinces or Districts often involve norms or formulas that are used to determine the size of central grants to local authorities. These typically involve some measures of scale (population), and/or need (e.g. average income, poverty assessments, level of provision of social or other infrastructure, opportunities for raising independent revenue).<sup>23</sup> There is an ongoing debate about whether measures of 'performance' should be added – effectively rewarding those units that do well according to specified measures.<sup>24</sup>

Countries with systems of a federal type tend to have three dominant levels of budget authority – Central, State or Province and local. Redistributive systems of allocation usually operate at two levels (at least) – between the federal and state governments, and between state and local levels (Districts, Municipalities). These multi-level systems bring complex issues of allocation, discretion and governance. Examples of developing countries with this kind of structure include India, Pakistan, South Africa and most larger Latin American countries.

---

<sup>21</sup> Hudson (1997), Lipsky (1997).

<sup>22</sup> See Foster and Fozzard (2001) p 20.

<sup>23</sup> Other factors which may be taken into account include environment (applied by some states in Brazil for calculating transfers to municipalities) and 'spillover' - the provision of facilities which benefit inhabitants of other areas (applied in norms for calculating transfers to municipalities in South Africa) (Budlender 1999).

<sup>24</sup> An alternative to applying performance criteria to the amount of funds transferred is the application of such criteria to the level of discretion offered to local actors in spending and managing funds – which avoids punishing the populations of Districts that have poorly performing administrations. This approach has been applied to the District Development Programme in Uganda, and in the health sector in Ghana (Foster *et al* 2002).

The autonomy of local governments to raise revenues and spend on their own priorities creates complex challenges when decentralised forms of governance are under development. Some of these relate to simple capacity constraints, with the demands of creating basic systems of financial management and audit often under-assessed. Other challenges relate to maintaining, simultaneously, genuine democratic political leadership from central government and autonomous spaces for the operation of local level authority. The ‘earmarking’ of funds passed down from central government against specified expenditure areas is a classic mechanism for ensuring that central authorities retain the capacity to set certain policy directions. There is great variability in the extent to which funds that are raised and spent locally (e.g. property or market taxes) are actually recorded and integrated into the official national public budget in developing countries.

### ***The legislature***

The legislature (Parliament, Congress, National Assembly) is responsible for officially enacting the budget – or approving it at the formal legal level. This stage begins when the executive formally proposes the budget to the legislature. The ensuing discussions can involve public hearings and votes by legislative committees. Under Parliamentary systems the tendency is for very little to be changed at this stage, while Congressional systems allow much more scope for amendments, and challenges to the executive’s proposals. The greater effective power of the legislature creates opportunities for civil society engagement, as the scope for public debate of the budget is at its highest during the approval/enactment phase.<sup>25</sup> On the other hand, this same characteristic may create opportunities for special interest or elite lobbying, with results which are anti-poor.<sup>26</sup> The legislature also closes the budget cycle, through its role in approving the final audited accounts. It is very common for some form of cross-party body (such as a Public Accounts Committee) to have a strong role in leading the Parliamentary scrutiny of the budget process.

### ***The auditor***

The audit function is responsible for verifying compliance with the budget law and procedures regarding the use of public funds. The Auditor usually reports directly to the legislature, though in some cases may be considered part of the Ministry of Finance and report to Government through the Minister.

### ***Other actors – and the limits of ‘administrative budgeting’***

The above presentation of formal roles is based on the traditions of administrative budgeting.<sup>27</sup> What actually happens in practice (what public monies are spent to what purpose) also depends on a range of other motivations and includes a range of other actors with an interest in the budget processes (citizens, users of services, companies, voluntary agencies). The formal separation of roles and responsibilities in the budget process is crucial to understanding the budget process in any given context. On its own, however, it is insufficient to inform a good understanding of the operation of how policies and strategies are formulated and implemented, how services and operations are managed, and how citizens and service users are able to make claims or hold managers and politicians accountable. The section on the politics of the budget process (3.2) will return to these issues in more detail. Citizen roles and responsibilities in relation to the budget process are diverse and variable, but may include all of the following: tax-payer; voter; advocate; monitor/supervisor (on a school board, for example); consumer of services; and (relatively rarely) decision-maker. The scope of experience with citizen and civil society participation in budget processes is reviewed in Chapter 4.

### ***Institutional cultures and the tensions between the Policy Centre and the Budget Office***

Most of the literature on Public Expenditure Management in developing countries is, unsurprisingly, produced by specialists in that field, who have a natural sympathy for Ministry of Finance perspectives and values. It often reflects a view that close integration between policy and budget processes is always desirable, and that this is best achieved by locating as much of the policy process as possible in the MF. While there is obviously some truth to the basic proposition that policies need to be costed, it is important to be aware that some literature from OECD nations suggests that a certain level of separation and creative tension between the ‘policy centre’ (e.g. Cabinet Office) and the Budget Office is critical to effective government. The following passage (from an authoritative overview of budget and policy making practices in developed countries by the OECD) illustrates this argument:

---

<sup>25</sup> IBP (2001), p19.

<sup>26</sup> See Fozzard’s discussion of parliamentary versus Congressional systems (2001 pp 34-6).

<sup>27</sup> Fozzard (2001 p23-5).

“The difficulties in the relations between the budget office and the centre result from differences in the roles and styles of the two organisations. These differences should not be considered irritants to be minimised or eliminated, but natural and, indeed, important components in the effective functioning of central institutions of governments...

Stability, clarity and carefully planned and costed changes constitute key values for the budget office, and lie at the heart of its *modus operandi*, being embraced by the people who run it. Apart from its central functions, the office is a reflection of the division of labour within government. As guardian of the purse it is tasked with managing the fiscal position, with taking care of particular “clients”... These clients, the domestic and international financial markets and institutions, have demonstrated time and again their predilection for order, clarity, predictability and conservatism.

...In dealings with line ministries, it is skilled in downing enthusiasm and expressing scepticism about any costing numbers that might be produced... Such reflexes and organisational habits get powerful support from a shared perception present in all budget offices that, virtually alone in the government, they are the custodians of the public good, protecting the interests of the whole of the population against the greed of sectoral lobbies and their ministerial allies. Budget office cultures are quite strong, the organisations are small and tightly-knit, the work load heavy and calendar driven.

The policy centre, on the other hand, is where the demands for policy changes emanating from line departments, citizens, pressure groups and the external environment have to be reacted to and decided upon; where policy responses have to be given, and sometimes initiated. Its political leadership role puts a premium on its innovation capability and on its role in encouraging line ministries to propose new or revised policy initiatives. A good line ministry, from the perspective of the centre is one that is bursting with new initiatives, not necessarily the tightly-run, predictable and safe organisation the budget office likes to do business with...

The budget office denizens are often suspicious of their colleagues in the centre and quite ready to believe that they suffer from deviousness, that they exhibit a weakness for hare-brained schemes, disguised under grand formulae and slogans with obscure meanings, that they show a callous disregard for the realities of money in general and of fiscal equilibrium in particular. People at the centre return the compliment with muttered comments about heartless number crunchers, terminally conservative accountants and economists, blind to social realities and deaf to political demands, usurpers of policy-making functions under the guise of fiscal necessity.

Both sides are right, up to a point: the roles each institution has to play demand a different slant in perceptions and behaviour.... Central government functions require both types of traits: stability, rigour etc. on the one hand, and responsiveness, innovation, flexibility etc. on the other. If ever the two organisations were to become identical in vision, style and skills, key ingredients to effective public administration and democratic life would be missing. It is difficult to see how such “harmony” would survive for very long: the electorate or a fiscal crisis would quickly put an end to it.” (Lacasse 1996 p.36-7)

The author goes on to conclude that tensions between the ‘policy centre’ and the ‘budget office’ are unavoidable – and that systems which are designed to manage such tensions need to focus on ensuring that they operate constructively (recognising that the conflict between the two, if poorly managed, does have potentially negative consequences for government). The key to this is seen as attention to harmonising procedures, ensuring complementarity of roles – and robust processes for ensuring that co-responsibility for implementation is widely recognised.<sup>28</sup>

## 2.4 Common weaknesses in budget processes

The IBP guide to budget analysis (2001) provides a useful account of common problems with budget processes in developing countries, which include the following:

- Difficulties of making accurate macro-economic projections due to vulnerability to external shocks, and dependence on erratic revenue systems and aid flow;
- Lack of independence from political control of the audit function;
- Lack of accurate budget data;
- Lack of information on socio-economic trends and conditions;

---

<sup>28</sup> The picture Lacasse presents becomes complex when the Ministry of Finance starts to take on some of the characteristics of the ‘policy centre’ – which is more likely where the planning function is integrated into the MF, as in Uganda.

- Weaknesses in the capacity of the legislature to hold the executive accountable due to lack of information and access to technical skills.

One of the key elements of consensus (as outlined in section 2.1 above) is the importance of ‘getting the basics right’. Without an effective information system the relationships of accountability on which a system of public expenditure management relies cannot function well.

Much of the literature on the budget process seems to take as given a starting point that there already exists a broad social consensus on the desirability of a unified, comprehensive national system of public expenditure management. It is important to be aware that this is often not the case in practice. In many transitional countries, for example, most social services and infrastructure used to be provided through the enterprise or collective farm. Bureaucrats saw their function as regulating these relationships, not managing or providing services themselves. Under these conditions there may be no tradition of consolidated public sector management and delivery of services, and no corresponding tradition of public expenditure management. Similarly, in so-called ‘failed states’ or during post-conflict reconstruction, it may be the case that a single ‘public sector’ has to be built gradually from disparate units of political authority (e.g. warlords).<sup>29</sup> It is important to remember that the literature on PEM generally assumes a) that there is a tradition and structure of public management in place, however ineffective and degraded, b) that the state is co-existing with a market economy, and implicitly identifying its roles in contrast to the domain of market interactions, and c) that some form of democratic, legitimate authority guides policy making and implementation. There are many situations where one or more of these assumptions does not hold true. In these conditions ‘getting the basics right’ might more appropriately be understood to mean, in the first instance, generating a public consensus about the nature and role of the state, rather than establishing a financial management system.

## **2.5 The limitations of the budget as an entry point for promoting policy change and improved implementation**

All of the literature on the budget process emphasises the importance of seeing issues of resource allocation within broader policy and institutional frameworks. Studying resource allocation on its own is a relatively meaningless exercise without understanding how the expenditures are supposed to contribute to achieving policy outcomes.

Approaching the analysis of public policy from the perspective of the budget nonetheless tends to give a certain character to the analysis and it is worth noting the potential advantages and drawbacks. Among the advantages are the fact that it draws attention to the extent to which stated policy intentions are actually backed by resource allocations, and the extent to which policy change is reflected in real changes in practice at the level of activities. Examining the resource provision end of the policy process is also a useful discipline for forcing planners to prioritise, and face up to constraints in terms of what is do-able within the prevailing constraints. However, addressing the policy process from the input ‘end’ – rather than starting with the questions at the level of outcomes or outputs – also has dangers. In particular, if the role of the public sector is to regulate or facilitate the achievement of outcomes (for example, promoting secure livelihoods for small farming households) rather than being limited to providing services directly, then starting with an analysis of patterns of public expenditures may be somewhat missing the point. Policy and planning processes need to be able to challenge the existing patterns of activities and authority on a continual basis. Meaningful participation for citizens in such processes can only occur if the rigidities of such existing patterns can be challenged. A focus on budgets may also tell us relatively little about the real constraints that poor people face in trying to access services and make claims on public provision. The study of the budget process tends to produce an account of public action which focuses on decisions made at the top of the system, and at the beginning of the cycle (during budget formulation). This can obscure the fact that discretion on the front-line of service provision is often more likely to determine whether poor people see benefits from public expenditures than central processes.

In the end, a holistic treatment of the policy process must include consideration of issues at different levels – from the rights of citizens, through the policy process to the various issues involved in implementing policy and establishing public expenditure management systems.

---

<sup>29</sup> The current situation in Cambodia would be an example of this (Ken Sigrist, pers. comm.).



### 3. Rights, politics and accountability in the budget process

The objective of this chapter is to review different approaches for addressing accountability and participation in relation to the budget process. The chapter focuses on two key issues: first, the issues around incorporating entitlements to resources and services into budget plans and second, the politics of the budget process itself.

As noted in chapter 2 there is potentially much common ground between the advocates of financial prudence and the advocates of justice for the poor in promoting accountable, transparent and participatory budget processes. The IMF has produced a Code of Good Practice in Fiscal Policy, with an emphasis on accountability and transparency, which is becoming a significant instrument in country level policy dialogue. The World Bank's PEM Handbook lays considerable stress on these issues too. The Committee on Economic, Social and Cultural Rights has stressed that human rights lack substance unless supported by a system that holds duty-holders accountable. The mechanisms of accountability must be 'accessible, transparent and effective' (UN,2001:para14). Moreover, 'the international human rights normative framework includes the right of those affected by key decisions to participate in the relevant decision-making processes' (UN2001:para12). As a result of this interest in citizen participation and accountability, analyses from both perspectives are increasingly converging on the importance of understanding the politics and power relations that shape budget processes and outcomes.

More controversially, advocates of human rights have emphasised the importance of translating international human rights norms into national budget processes through identifying entitlements to resources and standards of service delivery. These ideas have been opposed by some commentators on the grounds of economic efficiency and flexibility. A focus on the politics of the budget process, however, highlights the value of entitlements as an important lever in pro-poor change. At the same time, it is important to recognise that the capacity of systems to deliver for citizens on a broad range of economic, political and social rights, will be damaged if entitlement-based expenditures to expand to a point where flexible decision-making about new priorities cannot be accommodated. The paper advocates a balanced and pragmatic approach, recognising the benefits of establishing some level of universal normative entitlement to public provision, but within a scale which does not hamper the capacity of the public system on a broader measure of delivery.

Issues involved in bridging the gap between international human rights law and public resource allocation processes are reviewed in the first half of the chapter. This is followed by a discussion of politics and accountability in the budget process.

#### 3.1 Human rights, entitlements and public policy<sup>30</sup>

While the concept of rights has long provoked complex theoretical debates in such disciplines as ethics, law, politics, economics and anthropology, in the past decade it has also come to be included in development debates. Rights are widely characterised as legitimate claims that give rise to correlative obligations or duties.<sup>31</sup> This suggests that to have a right is to have a legitimate claim against some person, group or organisation (e.g. a social or economic institution, a state or an international community). The latter in turn is under an obligation or a duty to ensure or to assist the rights-holder in securing the right. This can be represented according to the following formula: "A has a right against B in relation to C", where (A) is the rights-bearer, (B) is the duty-bearer and (C) is the object or end of the right. Critical to this formulation is the implicit requirement of some structure of power or authority that is able to confer legitimacy on the claim being made. The definition, interpretation and implementation of rights are therefore dynamic processes that are inherently political in their nature.

Human rights are moral and political claims made on the basis of common humanity. As a specific system of rights or 'rights regime', they derive authority primarily from the inter-governmental mechanisms of the United Nations. The UN system has provided an arena for the legitimation of a

---

<sup>30</sup> The following summary of issues draws on Moser & Norton *et al* (2001), pp10-13.

<sup>31</sup> Definitions of rights are given in Scruton (1983) and Waldron (1991). For a useful overview and analysis of rights based theories, see Jones (1994).

wide range of people's claims. The dynamic character of this process is demonstrated by the ways in which new areas of rights, such as those covering women, children and indigenous peoples, have been incorporated in response to popular demand. They are individual rights with a universal domain, meaning that they apply equally to all human beings, irrespective of their membership of particular families, religions, communities or societies.

The normative basis of the UN system for the promotion and protection of human rights can be characterised in terms of:

- *International legal obligations*: These are a subset of international obligations within formal international law, namely international treaties, international custom and the “general principles” of international law,<sup>32</sup>
- *International ethical/political obligations*: These are a broader set of morally binding international obligations derived from ethical and political statements, declarations, and commitments made at the UN level.

In both cases state and non-state actors have specific obligations to respect, protect and fulfil human rights as well as associated machinery for implementation and enforcement. The background to the UN's legal competence in human rights is the UN Charter, which, as an international treaty, is legally binding on all state parties who are required to comply with its provisions in good faith. Among the principles and purposes of the Charter are the reaffirmation of faith in fundamental human rights, and the promotion and encouragement of respect for human rights and for fundamental freedoms for all without distinction as to race, sex, language, or religion.

However, it was the Universal Declaration on Human Rights, adopted as a resolution of the UN General Assembly in 1948, which clarified the scope and contents of human rights in the UN Charter. Its 26 Articles lay out details of its basic charter principles of equality and non-discrimination (Articles 1-2), civil and political (CP) rights (Articles 3-21), and economic, social and cultural (ESC) rights (Articles 22-26) (see Box 1). While the Universal Declaration possessed significant moral and political value, it did *not* establish legal obligations upon states. Legal obligations were subsequently introduced through the agreement of the International Covenant on Civil and Political Rights (1966) and the International Covenant on Economic, Social and Cultural Rights (1966). Other key international treaties in the field of human rights then followed.

Along with these international legal obligations, are the provisions adopted by large numbers of governments at international conferences. These represent important international ethical / political commitments and have contributed to human rights standard-setting in recent years. These include the principle that ‘all human rights are universal, indivisible and interdependent and interrelated’ adopted at the 1993 Vienna World Conference on Human Rights.<sup>33</sup>

The outputs of these international conferences have been extremely important in converting the aspirations of some of the human rights conventions into policy goals and thereby contributing to strategic agendas that can be pursued by development agencies and governments. The Millennium Development Goals are one such example of an influential initiative built on the conference agreements to develop a set of global outcome indicators against which ‘progress’ of international development can be measured.

There are two key issues that need to be addressed in examining the interface between the theory and practice of human rights and public expenditure management. These take the form of apparent dilemmas or tensions. The first concerns the tension between the principle of the indivisibility of rights, on the one hand, and the centrality to the discipline of public expenditure management of the task of prioritising between different demands. The second concerns the tension between those who advocate a rights or entitlement based approach to public provision (empowering citizens to make claims in the knowledge that they have formal recourse if their legitimate claims are not recognised), as against the generally ‘allergic’ response of budget managers to arrangements which

---

<sup>32</sup> International legal obligation in the field of human rights is derived from the three principal sources of international law, which are established in Article 38(1) of the Statute of the International Court of Justice (ICJ) as comprising: (1) International conventions or treaties; (2) International custom; (3) The general principles of law as recognised by civilised nations.

<sup>33</sup> Other relevant international conferences include the International Conference on Population and Development (Cairo 1994); World Summit for Social Development (Copenhagen 1995 and Copenhagen +5 2000); 4<sup>th</sup> World Conference on Women (1995) and Beijing +5 (2000); World Food Summit (1996); Habitat II (1996); World Conference Against Racism, Racial Discrimination, Xenophobia and Related Intolerance (2001).

restrict their discretion and capacity to maintain fiscal discipline on behalf of tax-payers. The rest of this section will address these two issues, arguing that the contradictions are apparent rather than real, and that reconciling the tensions between the two views is not only possible but also can strengthen the practice of public policy.

### **Box 1: A summary of Human Rights**

Human rights necessary for survival and dignified living include:

- The rights to life and liberty
- The right to a standard of living adequate for health and well-being of the individual and his/her family
- The right to social protection in times of need
- The right to the highest attainable standard of physical and mental health
- The right to work and to just and favourable conditions of work
- The right to food and housing
- The right to privacy and family life

Human rights also cover those rights and freedoms for human dignity, creativity and intellectual and spiritual development, for example:

- The right to education and access to information
- Freedom of religion, opinion, speech and expression
- Freedom of association
- The right to participate in the political process
- The right to participate in cultural life

They also include those rights necessary for liberty and physical security, for example:

- Freedom from slavery and servitude
- The right to security of person (physical integrity)
- The right to be free from arbitrary arrest or imprisonment
- Freedom from torture and from cruel, inhuman or degrading treatment or punishment

*Sources:* ODI, 1999; Hausermann 1998, 56.

### ***An entitlement approach versus the need for bureaucratic discretion***

A range of work has emphasised the importance of an entitlement or rights-based approach to the provision of public services and transfers on the grounds that this is empowering for the poor and socially marginalized. It has been argued, for example, that the provision of employment on public works schemes on an entitlement basis acted to stimulate the organisational capabilities of the poor in Maharashtra state in India.<sup>34</sup> Similarly, it has been shown that the provision of Universal Primary Education in Uganda, where many people were not used to being able to make any claim on public policy on an entitlement basis, has stimulated a sense of citizenship among the formerly excluded, and the sense of a stake in the relationship with the state.<sup>35</sup> On the other hand, the general drift of much theory and practice on the management of public expenditures in the last twenty years has been to reduce statutory entitlements (defined as claims on the public purse established in law), and maximise bureaucratic discretion. The overall driving force behind this view has been the concern to ensure that fiscal discipline can be maintained under all circumstances. Having said this, it should be noted that all developed countries maintain extensive ranges of citizen entitlements in fields of education, healthcare and social protection – so the erosion of these rights to social

<sup>34</sup> Joshi and Moore (2000).

<sup>35</sup> UPPAP (2000).

provision has been partial. Nonetheless a tension between the two views remains, reflecting different priorities and values – but also different understandings of what is meant by an ‘entitlement’.

In everyday terms, an entitlement can be defined as a claim or right defined by reference to what has already occurred, or an established procedure, particularly previous authorisation under such a procedure.<sup>36</sup> Entitlements are therefore a sub-set of rights, but with certain a specific character. They provide concrete and specific content to rights – often taking a right (e.g. to social security, or maternity leave) and indicating ‘how much’. Entitlements, like rights, must be legitimised by a particular source of authority, but the legitimation may be through cultural norms or through statute law. *Statutory entitlements* set out what provision which members of the population have a legal right to claim from the state, or other parties such as employers. In this context entitlements to state provision may be contrasted with provision that is formally at the discretion of bureaucrats.

The arguments for the development of statutory entitlements take a number of forms. Bureaucratic discretion enhances the power of officials to determine access and may increase the stigmatisation of those in receipt of such provision. If mechanisms of redress are effective and accessible, then statutory entitlements are likely to be more transparent and equitable than other policy instruments. Claiming such entitlements is less likely to be stigmatising and taken as a sign of failure or dependency. Statutory entitlements are more secure than narrowly targeted discretionary safety nets or market-based entitlements. They can be changed by the political process and their real value may be eroded by rising prices, but it is clear that the government has responsibility for these entitlements and must be held accountable for them. Such entitlements are a form of mutual assurance against entitlement failure and symbolise citizenship as a social bond.

There are also, however, some potential difficulties with statutory entitlements as a policy mechanism. The fact that an entitlement is statutory does not guarantee that all can access it. Legal recourse is beyond the means of many poor and excluded people, but without effective redress a statutory entitlement may be in practice ‘anti-poor’. If a notional entitlement to a publicly provided service or transfer is beyond the means of the state to provide for all, then it is very likely that rationing will occur and that the poor will be the losers, rather than the beneficiaries of the process. Not all statutory entitlements are even pro-poor in intent. A large element of social protection expenditures in Vietnam, for example, consists of entitlement based pensions for ex-combatants – not necessarily the poorest. There is also the possibility, if the system becomes over-loaded with entitlements, that expenditures either get out of hand altogether, or become so rigid that public policy loses the capacity to respond to new policy priorities (e.g. HIV/AIDs). So it is clear that statutory entitlements to public provision, as a policy instrument, may not be pro-poor, and may not further the realisation of universal human rights.

There is, however, another level of argument for the development of at least some basic universal entitlements in poor countries, which relates to the evolution from a clientelist mode of politics, to one where claims can be made on the basis of citizenship, rather than patron-client relationships. According to this argument the development of some entitlements (not necessarily across the full range of economic and social rights) may have long-term benefits in terms of changing the basis on which people mobilise. Unsworth’s paper on understanding pro-poor political change makes the argument as follows:

“...rather than referring to ‘democracy’ which leads people to think in terms of specific models or formal structures, it may be more useful to think about the kind of political change which would benefit poor people as being a move from informal, personalised, patrimonial systems in which political mobilisation takes place on the basis of clientelism, to more institutionalised competitive systems based on the rule of law, and in which poor people can context rights as citizens.” (2001 p6)

Unsworth goes on to argue that a ‘driver’ of pro-poor political change in poorer countries may be the design of public programmes in ways which offer guaranteed rights, which can in turn provide incentives for poor people to organise to secure them.<sup>37</sup>

“Predictable, accountable and transparent policies are important not only because of the material benefits they offer, but also because they can encourage the mobilisation of poor people (and NGOs and political actors speaking for them) around collective interests which cut across special interests (e.g. of ethnicity or caste).” (p.8)

---

<sup>36</sup> McLean, p159.

<sup>37</sup> Drawing on Joshi and Moore (2000).

In summary, there seems to be a strong case for establishing, protecting or strengthening some clear entitlements to public provision in most countries. Under the following ‘ideal conditions’ it would be clear that such provisions were pro-poor in practice:

- The entitlements are provided on a citizenship basis, non-discriminatory in intent, and act to strengthen the well-being of poor people or weaker social categories or groups;
- Legal or administrative systems of redress exist which are sufficiently effective and accessible to all to provide adequate incentives for the system to function equitably (these are difficult to implement fairly in practice, as illustrated in box 3);
- The entitlements can realistically be provided on a sustainable basis, without damaging the state’s capacity to respond to other priorities;
- The entitlements have been established through an accountable, democratic process.

Where systems of public entitlements do not meet the above desirable conditions they may be subject to some of the perverse effects discussed above. The most serious distortions would often apply in situations where the capacity to make claims is restricted to elite groups. Approaches to overcoming or guarding against this include: a) restricting entitlement-based provision to goods or services which add little or nothing to the welfare of the better off (e.g. literacy, public works employment schemes) so the incentive to claim is greater for the poor; b) targeting such provisions to disadvantaged groups, or sections of the population where the poor are disproportionately represented (e.g. older people, landless labourers); c) strengthening access to mechanisms of redress for the poor or disadvantaged; d) strengthening the capacity of the disadvantaged to make claims through improving access to information or organisational capacity. The question of how the politics of the budget process conditions the capacity of different groups to make claims on public resources is discussed in the next section (3.2), while chapter 4 outlines the experience of a variety of initiatives (governmental and civil society) which have been directed at improving the capacity of disadvantaged groups to make claims on public provision.

### **Box 3: Street-Level Bureaucrats and Mechanisms of Redress in UK Social Provision**

Hudson (1993) examines the work of Lipsky on ‘street-level bureaucrats’ and considers its relevance to the analysis of the delivery of social provision in the UK. He observes that it is very difficult to enforce accountability of face-to-face service providers where the nature of their work implies that they exercise a considerable amount of discretion (social workers, police, benefits officers). But there may be an element of collusion in this – “street level bureaucrats carry out much of the difficult rationing at client level, and it is therefore often convenient for organizations to permit this discretion to continue relatively unabated. The exercise of street level bureaucrat discretion can be functional to the organization” (p398). Hudson notes that legal and administrative mechanisms of redress are a relatively crude instrument to deal with the complexity of the complicit ‘deals’ within organizations that permit spaces for street level bureaucrat discretion: “Lipsky, with characteristic skepticism, argues that from the street level perspective, appeals procedures should exhibit three qualities. First, it must look as though the channels are open, second, the channels must be costly to use, rarely successful and (if successful) not well publicized. Third, a single client should not be able to gain redress for a class of clients. This does seem to encompass much tribunal and appeal activity in Britain.” (p400)

The implications of Lipsky’s analysis are, firstly, that the norms and values operating within administrative units working at the sharp end of service delivery are a critical determinant of the service outcomes that people receive (if the police do not take domestic violence seriously women will not receive protection, whatever the law says). He is skeptical that there is much that policy-driven change can do to alter these in the absence of broader social and political transformations. Lipsky’s perspective is a pessimistic one for government and donor agencies as it implies that their efforts to improve transparency and client-orientation in delivery will be likely to fail in the absence of broader social change. Some new approaches to public management, described in section 3.3, provide, at least, a vision of how to encourage the kind of changes which would have an impact on institutional cultures. It is also important to recognise that evidence clearly demonstrates that policy driven changes in entitlements (e.g. the introduction of universal primary education) can lead to dramatic change in outcomes at the local level, under some conditions.

### *Indivisibility of rights, versus the need to prioritise*

A key issue in the history of debates about human rights and development has concerned the question of ‘hierarchies’ of rights. During the Cold War there was a tendency for some Western nations to emphasise the superiority of Civil and Political rights over Economic, Social and Cultural rights, while non-aligned and socialist states opposed this. The inseparability of the two sets of rights was agreed in Vienna in 1993, with complementarities stressed by practitioners. The principle of the indivisibility of rights confirms the holistic, multi-dimensional view of human well-being which is embedded in the Universal Declaration and other key texts. However, from the perspective of those seeking to identify priorities for action and change, such a position (that there is no hierarchy of rights) may appear unhelpful. In particular, the practice of bureaucratic discretion in relation to public expenditures hinges on the question of priorities. Without the rigour of setting priorities administrative structures are likely to become ineffective and over-stretched. How can these two views be reconciled?

A closer reading of both literatures suggests that this is an apparent rather than a real contradiction. There are a number of reasons why the task of prioritisation (choosing to emphasise health rather than roads in the allocation of marginal funds) does not undermine the principle of indivisibility. The first is that the role of the state differs in relation to the fulfilment of different rights (even economic and social rights). States have a duty to *respect, protect and fulfil* human rights. The obligation to fulfil human rights in turn gives rise to obligations to *facilitate, provide and promote* human rights. In simple terms, this implies that economic and social rights do not necessarily have to be interpreted as translating into direct claims on the public budget for specific items or entitlements. If policy can more effectively, equitably and sustainably fulfil the right to shelter, for example, through appropriate regulatory frameworks (facilitation) than by bankrupting the public budget through a construction programme, then this policy choice is not incompatible with a rights framework.<sup>38</sup>

A useful detailed clarification (summarised in Annex 3 Moser and Norton, 2001) has been produced by the Committee on Economic, Social and Cultural Rights in relation to the human right to food:

- The obligation to respect the right to food means that states must not take any measures that result in weakening existing access to adequate food;
- The obligation to protect the right to food requires states to ensure that non-state actors (individuals, business firms, etc) do not deprive individuals of their access to adequate food;
- The obligation to fulfil the right to food means that states must be proactive in strengthening access to adequate food (facilitating and promoting);
- The obligation to provide the right to food means that states must directly provide access to food to anyone who is unable to obtain adequate food through the other legal means at their disposal.

Similar clarification has been provided for the right to housing (UNDP,2000:77) The 1995 report of the UN Special Rapporteur on Housing Rights indicates that the state is not required to build and supply housing to the entire population free of charge. Core areas of responsibility for the state were identified by a UN Expert Group in 1996, including providing security of tenure, preventing discrimination, forbidding illegal and mass evictions, eliminating homelessness, and directly providing homes in the aftermath of disasters, and for those with no alternative.

The state’s role is to act as the guarantor of rights, while the individual has a right to claim the assistance of the state in securing their human rights. The Human Development Report on Human Development and Human Rights puts it this way:

“the right to such necessities [as food and housing] is an entitlement to the social arrangements needed to facilitate access to them.” (UNDP,2000:77)

---

<sup>38</sup> This typology builds on that elaborated by the UN Committee on Economic, Social and Cultural Rights in General Comment 14, ‘The Right to the Highest Attainable Standard of Health’, UN Doc. E/C.12/2000/4, at paragraph 33 and that developed by the UN Special Rapporteur on the Human Right to Food, whose First Report set out these three levels of obligation upon states relating to all human rights (1987).

Among the most important of these social arrangements is the formulation and implementation of the budget at all levels of government, to fund both direct provision and the regulation of provision by non-state actors.

The second relevant principle is that of the ‘progressive realisation’ of economic and social rights. The principle of progressive realisation implies that governments must be pro-active in strengthening enjoyment of human rights over time. This means taking steps which are *deliberate, concrete, targeted and appropriate*.<sup>39</sup> One problem that has been encountered is that there may appear to be a ‘get out’ clause in relation to the progressive realisation of economic, social and cultural rights. The Covenant on Economic, Social and Cultural Rights refers to taking steps to ‘achieving progressively the full realisation of the rights recognised in the present Covenant’ ‘to the maximum of available resources’. No criteria have been developed for defining ‘maximum available resources’. There is no similar reference to resource constraints in the Covenant of Civil and Political Rights, even though their realisation also has resource implications. The principle of progressive realisation is useful in emphasising that human rights cannot be regarded as simple justiciable claims for all on the public budget – but does not in itself take us much further.

The Committee on Economic, Social and Cultural Rights has tried to address some of these ambiguities through outlining the state’s ‘minimum core obligations’ that states should prioritise whatever their level of available resources, including primary health care, basic education and nutrition. Even when it is clear that the State does not have sufficient resources to realise these rights fully, it must at least adopt strategies and low-cost programmes to protect vulnerable groups in relation to these core obligations.<sup>40</sup>

The debate on the issue of the realisation of human rights in resource-constrained situations has in recent years mostly focused on the question of the interpretation of the Right to Development (RTD). The RTD is a relatively new human rights concept. It was first proclaimed in the 1986 Declaration on the Right to Development and reaffirmed in the 1993 Vienna and 2000 Millennium Declarations. It has the following core elements:

- The human person is at the centre of development, and the process of development should be respectful of all rights;
- Development should in particular respect the rights of participation;
- Development should promote social justice;
- States have the primary responsibility for realising the RTD at the national level, but also through appropriate international policies and international cooperation.

The Independent Expert on the Right to Development has developed the concept of the RTD as a ‘vector’ in order to emphasise that societies should set out priorities and strategies leading to its fulfilment, which will be dependent on economic, cultural, social and political contexts, summarised as follows in Piron (2001):

“The Independent Expert views the RTD as a *right to a particular process of development*, which facilitates and enables all fundamental freedom and rights to be realised, and which expands basic capabilities, and the abilities of individuals to enjoy their rights. The RTD cannot be equated with the right to the outcomes of development, nor with the sum of existing human rights. It refers not just to the realisation of individual rights, but also to the way in which these rights are realised, and development is facilitated.

The image of the RTD as a ‘vector’ illustrates how the RTD is a composite right, which should be realised in a manner that takes into account the effects of component rights on one another, as well as the resulting outcome. The vector improves if there is an improvement in all the elements of the vector, or at least in one element while no other one deteriorates. Translated into a human rights language, an improvement in the realisation of the RTD requires the promotion or improvement of at least some human rights, while no other deteriorates.

This interpretation is useful in that it offers a way out of the traditional tension between on the one hand the declared interdependence and indivisibility of all rights, and on the other, the need to prioritise certain actions and policy areas given the resource and capacity constraints of developing states. Progress in the realisation of certain rights, such as the right to food, education and health, can

---

<sup>39</sup> ODI (1999).

<sup>40</sup> Committee of Economic, Social and Cultural Rights. General Comment no 3, paras 10 – 12).

be seen as constituting progress in the realisation of the RTD, as long as no other right declines, and a rights-based approach is followed. This allow for a sequencing of rights-based interventions.” (p27-8)

A human rights framework does not, therefore, imply either that governments should not identify priorities for human, social and economic development, or that all rights can be seen as direct claims on the public budget. So the question remains of *how* the adoption of a rights perspective would modify the process of developing policy goals, strategies, plans and budgets in practice. This can be seen in the following dimensions that the adoption of the normative framework of human rights offers for assessing public action. The framework in particular:

- Prioritises, as a standard of measure for the formulation and implementation of public policy, the conditions and entitlements of the weakest in society – with an emphasis on social justice and values of equity, fairness and redress;
- Places the onus on the public system – institutions, rules, policies and actions – to bring about the conditions for the weakest to successfully make claims, in particular tackling explicit and implicit discrimination by both state and non-state actors;
- Recognises that political leaders and administrations must develop goals, strategies and plans – but emphasises that this process should be accountable, participatory and under equitable democratic scrutiny by all citizens;
- Emphasises the rights of all citizens to information about the policy process – including a full and honest account of the ways in which public revenues are deployed, and the administration’s assessment of the effectiveness of such expenditures in relation to democratically established policy goals;
- Recognises (through the right to development) that there is an international dimension to the state’s obligations to promote the fulfilment of human rights.

The formulation of the international dimension of obligation is a key issue in the development debate. Much of the controversy around the Right to Development has focused on whether or not developed countries have a legal obligation to provide aid to developing countries. In practice, whatever the legal arguments, the focus on the Millennium Development Goals can be understood as a recognition that developed countries have a moral responsibility to support those governments that do not have the resources to meet their economic and social ‘minimum core obligations’.<sup>41</sup>

### **3.2 The politics of budget formulation and execution**

As noted in the introductory section, literature on budget processes and human rights converge on the importance of understanding the ways in which politics and power relations shape bureaucratic processes. The budget literature arrives at politics from the starting point of transparency and accountability. From a rights perspective, understanding politics and power are critical to the promotion of government accountability and citizens’ participation in budget processes. Participation is understood both as a right in itself and as a means of increasing the equitable outcomes of policy decisions. However, while transparency, participation and enhanced mechanisms of vertical and horizontal accountability are commonly acknowledged as important objectives, the realisation of these aspirations remains a huge challenge. It is increasingly recognised that technical solutions alone are unlikely to be successful in achieving these goals without accompanying changes in the politics of budget processes.

Studying the politics of the budget process essentially means examining the ways in which the distribution of power within that process affect the subsequent distribution of public resources. From a social theory perspective, the concept of power is in essence concerned with any form of asymmetry in human relations. In its traditional forms, political sociology emphasised structural power and the coercive capacity of the state.<sup>42</sup> More recent perspectives have emphasised the ways in which power relations can be disguised and coded in most aspects of everyday life (language, bureaucratic cultures and procedures etc.).<sup>43</sup> An important dimension of the second view is that

---

<sup>41</sup> See Piron (2002) on the Right to Development (DFID report) for a review of these arguments.

<sup>42</sup> A tradition associated with the work of Max Weber (1978). A detailed review of the literature on the concept of power, particularly from a political science perspective, while of critical importance, goes well beyond the remit of this paper.

<sup>43</sup> A perspective derived most strongly from the work of Foucault (1980). McLean (1996) argues that positivist approaches to the study of power have largely failed to deliver the central role in the study of politics which many pioneers hoped they would: “Increasingly, as power has failed as a concept for the positive investigation of political



power conditions dominant norms about who in society are legitimate holders of knowledge – and thereby affects not just the range of people who can participate in making decisions, but also the distribution of information.<sup>44</sup> In practice both dimensions are relevant to the analysis of the budget process - power as formal structures, and power as the informal incorporation of dominant norms and values into information systems, the legitimisation of ‘knowledge’, operating procedures, and bureaucratic practice.

In any given process of budget formulation and execution unequal power relations are expressed by:

- Inclusion/exclusion or proximity by different social groups to the decision-making process;
- Norms and values both explicitly expressed in the statement of purpose, but also implicitly embedded in the priorities and assumptions contained within the process, structure and content of the budget.

The prevailing balance of interests and pressures in any system of public expenditure management is unlikely to reflect a pro-poor orientation in any simple sense. It is also unlikely to reflect an uncomplicated commitment to sharing information about the process, and including the excluded in decision-making processes. It is very likely that attempts to move in this direction will run into both overt and covert resistance, with adoption of formal commitments to policy goals by governments being insufficient to guarantee meaningful change. Ideally, therefore, for a development actor to understand the politics of a given budget process it would be valuable to have information about the following:

- a) The formal structure of roles and responsibilities within the budget process;
- b) The formal rules governing decision-making, political choice and accountability within the public expenditure management system;
- c) The networks of stakeholder power and influence (outside the formal allocation of roles and responsibilities), which influence the outcomes of the budget process;
- d) Incentives for action (covert as well as overt) affecting the decision-making process of politicians and officials during the budget formulation and execution process;
- e) The latitude for independent discretionary action of bureaucrats at all levels of the budget execution process;
- f) The norms and values prevailing in key institutions within the budget formulation and execution process.

Chapter 2, above, deals largely with levels a) and b) of the above typology. A technocratic approach to understanding the politics of the budget process could be satisfied with this level of comprehension. At a practical level this kind of approach will focus on producing recommendations for a range of procedural measures designed to achieve pro-poor change in the budget process through strengthening the space for technical analysis through the transparent application of criteria of judgement. These are likely to include strengthening poverty diagnostics, basic institutional capacity and the integration of policy, planning and budget processes. For any development actor obliged to be careful about their level of overtly political engagement for constitutional reasons (which includes most official development agencies, as well as most developmental NGOs) this might be seen as satisfactory. In countries where the broader institutional and political configuration is not hostile to goals of widening accountability and strengthening a pro-poor focus, this may be an effective course of action to pursue. However, if the

---

systems, it has been taken over by writers like Foucault who see power as permeating all social relationships. This tradition of thought does not, generally, seek to measure or attribute power of to distinguish its forms, but is content to emphasise its transcendence and the effect of power in distorting social relations”. (p339).

<sup>44</sup> Gaventa and Cornwall (2001) discuss different understandings of power and the key role that the legitimisation of knowledge plays in the reproduction of relations of power.

factors in levels c) to f) outlined above are pulling in the opposite direction (supporting vested interests within or outside the bureaucracy) then technical improvements in poverty monitoring and analysis are unlikely to be transformational in practice – and there are clear dangers in acting ‘as if’ the deeper levels of budget politics do not matter, as formal policy goals are unlikely to be achieved. Under these conditions a deeper level of political analysis can be helpful in seeking to identify significant stakeholders who may support pro-poor change, and changes that strengthen incentives for pro-poor action in budget execution as well as formulation. An incremental approach – seeking to build on positive elements of the existing policy framework which already have significant support – may be more effective than attempting to re-design policy from a poverty perspective from a ‘clean slate’.

Attempts to research empirically the politics of the budget process face numerous challenges. As noted in section 2.3 above the culture of the central budget office in most organisations (including governments) tends to be closed and defensive. Getting a genuine and open account of the incentives operating within it, and the strategies which are used to defend the perceived interests of the tax-payer in the face of spending bids is very difficult. Also, the incentives operating within budget systems may involve practices which are either formally illegal, or would be perceived as unethical if publicly revealed. Developing a public account of this level of budget formulation and execution is obviously very challenging, and cannot be done without complex negotiations with key stakeholders. And finally, the operation of power in its broadest sense (which is about who has most influence on the development of norms, and who sets the rules by which the ‘games’ of formal resource allocation processes are played) may simply be impossible to research and describe in conventional, positivist, empirical language of the kind that technocrats and administrative staff are comfortable with. In line with these observations, empirical studies of the budget process which deal adequately and authoritatively with levels c) to f) in the above list are rare, and tend to be partial accounts at best.

The rest of this section will seek to illustrate some of the ways in which pro or anti-poor orientations may occur at various levels and stages of the budget process, drawing on both hypothetical and empirically documented examples, before drawing some conclusions about how an understanding of the politics of budget formulation and execution can be better incorporated into pro-poor development action.

As observed by most commentators<sup>45</sup> the process of budget formulation in centralised systems generally revolves around a game whereby implementing agencies seek to increase their budget allocations by making a case in their bids for additional resources. The budget office in the Ministry of Finance has a general role of contesting these claims, and reducing the overall level of bids to a manageable level. Final arbitration in terms of which agencies do relatively better and which do relatively worse generally lies with Cabinet (and it is unusual in any system for any administrative unit to receive as its final allocation the level of funding specified in the original bid). Under more or less stable political conditions the game tends to be played according to rules which remain relatively consistent and are likely to include the following:

- The level of the administrative unit’s previous year’s budget allocation is the starting point for the contest which ensues (this may be either formally or informally recognised);
- References to the policy framework of government are used as part of the case for asking for increased allocations (e.g. an argument that a particular activity has strong benefits for achieving poverty reduction) – although other factors may also count.

As outlined in chapter 2 above, much of modern public expenditure management theory is designed to challenge and break down such incrementalist practices. Among the approaches which are used are attempts to introduce more formal, technical, analytical tools to determine priorities, and systems of performance evaluation which requires MDAs to make claims not only against their level of *compliance* with the government’s policy framework, but also according to measures of their *effectiveness* in delivering against the goals specified. However, a level of incrementalism remains in almost all systems (except in situations of great social transformation), and realists generally acknowledge this, and hope that introducing mechanisms of transparency, and enhanced clarity in the setting and application of decision-making criteria, will help the system to evolve slowly.<sup>46</sup>

---

<sup>45</sup> For example, Lacasse (1996), Fozzard (2001).

<sup>46</sup> The Medium-Term Expenditure Framework is an example of such an approach – which seeks to place resource allocation decisions within a longer (typically three year) time frame in order to both increase the certainty for planning

Some of the factors that influence the relative success of the budget bids of different MDAs (Ministries, Departments and Agencies) are highly particularistic. In most systems ministers who hold significant political weight in other fora (e.g. the Party) will be more likely to be effective in arguing the case for resources for their ministry. But other factors that introduce a bias into the likely outcomes of such a process may be systemic.

To get a flavour of this, Prescod's authoritative account of the politics of budget execution in Jamaica is illuminating.<sup>47</sup> Prescod's work reveals how the politics of the Jamaican budget process leads to consistent under-expenditure on the capital budget in the social sectors. This bias against social spending is the outcome of budget practices and procedures rather than overt political manoeuvring. Insight into the politics of the budget process may require such detailed understanding of procedures that, despite appearances of technical neutrality, can embody asymmetrical power relations and hidden values.<sup>48</sup>

Prescod starts by outlining the legal framework for budget practice in Jamaica, and notes that, while the law is very precise in indicating that identified budget ceilings must not be *exceeded* (without Parliamentary agreement) there is no corresponding duty established in statute or praxis to 'spend the entire sum which is appropriated for any particular purpose in a given Financial Year'. In fact, the Financial Administration and Audit Act positively encourages the Minister of Finance to 'restrict the sums to be withdrawn from the Consolidated Fund Principal Bank Account to such total sums as he may consider necessary for making the current payments for the public service'. As the author notes, this interpretation allows for the possibility of the Capital Expenditure Budget becoming subject to 'institutional decay'.

In describing the process of budget execution in Jamaica, Prescod makes a series of observations. The first of these is that the involvement of the macroeconomic management sections of the Ministry of Finance (e.g. the Fiscal Policy Management Unit) is not restricted to the initial determination of the overall resource envelope for the budget. In practice the financial releases to MDAs (or Expenditure Warrants, in the Jamaican system) are also determined, month on month, by the same kind of macroeconomic considerations that apply for the Budget Envelope. If the macro managers decide that releases have to be restricted, then the Cash Management section of Budget Division will have to negotiate with the various MDAs to arrive at the least damaging allocation of the cuts which will have to be made. In practice Government will insist on the servicing of the public debt as a first call on the allowable releases, and that wages and salaries are in practice given equal priority. So where do the cuts generally fall? In a comparative study of eleven years Prescod compares the initial approved budget allocations in a variety of sectors with the 'Final Supplementary Estimates' – which are prepared late in the financial year and form a reasonable proxy for the final authorised expenditures in each area (for which accurate data are not available).

He is able to conclusively demonstrate that cuts do not fall on statutory expenditures (e.g. debt service), wages and salaries, or other recurrent budgets in any sector. The cuts fall exclusively on the capital expenditures elements of the budget. But here a systemic bias is visible – whereby the bulk of the cuts fall on the social and community services category, rather than economic services (i.e. on social rather than economic infrastructure). The social and community services capital budget was squeezed in nine out of eleven of the years studied – and fared worse than the aggregate average of all investment budgets in every single year. The results are arguably not dramatic (in the worst years the social and community services capital budget actual expenditures were around 65% of the initial allocation) – but they are consistent enough to demonstrate conclusively that the social sectors suffer in the process of budget execution more than other parts of the government budget. This process undermined democratic governance insofar as the legitimised intentions of government are undermined in the process of budget execution.

In seeking explanations for why this might be, the author turns to a range of norms values and assumptions that operate in the process, some of which are actually beliefs of the 'losers' in this game:

"In closing, then, I now tentatively suggest that this is to be explained essentially by a strongly held belief in the Budget Division that the opportunity cost of postponing an Economic Services non-

---

activities, and create a framework where policy priorities can be more effectively transmitted into public expenditure allocations (see Foster et al, 2002 for a summary of experience in five African countries).

<sup>47</sup> Prescod (2002).

<sup>48</sup> See IDS Policy briefing 15, Aug 2001 for a useful introduction to issues of power, procedures and relationships.

statutory capital expenditure is significantly higher than that of postponing one in the Social and Community Services category. A variety of reasons can be adduced for this belief. Those responsible for Social and Community Services Capital Expenditures simply seem to spend less time with the Budget Division than their Economic Services counterparts, a false economy because they therefore fail to persuade the Budget Division of the importance of their particular projects. Again, there seems to be some reason to believe that a certain defeatism has come to pervade the thinking of the relevant Ministries in their approaches to the Budget Division, that they therefore tend to accept cuts more passively than counterparts in Economic Services entities such as the Ministry of Transport and Works. In addition, it may actually be the case that the financial costs of postponing a payment on a Civil works contract are actually higher than those of some at least of the kinds of expenditures which go into a Social and Community Services project; and some note must be taken of the fact that Social and Community Services projects are usually less 'sexy' in the sense that they tend to be relatively small, to be highly localised and to impact most directly on people who simply do not carry much political weight in and of themselves." (P34)

Prescod's paper combines simple, convincing analysis of budget outcomes, with a sophisticated analysis of causality (with an emphasis on the underlying values and assumptions of key stakeholders, influenced by clearly political considerations), before producing simple, clear recommendations for action. He concludes that to shift the values in the system so that capital expenditures on social and community sectors receive more priority in budget execution it is necessary for the officials preparing budgets and plans in those areas to both a) improve the quality of their project preparation, and b) improve the energy and quality of their interaction with the Budget Division throughout the year. In particular they need to make officials in the Budget Division more aware of the social costs of postponing or cancelling such investments through 'comprehensible and convincing' argument. Effectively, budgets have to be contested throughout the year, not just in the formulation process. If key social expenditures, and expenditures which benefit the poor, do not benefit from the same quality of internal advocacy as other areas of the public budget they will suffer.<sup>49</sup>

The most common condition under which the broad expenditure priorities outlined in the budget allocations become distorted is when in-year cuts are made – in other words the total sums allocated are less than was predicted. Thus, budget 'predictability' is a key value in the management of the whole system, with strong potential benefits for transparency and accountability. When budget managers at different levels receive less than the planned allocations it raises the possibility for distortions at all levels. In a District Education Office, for example, it may be decided to spend monies allocated for officials' transport in full while restricting releases to Primary Schools. In many budget systems the structure of the budget does not even allow for an assessment of the extent to which this kind of distortion in priorities has occurred, as Fozzard describes for Mozambique:

"Although the new classifications have significantly improved the consistency and transparency in the reporting of financial operations, they are far from providing a satisfactory basis for expenditure management and analysis. The functional classification identifies only broad sectors, such as education; the programme classification, used unsystematically in the investment budget, is not extended to cover the recurrent budget; and the administrative classification does not require a breakdown of Ministries' accounts at departmental level. Consequently, while it is possible to determine how much has been allocated to and spent on education, it is not possible to determine, on the basis of budget documentation and accounts, what proportion is intended for or delivered to primary education. Similarly, where it is possible to determine how much as been budgeted for a Provincial Education Directorate, budget and accounting documentation does not indicated how much has been allocated and disbursed to each district, let alone to each school. Obviously this hinders assessments of the consistency of sectoral strategies and resource allocations and attempts at monitoring the poverty impact of public expenditures." (2002, p32)

'Leakages' may be the result of bureaucratic inertia or of corruption. A recent rights-based analysis of Indian budgets highlights the latter (Jain, 2000). This analysis looks at Indian budgets in the light of the Indian constitution, which incorporates Directive Principles of State Policy based on social and economic justice. Article 41 reads 'The State shall, within the limits of its economic capacity and development, make effective provision for securing the rights to work, education and to public assistance in cases of unemployment, old age, sickness and disablement, and in other cases of

---

<sup>49</sup> It should be noted that an explicit assumption underlies this analysis that the bias against social expenditures has negative social and poverty impacts, which is supported by other studies and analysis carried out with the Jamaica Social Policy Evaluation.

undeserved want.' Jain points out that between 1980/81 and 1999/2000, over Rs62,000bn was spent on rural employment programmes, 50-80 per cent of which has leaked away from those it was supposed to benefit. Favourite diversions operate through falsifying the employment roles and paying less than the minimum wage.

Similar problems tend to occur in many countries in trying to monitor the impact of the budget on gender equality. A recent study of experience in the Philippines (Budlender et al, 2001) is illuminating. The Philippines has a law, passed in 1992, requiring every government agency to allocate at least 5% of their budgets to Gender and Development (GAD) programmes that promote gender equality. Studies of three cities in 2000 found there was considerable confusion about how this was meant to apply at the local level. Budget officials, when asked to produce information on expenditure on GAD programmes, included many that had no clear gender equality focus. None of the cities had a GAD plan, to guide appropriations and their execution. Moreover the absence of a system for monitoring actual local government expenditures meant it was extremely difficult to track where money had gone. The research revealed a big gap between what was supposed to happen and what did happen. In one city, a specific allocation was made to a GAD budget, but this served as a 'cookie jar' for funding a variety of diverse activities by the local budget officer, who had complete control and discretion over its use. In another city, one-third of the budget (accounting for two-thirds of the finance available for non-office expenditures) was controlled by the Mayor's office, under the oversight of an unaccountable official whose tenure was co-terminus with that of the mayor. Officials produced a list of projects funded by the Mayor's office which were supposed to be gender-related but it was far from convincing. Expenditure on the employment of casual workers was centralised in the mayor's office; it had grown rapidly and workers were employed unnecessarily and without proper qualifications. In the third city, the GAD budget was under the control of the Mayor, and 70 per cent of it was spent on equipping and staffing a GAD office employing 33 people. Appropriations made for grants to women's organisations had not been received by those organisations, despite the fact that budget documentation showed the funds as having been disbursed.

Problems of leakage, distorted priorities and corruption can appear daunting to those who wish to strengthen a poverty focus and the equitable realisation of rights in the process of budget execution. The networks of interested stakeholders who benefit from untransparent procedures are so diverse and multi-faceted that it may seem inevitable that any attempt to initiate real change will be bound to fail.

Experience from Uganda, however, demonstrates that such defeatism can be misplaced, at least under some conditions. The problem of budgeted payments not finding their way to the point of service delivery was revealed in a World Bank study in Uganda, 1991-95, which found that most schools were not receiving the capitation grants to which they were entitled (Abbo and Reinikka 1998). Globally, only 30 per cent of the allocated amount was reaching schools on average by the end of 1995. The bottleneck was the district education office which was holding on to the capitation grants sent by central government and not distributing the finance to schools. The government acted rapidly to improve the flow of information and make budget allocations transparent by: i) publishing amounts transferred to the districts in newspapers and radio broadcasts, ii) requiring schools to maintain public notice boards to post monthly transfer of funds; iii) legally provisioning for accountability and information dissemination in the 1997 Local Governance Act; and iv) requiring districts to deposit all grants to schools in their own accounts, and delegating authority for procurement from the centre to the schools.<sup>50</sup> By 2000 some 90 per cent of the intended funds were actually reaching primary schools – a huge improvement, although Foster and Mijumbi (2002) note that there are still question marks over how funds are used and accounted for at schools level.

In addition to the specific measures to enhance transparency and accountability, two other policy processes are also likely to have contributed to the pressures within the system to improve the delivery of funds to primary schools. In 1996 the government introduced the policy of Universal Primary Education – establishing an effective entitlement for all families to send their children to schools. This had an immediate and dramatic effect on enrolments, which nearly doubled. Income and gender bias in enrolments were practically eliminated. While there were problematic impacts on education quality and class size, the move undoubtedly increased the pressure for accountability on the primary schooling system. In addition a system for strengthening allocations and

---

<sup>50</sup> Wagle and Shah (2001).

expenditures on priority areas for poverty reduction, the Poverty Action Fund, has been highly successful. The share of these expenditures (which include primary education) in the overall total has increased since the introduction of the system in the 1997/98 budget year from 17 per cent to 32 per cent.<sup>51</sup>

There are elements to the situation in Uganda which, arguably, make the replicability of these achievements in other countries questionable. In particular, the emphasis on poverty reduction brought by external partners chimed well with the long-term political project of the existing leadership of the country. The appalling experiences of the 70s and 80s also may have helped to create a culture where the desirability of change and transformation was widely recognised within the elite. As an indication of this, the enthusiasm which key officials in the Ministry of Finance showed for the idea of consulting with poor people throughout Uganda over the problems they faced, and their perceptions of government, through the Uganda Participatory Poverty Assessment Process was striking.<sup>52</sup> However, the emphasis on tackling problems in budget and policy execution through a broad range of complementary measures has clearly been effective, and the sheer range of strategies adopted might plausibly offer worthwhile lessons in many other contexts. The emphasis on transparency measures, furthermore, is attractive precisely because such measures do not rely on technocratic planning approaches for their effectiveness, and offer the possibility for an incremental, but transformative, change in institutional cultures and behaviours, as argued by Foster and Mijumbi:

“It is early days as yet for judging the effectiveness of transparency in checking the behaviour of officials, and this is an area which will continue to merit further research. In addition to the education success in ensuring resources now reach the schools, the IGG, the Uganda Debt Network, and the poverty monitoring and analysis unit, were able to point to examples where improved information had helped to stimulate local action to challenge the behaviour of politicians and officials. Indeed, districts have complained that they have sometimes been exposed to criticism when funds said to have been released from the centre have yet to arrive due to delays in the banking system, though this may have the positive virtue of encouraging them to take up the delays with the Uganda Commercial Bank. Where the display of information is having an impact, it is through a few individuals who are well placed to understand the notices: - a Parish Development Committees, and school and health centre management committees may in some cases have some awareness, the general public mostly not. Greater transparency does seem to offer potential as part of an overall strategy for raising the effectiveness of public spending, and if sustained may eventually succeed in beginning to alter the culture in which decisions are made, and the balance of power between provider and user of services.”  
p39.

A specific set of issues concern the politics of competition between geographical units for access to budget resources, whether these are states in a federal system, Districts or other units in a local government system, or sub-divisions of a line Ministry (e.g. District Health Offices, or facilities such as hospitals or schools). Multi-level systems such as prevail in large Federal countries (India, Pakistan) and much of Latin America (e.g. the Centre, Department and Municipal levels in Bolivia) raise complex issues, with systems of planning, the room for discretion, and arrangements for oversight varying between the different levels. In multi-level systems each tier is usually funded through a combination of taxes which can be locally raised (e.g. market taxes and property taxes for local government), and a slice of the share of the level above. Some forms of revenue are always restricted to the centre (e.g. trade tariffs), while others (e.g. sales tax, income tax) may be either central, or in federal systems collected by states. The competition for a larger slice of the resources of the level above occurs both in aggregate (arguing for a larger share being allocated to local government as a whole) and between the different units – each one making claims for a larger comparative allocation.

As noted in Chapter 2, typically there are official ‘formulae’ for determining the level of budget allocation received by different geographical units, falling into the following types:

- Criteria of scale, such as population;
- Criteria of ‘need’, such as numbers in poverty, level of provision of social infrastructure;
- Criteria of ‘performance’, by which measures of bureaucratic competence or effectiveness can be applied to reward administrations with either more money, or a higher level of discretion over the spending of the budget.

---

<sup>51</sup> Foster and Mijumbi (2002) p7.

<sup>52</sup> Bird, in Norton *et al* 2001.

The systems for determination and application of these formulas, and the processes of negotiation of the size of transfers, vary greatly in their level of openness and transparency.<sup>53</sup> Different regional units, and their advocates, can compete implicitly or explicitly for higher levels of budget provision through either a) advocating criteria which will favour particular regions, or b) directly arguing for higher allocations. Without a robust and transparent system for redistributive equalisation between richer and poorer areas a decentralised system for raising and spending revenues on public services can lead to large inequalities in delivery. Careful examination of the action of different criteria in terms of budgetary provisions to richer and poorer districts, and advocacy for transparency and equity in the allocation process, can be a strong channel for increasing the pro-poor and gender equity of budgets.<sup>54</sup>

Another major issue in the politics of multi-level systems concerns the level of discretion at the local level – and how a desire for decentralised decision-making can be reconciled with the role of the centre in setting development priorities. Foster and Mijumbi (2002) note that Uganda is remarkable for spending over one third of total public expenditure via local authorities, the largest share in Africa. The commitment to decentralised delivery was tested by clear evidence that district administration was absorbing funds intended for service delivery. In response the Government instituted a system of highly conditional grants (covering 80 per cent of local expenditures) which require local Government to use the funds in ways determined at the centre, and specify planning, reporting and accounting requirements. The Uganda Government recognises that the system may be too bureaucratic, but is only prepared to relax controls as evidence emerges that local systems of planning and accountability are sufficiently efficient and responsive to local populations to allow for the gains of decentralisation to outweigh the costs.

The politics of the budget process is potentially a very wide-ranging subject, inseparable in any given case from the entire question of the politics of the formal system of government. The review of case material presented here does, however, suggest certain broad lessons or pointers for action for development actors interested in furthering poverty reduction, including the following:

- Discretionary action by officials without strong mechanisms of accountability is unlikely to be pro-poor or contribute to the realisation of poor people's rights. In order to reduce the space for such action many conventional values of budget management remain crucially important. In particular, a predictable flow of funds, in line with original allocations will reduce the opportunity for this. So, realistic budget projections, based on a competent assessment of the likely availability of funds, is an important value to retain within the system.<sup>55</sup>
- The transparency of the system of budget management is also clearly critically important. Transparency takes many forms, but in all its forms is founded on a system of budget information that allows for both officials and the public to scrutinise what actually happens to the money. The ways in which this information may be rendered unavailable are quite varied. A structure of the budget that does not disaggregate by activities may have this effect, or quite simply a failure to systematically record and report on actual expenditures is not uncommon. When such information is available, and publicly disseminated, it can act as the 'nourishment' on which a culture of greater accountability can develop – often in ways that cannot be planned or predicted in advance. Evidence from Uganda and Vietnam suggests that making such information available at the local (facility or commune) level can have particular benefits.
- The illustration of UPE in Uganda also suggests that systems can experience a dramatic impetus towards greater accountability when entitlements to service access are introduced and widely disseminated. The ensuing 'shock' may have some problematic outcomes (e.g. greatly expanded class numbers), but this in turn is very likely to transmit a need for the full delivery of allocated monies upwards through the system.
- The norms and values that operate within key institutions – especially the central budget office – can have a strong bearing on the execution of the budget. Prescod's work on Jamaica, in particular, demonstrates how the outcomes of the budget process can differ from the original intentions formulated by Cabinet as a result of interactions between line ministries and the

---

<sup>53</sup> In Vietnam poor provinces have the least bargaining power in negotiations with the centre – and lack information about what other provinces receive (Carrie Turk, pers. comm.).

<sup>54</sup> Recent public expenditure review work in Vietnam, for example, highlighted that poor provinces and remote areas are disadvantaged by the norms for allocating recurrent expenditures in education. These are based on existing school populations and thus work against areas with low enrolment rates or cost disadvantages. (Carrie Turk, pers. comm.).

<sup>55</sup> For a discussion of the principles of predictability, transparency and accountability see DFID 2001.

central budget office, which in this case acted against social expenditures. There may be a particular case for strengthening the capacity of ministries working on the poverty agenda to contest resources effectively throughout the process of budget execution.

- Whatever broad principles can be derived from a review of some case studies, it is very clear that the detail of social, political and historical context has a huge bearing on the extent to which different strategies for strengthening poor peoples' rights and claims in the budget process are likely to be appropriate or successful. The empirical study of this is very challenging, as processes of decision-making about resource allocation are often not open to examination, and the operation of different values and strategies may be deliberately obscured or hidden. But an attempt to get an understanding of these issues is likely to be time well spent, in terms of developing a better capacity to identify partners, approaches and strategies which can contribute to strengthening the human rights outcomes of budget processes.

The final chapter of this paper will return to some of these issues, particularly from the perspective of summarising different approaches to promoting citizen accountability and rights in the context of the public expenditure management process.

### **3.3 New approaches to strengthening accountability in public policy and expenditure management: results oriented management and performance assessment**

A focus on the public policy and delivery system from the angle of the budget process has potential strengths and weaknesses. Among the strengths are that analysis of the process of resource allocation and use will potentially reveal not just the stated intentions of government, but the extent to which implementation actually reflects those priorities. In recent years another focus has developed in the literature and debates on public policy and management. Increasingly attention has 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 ends of policy.

A complete information system will therefore track both the implementation of instruments of public policy and provide evidence on their social impact. There will be a need to assess resources used ("inputs") and activities completed ("outputs"), but also means of providing information on the state of the world beyond the public sector institution in question ("outcomes"). Systems of assessment and measurement are critical to accountability, both horizontal (to other parts of government) and vertical (to citizens). Ideally, it would be necessary to assess not only *efficiency* (conversion of inputs to outputs), but also *effectiveness* (conversion of outputs to outcomes). The latter dimension is, of course, much more difficult to observe – especially in relation to a multi-dimensional phenomena such as poverty, deprivation or the realisation of human rights. Assessing outcomes generally raises questions of time-frame, and of analysis in relation to a complex world where there is often no simple means for establishing causality (i.e. attributing credit to which particular factors in relation to improved outcomes).

Schacter (1999) outlines four types of performance measures which a public policy system needs to develop:

- *Input measures* indicate the resources allocated to programmes and organisations. They may be measured in terms of items such as funding, person-days, equipment, supplies;
- *Output measures* indicate implementation of government programmes and activities, e.g. services provided, research completed, kilometres of road paved etc. Although they do not directly indicate achievement of broader social goals, they provide a basis for judging whether the organisation in question is contributing to desired social changes;
- *Efficiency measures* are based on the two preceding measures – and track the conversion of inputs into outputs. They may be expressed in terms of costs of units of labour per unit of output;
- *Outcome measures* indicate the state of society in areas where policy is trying to bring about change. They focus on the desired results of government actions (a healthier population, a safer urban environment etc.). Unlike the other measures outcome measures refer to the world outside the public sector organisation. They are a constant reminder of the purpose of the activity. A



programme meeting its targets (e.g. childhood vaccinations) but having no impact on child health would only be reassessed if an outcomes perspective is adopted.

According to this typology the key aim of a system of public management is to orient policy towards the delivery of outcomes. But in reality this is a complex challenge. Outcomes arise from multiple influences, the outputs delivered by public sector organisations being just one input or causal factor. The specification of outputs has to be evaluated in that context. For politicians, output (rather than outcome) targets have considerable attractions. Public sector managers can be held directly accountable for the performance of their organisations in various forms of ‘virtual contract’ which are a common feature of new public management systems, as the delivery of these is within their control (e.g. the building of a target level of road infrastructure). If senior civil servants are asked to orient their strategies towards achieving outcomes, the picture becomes much more complex. They may justifiably stop certain activities, and re-orient their organisations towards new forms of action. But assessing the quality of this decision-making is far less straightforward than seeing the individual as a deliverer of specified outputs.

The idea of shifting public policy towards an outcome focus is increasingly seen in the context of governance. If politicians are prepared to commit themselves to achieving particular results (e.g. improved health status, higher average incomes etc.) then the focus of their accountability may be more clearly geared to equitable outcomes for all citizens. By contrast, if the promises politicians make relate to increasing inputs (levels of spending on health, education etc.) or delivering outputs (e.g. building public housing) then the possibility exists that these inputs or outputs can be delivered to particular client groups. Robust systems of pro-poor targeting, with transparent procedures, can act to prevent this happening, but require strong technical and ethical standards in implementing institutions.

The hypothesis that an ‘outcome focus’ can contribute to enhanced accountability in governance is an interesting one, and has an attractive logic. It resonates well with a human rights approach in that the formulation of economic and social rights in relevant treaties is generally formulated in ‘outcome’ terms (the right to health is about health outcomes, not specific rights to the outputs of public health services). There are, however, a number of significant challenges which are associated with putting this into operation, such as the following:

- Developing information systems capable of a) providing feedback on timescales which policy makers can respond to, and b) reliably assessing complex phenomena;
- Communicating to the public measures of result and effectiveness of institutions at the local level so that pressure for improvement in areas with poor conditions and public services can develop;
- Addressing barriers to institutional change, which prevent institutions from effectively collaborating across structural boundaries to achieve outcomes (e.g. health and education services working together to improve child health);
- Creating space for local level identification of problems and solutions, so that top-down output ‘targets’ do not constrain the possibilities for action of public sector managers.

These challenges are considerable. The development of effective performance assessment frameworks, which enable both policy makers and the public to judge institutional and personal performance, is difficult. When the measures and incentive frameworks are inappropriate, there is a danger of creating perverse incentives.

Without a wide-scale effort at transforming the structures of authority within the government system, it also will remain unlikely that a simple change in policy rhetoric (‘results orientation’) will be enough to change the deeply embedded norms and values in public institutions that impede effective poverty reduction action. An ‘output’ focus is more in tune with the hierarchical ‘command and control’ structures which characterise the public sector in most countries. Moving to a focus on ‘outcomes’ requires a willingness to allow space for creativity, institutional learning and decision-making at more levels in the system. Nonetheless, new ideas of accountability based on values of ‘performance’ and ‘effectiveness’ are clearly an important part of the way that the debate

about pro-poor politics is evolving, and it is important to be aware of some of the more serious efforts to integrate this into public policy management.<sup>56</sup>

The matrix overleaf (Figure 2) illustrates some of these issues in a rough, schematic form. It identifies the indicators, assessment mechanisms, managerial values and accountability relationships associated with control systems geared at the three different levels. Two points should be noted. Firstly, that the matrix takes the implicit viewpoint of a public sector manager or policy actor (more of a manager's map than a citizen's map – though obviously this is not an absolute distinction). The original systems of assessment and control in public sector management were entirely geared at the input level, while in recent years efforts have been made to move on to a more systematic treatment of assessment of outputs and outcomes. While moving down the levels the effect is additional – a system geared to inputs will only look at level one, one geared to outputs will look at levels one and two, and a system geared to outcomes will look at all three levels. But the focus in terms of the last two columns (managerial values and accountability relationships) will change, and this change is likely to lead to some degree of conflict, debate and contestation within the systems in question.

Two elements of the 'citizen's map' of rights and entitlements have been added to the schema in italics. But it is important to note that the basic typology is value-neutral in political terms. A focus on equity can be applied to directing a managerial system focusing on either outputs or outcomes, but it may not. An outcome goal of, for example, raising the average wage in a given state could be achieved without improving the situation of the poorest in any way. Whatever the 'style' of public sector management adopted, the broader political norms and values within the institutions involved are critically important, as are the strength of the democratic systems which allow for voice in formulating policy intentions. A strong case could be made that a policy system geared to achieving outcomes is likely to more hospitable to values of participation (due to the emphasis on partnership and flexibility), but the relationship is not simple.

The difference between 'performance contracting' and 'relational contracting' in the fourth column should be explained. 'Relational contracting' refers to an agreement between partners to seek shared objectives without foreknowledge as to the nature of the work or resources required. It is a commitment to find those resources or do that work, as necessary. It requires agreement on some principles and processes, but with the concrete details to be worked out as events unfold. Although it is difficult to monitor and adjudicate performance under such contracts, they are inherently attractive in many contexts, allowing for partnerships that cannot be formed in any other way. By contrast performance contracts are accountable under a principle of strict liability.

For those interested primarily in the accountability of public systems to the public (and especially poor or marginalized people) the second and third levels of the matrix bring different qualities. Accountability for outputs is more direct and concrete – but may only work to the advantage of the poor if they have very strong and accessible mechanisms of redress. A focus on accountability for achieving outcomes (assuming that these have been democratically determined) should have benefits in terms of building solidarity and trust.

---

<sup>56</sup> See in particular the experience with the Oregon Progress Board and the 'Oregon Shines' programme in the USA (Progress.Board@state.or.us) and the approach to transforming social policy delivery employed in the Jamaica Social Policy Framework (Gov of Jamaica 2002).

**Figure 2: Systems of assessment and control in public management<sup>57</sup>**

<i>Level of assessment</i>	<i>Indicators</i>	<i>Assessment mechanisms</i>	<i>Implementation values &amp; culture</i>	<i>Accountability relationships</i>
<i>Input</i>	<p>Traditional measures:</p> <ul style="list-style-type: none"> <li>■ public expenditures</li> <li>■ human resource allocations</li> <li>■ assignment of assets</li> </ul> <p>Additional measures:</p> <ul style="list-style-type: none"> <li>■ assignment of authority</li> <li>■ access to information</li> </ul>	<p>Charts of accounts</p> <p>Budget frameworks</p> <p>Financial audit</p> <p>Information audit</p>	<p>Economy</p> <p>Restraint</p> <p>Discipline</p>	<p>Hierarchical accountability in binary relationships</p> <p>Accountability to the actor providing resources</p> <p>Independent oversight</p>
<i>Output</i>	<p>Services delivered</p> <p>Infrastructure completed</p> <p><i>Direct citizen entitlements met</i> (e.g. pensions, primary education)</p> <p>Preferred statement of policy intent = Targets</p>	<p>Institutional data (recordings of service provision in clinics, schools etc.)</p> <p>Management audit: target achievement</p> <p>Selective social research (e.g. service delivery surveys)</p>	<p>Efficiency and results</p> <p>Productivity</p> <p>Precision and delivery</p>	<p>Hierarchical accountability in binary relationships</p> <p>Accountability to the actor mandating use of resources</p> <p>Performance contracting (reward is given for delivery of a result within the control of the contractor)</p> <p>Bureaucratic contestability</p>
<i>Outcome</i>	<p>Final result</p> <p><i>Human rights realised:</i></p> <p>Health status, education status</p> <p>Poverty reduction</p> <p>Human security</p> <p>Preferred statement of policy intent = Objectives</p>	<p>General social research (household surveys, participatory or qualitative research etc.)</p> <p>Policy audit: progress towards objectives</p> <p>Benchmarking</p>	<p>Impact and effectiveness</p> <p>Innovation and institutional learning</p> <p>Flexibility</p> <p>Collaboration</p>	<p>Mutual accountability in networks</p> <p>Accountability to citizens</p> <p>Partnership</p> <p>‘Relational contracting’</p> <p>Political contestability</p>

<sup>57</sup> The material presented here draws heavily on the experience of developing the Jamaica Social Policy Framework, a participatory process which was led by the Jamaica Cabinet Office, with support from DFID and an ODI consultancy team. The contributions of Ken Sigrist and Ann-Marie Bonner were particularly important – and acknowledgement is due to Ken Sigrist for helpful input on the development of the matrix presented here.



## 4. Pro-poor and gender-sensitive budget initiatives in developing countries

This chapter will review some of the experience with pro-poor and gender-sensitive budget initiatives in the developing world, and draw key lessons. There is a growing network of practitioners, in both civil society and government, in developing, transitional and developed countries seeking to shape government budgets in order to further social goals. This experience is reviewed more fully in a number of publications and sources, particularly the three documents referenced in this paper from the International Budget Project (2000, 2001a, 2001b); in Cagatay et al (2000); and in Budlender et al. (2002). The experience with such budget initiatives varies along a number of different axes, including the following: the nature of the objectives; the level of the exercise (central, sector or local government); the scope of coverage in terms of budget issues (whether macro-economic issues are included, whether revenue issues are covered as well as expenditures); the role that government plays in the initiative; the involvement of different kinds of civil society organisations (membership organisations, NGOs, research organisations); and the methods or approach used. All of the successful ones involve a complex, and sometimes lengthy, process of capacity building of officials, elected representatives, researchers, and poor and disadvantaged people themselves.

This section will outline briefly examples of the following kinds of initiatives, concentrating on those in developing countries:

- Research-based advocacy initiatives aimed at influencing policy to better fulfill the rights of disadvantaged groups (poor people, women, children, specific ethnic groups, for example);
- Government-led initiatives to analyse their budgets from a gender perspective;
- Government-led consultation exercises aiming to bring the perspectives of poor people or specific social groups into the process of policy-making and developing budget priorities;
- Transparency and information initiatives designed to enhance accountability by improving the gathering and dissemination of information about the budget process;
- Participatory budgeting systems which involve citizens directly in decision-making concerning the formulation of the budget;
- Initiatives to develop a rights-based approach to public provision – including those designed to directly assist disadvantaged social groups to effectively make claims on public services.

In each of these categories the potential experience is broad, and the examples covered here are not intended to be a comprehensive overview – but rather an illustrative typology which covers the main issues and types of initiative.

### 4.1 Research-based advocacy initiatives on behalf of disadvantaged social groups

These are usually initiated from within civil society communities with a particular interest in social justice. Many of the 25 or so initiatives linked by the International Budget Project have such a focus (see [www.international.budget.org](http://www.international.budget.org) for more information). The same is true of the dozen or more civil society gender budget initiatives (see Budlender et al, 2002 and [www.genderbudgets.org](http://www.genderbudgets.org)). Here we discuss four examples, focussing on poor people, women, children, and a disadvantaged ethnic group, respectively.

In Bangladesh, as reported by Cagatay et al (2000), the Institute for Development Policy Analysis at Proshika began work in the mid 1990s analysing the national budget and its impact from the perspective of poor people. It found that the poor were excluded from a voice in budgetary processes and that there were serious leakages in the flows of resources allocated for poverty alleviation. This was followed by a participatory study with poor people in the slums of Dhaka and in rural areas which investigated how poor people understood the budget and its impact on them; and what their priorities were for public expenditure. On the basis of this, a report was prepared advocating the reform of the budget process, with recommendations for decentralisation to local governments; pre-budget consultations with civil society; and gathering feedback from citizens

juries, opinion polls and social attitude surveys. In addition, the report recommended the strengthening of parliamentary budget committees and of the office of the Auditor.

In South Africa, there are two well-known budget initiatives examining the budget from the perspective of women and of children respectively.<sup>58</sup> The Women's Budget Initiative (WBI) in South Africa originated in 1994 through a coalition of civil society activists and parliamentarians—particularly Pregs Govender, a prominent ANC parliamentarian who chairs the parliamentary committee on the status of women. It came out of a profound mobilisation of South African women in the Women's National Coalition as apartheid came to an end. The Women's National Coalition, which drew women together across race, party, and class, drew up a Charter for Effective Equality. The Women's Budget Initiative reflected the determination of the many newly elected women parliamentarians to see the Charter become a reality.

Debbie Budlender, of the Community Agency for Social Enquiry, who leads the WBI analysis and edits the annual publication, notes that the term 'women's budget' may be something of a misnomer (2000). The WBI does not advocate for a separate budget for women, or confine its analysis to the figures in the budget document. It begins from an analysis of gender inequality and the policies that government is introducing to address this, and goes on to consider questions of policy, programmes and performance. It is a form of policy monitoring and audit. The standard method employed is to take the government's policy framework sector by sector and go through the following steps: i) review gender issues in the sector; ii) analyse the appropriateness of the policy framework iii) examine the extent to which the allocation of resources reflects a serious commitment to the policy goals; iv) examine how the resources have actually been utilised (e.g. how many male and female members of the population have benefited and at what cost); and (v) assess the longer term impacts on male and female members of the population, identifying to what extent their lives have improved. This method is not explicitly framed in terms of rights, but it is certainly helpful for assessing the extent to which government's use of resources is promoting the reduction of discrimination against women and the realisation of women's rights. The analysis produced by the WBI was used in preparing the report of the government of South Africa to the UN Commission on the Elimination of Discrimination Against Women, on its discharge of its obligations under the Convention on the Elimination of Discrimination Against Women.

As well as producing an annual volume of technical analysis, the WBI produces more popular handbooks in a number of languages for use in workshops with the women for whom it is advocating. It is engaged in a long term process of capacity building so that there is a well-informed demand for budgets that deliver the promises of the south African constitution.

The five-step method of analysis used by the WBI has been disseminated to groups in many other countries. It has also been incorporated into a manual (Budlender, Sharp and Allen, 1998) used in training government officials in a wide range of developing countries in which governments have expressed an interest in gender budget analysis. It has two important features which are often lacking in analysis that focuses on poverty but has no explicit concern for gender inequality: a concern for intra-household distribution as well as inter-household distribution; and a concern for the unpaid domestic care work that is vital for sustaining families and communities, and supplying the labour force. The South African WBI has inspired a growing number of civil society groups in both developed and developing countries, including UK, Italy, Tanzania, Uganda, India, Bolivia, Ecuador, Peru and Mexico. In the latter an explicit focus on the inter-connection between government budgets and women's human rights is being developed in a collaborative project between two NGOs, FUNDAR (a policy research NGO) and Equidad de Genero (an NGO working to develop the capacities of women elected to public office). Support has been provided for the dissemination of the methods used in South Africa by the United Nations Development Fund for Women (UNIFEM), the Commonwealth Secretariat, and a number of bi-lateral donors, such as SIDA and CIDA. A successful initiative is demanding in terms of time and skills and typically grows out of a series of workshops, reports, and publications.

The Children's Budget Project (CBP) is a sub-project of the Budget Information Service at the Institute for Democratic Alternatives in South Africa (IDASA). Its scope is less ambitious than the WBI. It examines what resources the government is allocating to children's programmes, and whether these programmes adequately reflect children's needs. But it is similar in not confining the analysis to the figures in the budget - it examines policy, legislation and service delivery, as well as expenditure. It has published four volumes of analysis, which have become a model for other

---

<sup>58</sup> As described in Budlender 1996, 1997 and 2000, Robinson and Bierstecker (1997), and Cassiem *et al* (2000).

organisations wishing to do similar studies elsewhere.<sup>59</sup> A rights –based framework is explicitly used in the fourth volume, (Streak and Cassiem 2001) ‘Budgeting for Child Socio-economic Rights-Government Obligations and the Child’s Right to Social Security and Education in South Africa’. The authors note that there are difficulties in judging the extent to which the government has been budgeting for the delivery of these rights because of lack of precise definition of the obligations established by international human rights conventions, especially terms such as ‘progressive realisation’, ‘maximum available resources’ and ‘minimum core socio-economic rights’; and because of lack of data disaggregated in the relevant ways. They are encouraged by evidence showing increasing priority given to the rights under consideration in the allocation of expenditure and to evidence of improvements in the access to rights such as basic education of some of the most deprived groups, such as disabled children in rural areas.

The Women’s Budget Initiative and the Child Budget Project in South Africa had the following notable features:

- Right from the start, they built upon strong and effective political networks which could utilise the analysis to bring pressure for change. Links to newly elected parliamentarians were particularly important. There was also good communication with new ministers and officials in key departments;
- The government could be held to account against very powerful statements of intent, not only from its own policy statements, but also from the national constitution that contained explicit commitments to promoting equality (including gender equality) and fulfilling human rights, including economic and social rights;
- The quality of the technical work was generally very high.<sup>60</sup> Experienced subject specialists offered credible policy analysis and recommendations that were constructively received by an administration grappling with the problem of turning political intentions into reality through a governmental machinery which was in need of rapid change and transformation;
- The messages of the technical work were effectively disseminated in a variety of ways to the South African public.

The scope of gender budget initiatives is much broader than of children’s budget projects and a number of specific features can be noted. The politics of gender budget initiatives tend to focus more on building voice for women through the policy and budget process . Because they focus on a detailed examination of issues of discrimination they bring a radical focus to policy analysis which is very much in harmony with a rights perspective. At their most ambitious they are transformatory in intent – seeking to get government to look at economy and society through the lens of gender difference, and thereby challenging many of the basic assumptions of conventional poverty analysis. In particular, a gender perspective forces policy makers to look at intra-household inequalities, to recognise women’s unpaid work within the economy, and to address the way that discriminatory norms and values operate to exclude women both within and outside public institutions.

Budget analysis and advocacy which focuses on discrimination can take on other issues of social identity as well as those of gender and generation. Another example of a budget initiative focused on the conditions of a specific group is the work of the Development Initiative for Social and Human Action (DISHA) which has taken up issues relating to forest labourers in the so-called ‘tribal’ areas of Gujarat. DISHA is a membership organisation , founded in 1985, devoted to unionising and organising forest labourers and building capacity in local organisations. It began its budget work in 1992, as part of a larger range of activities aimed at helping its members realise the right to work and the right to food. It required persistence to get hold of the statistics required and time to develop the knowledge to make sense of them and to produce a publishable analysis. But the pay-off was considerable. An account of their experience in IBP (2000) makes it clear that the capacity of the organisation to represent its members’ interests was greatly advanced by taking up the task of budget analysis:

“Injustices to the Tribals” created a great deal of interest. The newspaper carried box items of our findings that the government had made errors in totalling the figures. This created a very embarrassing situation for the finance minister. The under-secretary came rushing to our office to ask how we found

---

<sup>59</sup> See Robinsons and Bierstecker (1997), Cassiem et al (2000).

<sup>60</sup> See, for example, the analysis of welfare policy by Francie Lund in Budlender (1997), and the Introduction on child poverty by Judith Streak in Cassiem *et al* (2000).

the errors. The ruling party and the bureaucrats were caught unaware... The opposition parties took full advantage of our notes to press their own causes. Before each day's discussion we prepared more notes and handed them out to assembly members. Many of them became addicted to our notes. They were eager to receive them as early as possible to help them formulate their own arguments to create pressure on the government." (p.15)

DISHA found that Gujarati parliamentarians were hungry for data and analysis which would enable them to do a more substantial job in holding the state government to account. The budget notes were also sent to the press, academic institutions and voluntary agencies. Once they engaged, they were surprised at the extent to which they could influence and even shift the balance of power:

"The budget is prepared by a very small group of people in the bureaucracy. In order to maintain their monopoly, they don't want others to know its intricacies. Knowing the process of making the budget documents breaks this monopoly. NGOs must know the process. The more one knows about the finance of the state, the more one becomes confident and powerful." (IBP, 2000 p.16)

Now DISHA is training other community-based NGOs to analyse government budgets from the perspective of their particular concerns. The NGOs can then hold officials and elected representatives to account.

In short, key lessons to emerge from these civil society initiatives include the following:

- Effective budget advocacy work requires networks of relationships supplying expertise, access to information, and some position of influence or authority over the process of allocating resources. Working with Parliamentarians has often proved effective, as they generally lack, but are in a position to use, adequate data and analysis. The role of civil society organisations in bringing pressure for change is critical in almost all examples;
- Messages need to be timely, in an appropriate form (including short briefs for policy makers) and well informed;
- Budget work which seeks to support the claims of particular disadvantaged groups may be used to inform assessment of the extent to which their human rights are being realised; however there are a number of challenges in operationalising this;
- A successful initiative takes time and resources to build.

## 4.2 Government gender budget initiatives

A wide range of governments in both developed and developing countries have taken steps to analyse their budgets from a gender equality perspective. The pioneer was the government of Australia which began producing a Women's Budget Statement, as part of the budget papers, in the mid 1980s. This examined the whole budget for its impact on women in Australia (Sharp and Broomhill, 1990). Political changes in the mid-1990s led to a suspension of this practice at the federal level, but some of the individual states continued to produce gender analysis of their budgets. Thus, the South Australia Budget Statement for 2000/1 had a nine page Appendix setting out the anticipated impact on women. The gender focus on Australian budgets was promoted by gender equality advocates within government (especially the so-called 'femocrats') and had 3 goals: to raise awareness within government of the gender impact of the budget and the policies funded; to make governments accountable for their commitments to gender equality; to bring about changes to budgets and the policies they fund to improve the socio-economic status of women. Sharp and Broomhill (forthcoming) judge that there was some success in achieving each of these goals, but successes were limited by political factors and by the changing macroeconomic climate.

The Australian example was one of the inspirations for the WBI in South Africa and also for a Commonwealth Secretariat initiative to promote the use of gender budget analysis by governments as a response to the challenges of economic restructuring. A set of potential tools for this was put together, by Elson, drawing on a number of sources (particularly Hewitt and Raju, 1999); and, beginning in 1997, the Commonwealth Secretariat supported five Commonwealth countries in undertaking some gender analysis of the budgets and services of selected Ministries.<sup>61</sup> A notable feature of this initiative was the leadership role of the Ministry of Finance in each country. In South Africa a key role was also played by leading figures from the pre-existing WBI who were hired to carry out some of the analysis. Some useful analysis was carried out but it proved difficult to get

---

<sup>61</sup> The countries were South Africa, Sri Lanka, Barbados, Fiji, and St Kitts and Nevis.



sustained commitment from the Ministries of Finance in the five countries to institutionalise the analysis and to use it to improve their budgets, policies and programmes.

However, in a growing range of countries, governments are seeing gender budget initiatives as an important tool for mainstreaming gender in their programmes, building on the experience of both in-governments and civil society initiatives. A focus on budgets is seen as a way of checking how far general policy statements about the promotion of gender equality and the rights of women (especially poor women) are being implemented. In Europe there are government initiatives at the national level in France, Belgium, the Nordic countries and Ireland; and at the regional level in Scotland, the Basque country and Emilia Romagna. In Asia, the Philippines was a pioneer; and work is also beginning in India, Nepal and Malaysia. In Africa, Kenya, Malawi, Mozambique, Tanzania and Mauritius are among the governments that have done some analysis. In Latin America, Chile is planning gender analysis of the national budgets, while in Mexico analysis has been done of the budgets of the Ministry of Social Development and of Health. Among aid-dependent countries, there is some grounds for concern about how far this is donor-driven (see Budlender, 2000), but the example of Tanzania shows that local ownership can come from a constructive engagement between an in-government, donor-funded exercise and a local civil society gender budget group. In 1997, an NGO, the Tanzania Gender Networking Programme (TGNP), began to analyse the Tanzanian budget using the same approach as the South African WBI. Later SIDA began funding a parallel exercise in the Ministry of Finance, and subsequently. TGNP was brought in as consultants to the government, to conduct training based on their research. TGNP has also been invited to contribute to related processes, such as the Public Financial Reform Management Programme; the PER and the PRSP. The activities of TGNP in raising public awareness of the implications of the budget for women, and for poor men, mean that there is a demand for a pro-poor, gender sensitive budget from Tanzanian citizens, and not just from donors.

### 4.3 Government-led consultation exercises with poor people

There has been an increasing interest in recent years in methods whereby either technocrats or politicians can consult with the public in order to bring the perspectives of poor people or specific social groups into the process of policy-making and developing budget priorities.

The major experience in this field in developing countries has been that with so called 'Participatory Poverty Assessments', described in Norton *et al* 2001. PPAs can be defined as: *instruments for including poor people's views in the analysis of poverty and the formulation of strategies to reduce it through public policy*. PPAs are generally carried out as policy research exercises, linked to governmental policy processes, aimed at understanding poverty from the perspective of poor people - and what their priorities are in terms of actions to improve their lives. PPAs aim to strengthen poverty assessment processes through:

- Broadening stakeholder involvement and thereby increasing general support and legitimacy for anti-poverty strategies;
- Enriching the analysis and understanding of poverty by including the perspectives of the poor;
- Providing a diverse range of valuable information on a cost-effective, rapid and timely basis,
- Creating new relationships between policy-makers, service providers and people in poor communities.

PPAs may be initiated by a variety of different kinds of institutions, including NGOs, donors and research institutions. They may address different audiences – including policy-makers, politicians, advocates and activists. Early exercises tended to be focused on producing texts for donor agency analysis – while some more recent PPAs are focused on the policy process of the country concerned.<sup>62</sup> Among the activities that can be included in PPA processes are the following:

- *Review of existing analysis and research* carried out in poor communities using participatory approaches;
- *Field research* in poor communities – involving travelling research teams engaged in participatory research at the community level;

---

<sup>62</sup> Notably the Uganda and Vietnam case studies described by Bird, Kakande and Turk in Norton *et al* (2001). More recently a PPA carried out to support the development of a Poverty Reduction Strategy Paper in Rwanda has contributed strongly to the development of the government's policy framework (McGee 2002).

- *Policy analysis* using inputs from PPAs and other sources of information and analysis to influence policy development;
- *Training* of NGO, research institutes, central/local level government staff in methods and approaches for engaging with people in poor communities for research, consultation, planning and action;
- *Creating new networks* and relationships within processes of policy formulation and poverty assessment.

PPAs have become widespread in developing countries since the first experiments in the early 90s. They have become one of the more common methods employed with the aim of integrating a citizen 'voice' into Poverty Reduction Strategy Papers – which have been introduced as the overarching policy framework for directing concessional lending and access to debt relief in poor countries.<sup>63</sup> The findings are generally used to drive overall policy frameworks rather than applied specifically to budget formulation, but there are some examples where PPAs have contributed directly to innovations in budget processes. In Uganda, for example, the PPA contributed to the development of a set of poverty criteria which were used to judge the extent to which budget submissions from line ministries dealt adequately with the diverse realities of poverty within the country.<sup>64</sup> To some extent the term 'participatory' is a misnomer in regard to PPAs, as they are consultative rather than directly power-sharing in intent. Like budget work, however, they have frequently acted to empower researchers and civil society actors who otherwise may not have been able to contribute to policy processes.<sup>65</sup>

In addition to PPAs there is considerable experience in some developing countries with consultation to inform the development of sector policy and budget formulation. The practice of policy consultation in developed countries may also have useful lessons. Recent initiatives in the UK, such as citizen's juries, and the 'People's Panel' are described in Goetz and Gaventa (2000). The citizens' jury methodology involves bringing together a group of members of the electorate, chosen at random from the electoral register. Over the course of 3-5 days the jury hears evidence from 'expert witnesses' on policy issues, engaging in deliberation on policy implications and arriving at recommendations of potential courses of action. First developed in Germany and the USA, this approach grew out of a perceived need to give ordinary citizens a stronger voice and role in democratic decision-making. The Women's Unit of the UK Cabinet Office commissioned such exercises in 1998 to inform the development of a national childcare strategy. As a methodology it has considerable potential to deepen the quality of consultation on strategic priorities for the budget process as it provides a mechanism for adding to local knowledge (on, for example the causes of poverty) by allowing those consulted to also assess expert knowledge, relating to resource constraint issues which would inform budget decision-making. The 'deliberative' quality of the exercise and the deeper interaction between the participants and the policy process should enable a higher quality of participatory engagement with decision-making.

The results of all forms of structured consultation (PPAs, citizen's juries etc.) are likely to be influenced by the mediation of the researchers and facilitators involved. The way in which such exercises are presented by researchers, understood by participants and synthesised by analysts will have a bearing on the findings and policy recommendations which emerge. This does not invalidate them (no form of social research is free from this kind of influence) but should encourage caution in treating the results as direct citizen 'voice'. The literature on PPAs points clearly to significant influence on the process of setting priorities for policy and public expenditure allocation at the country level in at least some cases where evaluations have been carried out.<sup>66</sup>

#### **4.4 Transparency and information initiatives**

Transparency and information initiatives, designed to enhance accountability by improving the gathering and dissemination of information about the budget process, hold a particularly important place in current debates about the budget process. They are supported by a wide range of stakeholders, from the IMF through to NGO advocacy organisations. As has been noted in the section discussing the politics of the budget process (3.2) they are attractive to a large degree

<sup>63</sup> See McGee (2002) for a desk review of experiences with consultation and participation in PRSP processes.

<sup>64</sup> Bird and Kakande, in Norton *et al* (2000).

<sup>65</sup> See, for example, Attwood and May (1998).

<sup>66</sup> Robb (1999) Norton *et al* (2001).

because they do not involve attempting to ‘plan’ for participation, but simply seek to make available in a comprehensible form information which can be used by multiple stakeholders for their own ends. Evidence suggests that the outcomes are positive, and often surprisingly powerful.

Earlier sections of this paper have described some significant initiatives. The IMF’s code of fiscal transparency – which was prepared at the request of the organisation’s Board, and which provides a set of standards against which government’s efforts to provide information about the budget process can be assessed. Country assessments are being carried out and a large number are already publicly available.<sup>67</sup> The discussion of the politics of the budget process (section 3.2) listed a number of initiatives in Uganda to increase the transparency of resource allocation and use. These include the publication of a citizen’s guide to the budget at the macro level, and various measures in the education sector including the publication of school budgets for scrutiny by parents and communities.

There are also a number of important initiatives that have been carried out by civil society organisations to press for enhanced budget transparency. Many of them are linked in an international network by the International Budget Project (funded by the Ford Foundation)

In South Africa IDASA have developed a methodology for assessing transparency issues, based on the IMF code, but placing more emphasis on the dimension of accountability to citizens (IDASA/IBP 2000). The methodology is designed to interrogate the adequacy of arrangements in the following five areas: the legal framework for transparency; the level of clarity of roles and responsibilities of different levels of government; the public availability of budget information; provision for independent checks and balances in budget execution, and; the budget decision-making process. IDASA established its Budget Information Service in 1994, with the objective of training the many new ANC legislators to understand and analyse the budget. This has now become an important source of independent, critical analysis of the government’s budget. The BIS works with community-based organisations that work directly with poor communities throughout South Africa. It also presents comment on the budget on its weekly current affairs radio programme, which goes out on community radio stations all over South Africa.

In Mexico a group of NGOs called the Civic Alliance mobilised to challenge the historic entitlement of the President to operate a ‘secret fund’ without any form of scrutiny. After a long campaign the fund was eliminated and various other measures introduced to strengthen transparency in other areas of the budget.<sup>68</sup>

One of the most striking examples of civil society action to lobby for increased transparency in the allocation and use of resources is the ‘right to information’ movement in India. A mass-based organisation called Mazdoor Kisan Shakti Sanghathan (movement for the empowerment of peasants and workers, or MKSS) working in one of India’s poorest areas, Bhim Tehsil, Rajasthan, has been the catalyst for what is an increasingly broad based movement (Jenkins and Goetz 1999). The group had been active since the late 1980s, initially in trying to get the state of Rajasthan to enforce minimum-wage regulations on its employment generation programmes in the drought-prone area. Discrepancies had constantly arisen between the experience of the villagers hired in these projects or supposedly benefiting from them and the government’s claims. In 1990, MKSS began to take up the more general issues of government’s transparency and accountability. It took four years for the MKSS to get the right to view bills, vouchers and employment rolls of development projects from the government at the *panchayat* level. It took another three years to get the rights to copy documents, which was key since certified copies were needed to use as evidence when registering *prima facie* cases of corruption. Moreover, people needed time and assistance to interpret the technical details in these official documents. MKSS was active in cross-checking stories told in official documents with villagers. They looked for discrepancies between the records and villagers’ own experiences as labourers on public-works projects, as applicants for anti-poverty schemes, and as consumers in ration shops.

From December 1994 MKSS began to hold public hearings – inviting all stakeholders to attend. These are based on traditional modes of dispute settlement. Where cases of corruption are exposed public pressure has been used to force return of money and shame officials. This example highlights the value of citizen monitoring in challenging corruption and promoting the right to information. It has proved powerful because the action is effective in changing officials’ behaviour.

---

<sup>67</sup> See, for example the reports available on the IMF web site at [www.imf.org](http://www.imf.org).

<sup>68</sup> IBP (2001) p41. The work of FUNDAR described in section 4.1 built on the platform of increased availability of information and skills which came about through this initiative.

Jenkins and Goetz observe that certain conditions were critical to enabling the success of the approach. It requires safe open public fora, access to information, and associations of people willing to confront authority. MKSS has formed the National Council for People's Right to Awareness – which now also operates in Kerala, Madhya Pradesh and Uttar Pradesh as well as Rajasthan. (Catagay *et al* 2000)

In summary, transparency and dissemination initiatives have shown real benefits in terms of reduced corruption, improved delivery, and more accountable government. It has also been possible to mobilise consensus and support across a wide field of stakeholders. Evidence suggests that such measures will probably be empowering under any conditions – but not necessarily of the poor. Other groups may have natural advantages in accessing and using information. For poor people to benefit they must be either capable of mobilising themselves to use the information made available, or have effective advocates (in NGOs, the media, political parties, research institutions) prepared to work on their behalf. Building this capacity is a long term process.

## 4.5 Participatory budgeting

Participatory budgeting is understood here to mean giving citizens direct choice and decision-making power in determining allocations within a budget. Meaningful experience in this in developing countries seems to be largely limited to one country, Brazil – but the 'PB' movement in that country is strongly embedded, very influential, and spreading rapidly.

Participatory budgeting originated in the town of Porto Alegre in the late 1980s, through the leadership of the Brazilian Worker's Party (PT).<sup>69</sup> Over 140 Brazilian cities and six states have implemented it in some form (Schneider and Goldfrank 2001). PB in Brazil describes a process in which citizens meet in open, public assemblies to decide which investments are most important to them locally and for the state or municipality as a whole. The meetings begin long before the legislative budget cycle, and occur in area-based and thematic groupings throughout the municipality or state. After setting budget priorities, the participants elect delegates and budget councillors. These representatives continue to meet through the year to negotiate the final budget document. Planning officials use priorities decided by the community, population size and levels of need to allocate investments. The process is well established at the level of municipalities, but the challenges involved in 'scaling up' to the state level are considerable. In 2000/01 in the state of Rio Grande do Sul 378,000 people participated in PB assemblies in the state's 497 municipalities.<sup>70</sup> The political challenge was also considerable as the opposition parties fought the PT much harder for state level control than they had for the municipal budgets.

Schneider and Goldfrank observe that the PB process has strengthened the Workers' Party's political standing considerably in the areas where it has become established. They comment that the political project which has driven it involves both a popular vision of democracy embracing direct participation in decision-making, and a redistributive model of development. They note that Workers' Party membership has shown a tendency to increase alongside increases in PB participation, suggesting that the experience of empowerment through the participatory budgeting process has drawn people into active participation in the political system. They also present evidence that participatory budgeting has improved both budgetary planning and efficiency since its introduction in Rio Grande del Sul. In relation to budget planning, the PB produced a budget that included more accurate estimates of receipts, and the state spent an amount that was closer to planned expenses. In relation to operating efficiency the proportion of health and education projects completed according to schedule improved under the PB (from 75% in 1998 to 85.7% in 1999).

The striking success of the participatory budgeting initiative in Brazil has led to interest in other parts of the world; and the possibilities for extending participatory budgeting to other countries was widely discussed at the Third World Social Forum in Porto Alegre in February 2003. There are a number of factors that may limit its applicability: it might be expected that the incentive to participate in decision-making about the public budget would be much lower in poorer countries, where the capacity of the public system to deliver benefits is lower; and the Brazilian experience has been driven by a political movement, suggesting that any attempt by development actors to 'replicate' the system without such historical context will be problematic. However, the

---

<sup>69</sup> McGee, with Norton (2000) p.15.

<sup>70</sup> Schneider and Goldfrank, (2001), p.2.

'municipality' system of local government in many urban areas of Latin America provides a good context for social mobilisation by the poor.

Experiments with participatory budgeting are being undertaken in Ecuador (in the municipality of Cuenca) and Peru (in the municipality of Villa El Salvador). In these two cases, UNIFEM is supporting efforts to ensure that the process pays particular attention to gender equality and women's rights.

Even if it is difficult to replicate the specific structures of participatory budgeting in Brazil elsewhere, the lessons from the experience are still important. In particular, the common assumption that 'direct participation' in decision-making is necessarily limited to small-scale political environments is disproved by the state-level success of participatory budgeting in Rio Grande de Sul. The experience also provides important evidence that there may be efficiency gains from strengthening and deepening democratic decision making in public-expenditure management.

There is as yet no obvious parallel to the experience in Brazilian states and municipalities at the national level. This would be a more complex issue, due to the links to macro-economic management and monetary policy.

#### **4.6 Initiatives to develop a rights-based approach to public provision for poor people**

There are a small but growing number of civil society initiatives to develop a human rights -based approach to public provision, with an emphasis on shifting provision to the most deprived and excluded people. These initiatives include:

- developing ways of assessing budgets from a human rights perspective;
- drawing concerns about government budgets to the attention of international human rights bodies;
- bringing cases to court to establish what resources governments are obliged to provide for poor people;
- mobilising poor people to demand and claim their rights to public resources.

The International Budget Project is collaborating with the International Human Rights Internship Program to develop a handbook on how to link human rights principles to budget analysis. In the Philippines, research has been done to scrutinise the budget allocations to see how far they are prioritising provision for poor people, using the benchmarks proposed by the 20/20 initiative (The 20/20 initiative was proposed at the World Social Summit in 1995 and suggest 20 per cent of the budget and 20 per cent of international aid, should be spent on basic social services). The advantage of a human rights framework is that it emphasises obligations to address the situation of the most deprived and excluded; but, as noted in the discussion of the South African Children's Budget, there may be difficulties in operationalising this approach at present, due to lack of relevant data and of agreement on the precise definition of human rights norms.

One potential advantage of a human rights based approach is the ability to appeal to international human rights bodies for a view on whether a government's budget is compatible with human rights norms. An example is the referral of the Canadian 1995 Budget Implementation Act to the UN Committee on Economic, Social and Cultural Rights by a group of Canadian NGOs (Day and Brodsky, 1998). The NGOs claimed that the Act had transformed Canada from a country in which the right to adequate social assistance was a legal requirement, enforceable in court, to one in which there was no federal legislation recognising this right or providing any means of enforcing it. The Committee called upon the Canadian government to provide an answer to these charges in their third periodic report to the committee in 1998. In its comment on the report, the Committee expressed concern that the Budget Act entails a range of adverse consequences for the enjoyment of Covenant rights by disadvantaged groups in Canada. However, the Committee has no sanctions at its disposal.

The Grootbloom case in South Africa illustrates the third type of action, that of taking the government to court.<sup>71</sup> In South Africa, socio-economic rights are written into the Constitution and Bill of Rights. The Constitution specifically states that every person has a right of access to

---

<sup>71</sup> information from Debbie Budlender, Community Agency for Social Enquiry, Cape Town

adequate housing. The Constitution recognises it will take time and money to fulfil these rights and says that the government ‘ must take reasonable legislative and other measures, within its available resources, to achieve progressive realisation’ of the rights. Rights for children are specified more strongly. The Constitution says that children have an absolute right to basic nutrition, shelter, basic health care service and social services. These rights do not depend on the government’s resources.

A case was recently brought on behalf of Irene Grootbloom and about 900 other people who had been deprived of their housing. The case was brought to the legal system with the help of local advocacy groups, in particular the Legal Resource Centre. The people concerned had originally been living in dreadful conditions in an informal settlement. Because of the conditions, they illegally occupied nearby land and built shacks on it. They were forcibly evicted from this land by its owner, assisted by the municipality which wanted to acquire the land to build low-cost housing. Their shacks were bulldozed and burnt and their possessions destroyed. They could apply to be on the waiting list for low cost housing, but that could take years to be available.

They asked the court to order the state to provide them with basic temporary shelter. The case eventually went to the Constitutional Court, which ruled that in order for a policy to be reasonable, it cannot ignore those whose needs are most urgent. A policy to provide access to housing cannot be assessed only against statistical trends. Those in immediate desperate need must not be ignored. However, their immediate need can be met by ‘second best’ facilities that perhaps fall short of accepted standards, but nevertheless provide a basic form of shelter. An appropriate legislative and budgetary framework for the implementation of the right to shelter must be provided by the government. The overall impact of the process of making the claim and establishing a legal precedent will contribute to pressure to shift public expenditures on housing towards meeting the needs of the poorest.

Rather than focus on a particular human right, some civil society groups are exploring the use of the law to enforce greater accountability for the use of public money. For instance, the Centre for Public Interest Law in Ghana has considered the use of the law to require the Auditor General to monitor government spending to see if it is line with the constitution (which includes a bill of rights).

Of course, legal processes cannot by themselves deliver the enjoyment of rights. Poor people need to be informed of their rights and mobilised to claim them. Moser and Norton (2001) describe a number of empirical case studies. One of the most striking is the examination of the social mobilisation work of an organisation called ‘Nijera Kori’ in Bangladesh.<sup>72</sup> Nijera Kori is a membership-based NGO, which engages in activities across a range of fields with men and women in poor rural communities. Work on developing individual self-confidence and group solidarity and cohesion is combined with strategies to inform people of their rights and support their capacity to claim resources (e.g. land) or services (e.g. employment) which are critical to their livelihoods. Rights are pursued both in regard to the formal state law (pursuing and defending the interests of the poor in relation to courts and police which normally serve the rich) and in informal local structures, in reforming or bypassing the elite-dominated village shalishes which adjudicate on many local conflicts. While much of NK’s work is geared to supporting poor people’s claims in relation to non-state actors (e.g. landlords) there is a considerable ‘draw-down’ effect on the institutions of the state whether regulatory (the justice system) or in relation to the delivery of services in fields such as education, health or social protection. One major focus of work has been to help villagers to claim their full wage and food entitlements on public works schemes.

Moser and Norton conclude that for poor people to effectively make claims requires a number of complementary strategies and elements, including:

- Access to information;
- Group solidarity;
- Development of skills and capabilities - these help in making claims, especially organisational and communication skills;
- The help of allies capable of providing advocacy at other levels and in distant institutional domains;

---

<sup>72</sup> Drawing on Kabeer, (2001).

- Access to a ‘fair regulator’ capable of assessing competing claims according to rights provisions without being captured by elite groups.

The general area of capacity-building of local organisations to help poor people to more effectively make claims on public provision is a mainstay of the programmes of NGOs and some official development agencies in most parts of the developing world. Such work typically involves a range of activities including ‘animation’, training, information dissemination and direct support.<sup>73</sup>

## 4.7 Lessons from experience

The experience of budget initiatives with social goals (whether related to poverty, gender equity or other dimensions of discrimination) suggests a number of broad lessons that can help guide development practice, including the following:

- Successful work to take forward social goals in budget processes often involves networks of actors with different positions and skills – including NGOs, researchers, parliamentarians, members of political parties, technocrats and members of the social groups in question themselves. Such initiatives tend to create new relationships within the policy process, and bring actors who were formerly excluded into debates;
- Many successful social initiatives on the budget process have benefited from donor support. Sometimes this has been through support to civil society groups and sometimes through support to building capacity in government. In some cases (such as Uganda) infusions of extra money through HIPC debt relief have been important in providing new resources, since it is generally easier to bring about changes that favour poor people when expenditure is expanding. This suggests that, at least under some conditions, donor funding can make a positive difference;
- Successful initiatives (such as the participatory budgeting movement in Brazil, or the gender budget initiative in South Africa) are often facets of a broader popular political movement or project. In the case of participatory budgeting in Brazil the participatory budget initiative appears to have had a genuinely transformative impact, and to have been instrumental in helping the Workers Party to make progress on a number of fronts;
- Where governments have particularly strong frameworks of policy goals, or other frameworks for accountability (such as constitutional provisions related to economic and social rights), the space for pro-poor engagement in the budget process is stronger.

Many of the factors which lead to effective citizen engagement in budget processes are contextual and relate to specific conditions of history and political economy. This appears to be particularly the case where social budget initiatives have successfully promoted redistribution through the public budget, and equity. However, in the absence of these conditions, there is still a strong case for general advocacy (including from donors) on issues of participation, accountability and transparency in public expenditure management. This is a more challenging agenda than it may first appear. There is a strong general case for: opening up policy decision-making and performance assessment of the public sector to broader public involvement and scrutiny; for improving systems for expenditure monitoring and recording (so that it becomes possible to see where and how public money is spent); for improving the dissemination of information about the budget so that citizens, researchers and pro-poor advocates can start to mobilise. The most effective demand for better use of public money comes from an engaged and active citizenry. It may not be easy for a donor to see the immediate benefits of series of workshops to demystify government budgets for elected representatives, NGOs, CBOs, and ordinary citizens, but such workshops have been the precursors of many of today's successes. Donors need to be prepared to give long term support to building the capacity of the people of a country to hold the government to account.

---

<sup>73</sup> See for example Riddell and Robinson (1995).





## 5. Conclusions - approaches to strengthening voice, accountability and responsiveness to the poor in policy and budget processes

### 5.1 A typology of approaches for strengthening accountability and citizen participation in budget and related policy processes

Running through all of the information presented in the paper so far are various implicit models about 'how' participation and citizen accountability should work in practice. These models may be formulated in different ways. Some (e.g. accountability through the formal political system) can be seen either as exclusive approaches – the only 'proper' way to do it - or as a foundation on which other approaches can build. Four principal models can be identified on the basis of the material reviewed for this paper, which are outlined below.

#### *Model 1. Bureaucratic discretion under governance by the formal political system*

This is the traditional model for national level political accountability of government. It assumes that the business of setting policy is the responsibility of an elected political directorate – and that this same group has the responsibility for holding officials to account for effectively implementing policy. The precise ways in which this happens follow the model set out in the theories of administrative budgeting – with well-specified roles for the legislative and the executive at different points in the budget cycle. If civil society wishes to challenge the execution of policies and budgets, it should do so through the elected representatives. The extent to which such a system can provide for meaningful citizen participation is obviously both empirically very variable, and highly contested at a theoretical level. If the basis of political mobilisation takes the form of clientelism, rather than competing political visions, then the capacity of a formal system to generate real accountability is likely to be heavily compromised. The system of formal governance will often largely reflect elite values, perceptions and interests – so the conditions under which it can generate a pro-poor political project (as in Rio Grande der Sul in Brazil, or South Africa in transition) cannot be taken for granted. But any approach to citizen participation which *ignores* the level of formal political structure (as with some approaches to participation in development projects) is likely to be limited in its vision.

#### *Model 2. Formal governance plus technocrats consulting the public*

Under this approach the formal structures of political accountability are not seen as the exclusive channel for relationships of voice and accountability. A more creative set of relationships are envisaged where citizens can be consulted on policy goals, strategic priorities, monitoring frameworks for delivery – in fact the full range of issues that affect not just policy/budget formulation (the focus of model 1) but the detail of implementation and budget execution. It should be recognised, that without the formal mandate of government, many of these exercises are about consultation rather than shared decision-making in a formal sense. But in practice the effects can be profound (as in some documented PPA processes) – in terms of changing relationships in policy and budget processes, challenging embedded assumptions about the nature of local realities, and broadening perspectives on the forms of information which can be relevant for policy formulation. The idea that the level of satisfaction of clients (particularly marginalised clients, such as women or children) with public services might be a useful form of planning information has potentially profound implications. If this issue is researched seriously it will often lead to a profound challenge to the norms and values in delivery institutions.

#### *Model 3. Shared decision-making with citizens on budget formulation and execution*

This is a more radical vision – based on ideas of 'direct democracy' and popular empowerment. It appears to be rare empirically and most existing examples are at the local government level. The best documented example in public policy is the participatory budgeting movement in Brazil described in chapter 4. While a fully fledged 'participatory budget' may be rare it should be noted that efforts to empower local communities to take shared control of the management of social facilities (clinics, schools) are much more common – and this may imply a level of shared decision making in formulating and implementing facility budgets. The observation that stronger forms of

participation are easier to execute at the local level is, of course, an argument for decentralising processes of governance and implementation. However, decentralised forms of administration and governance, empirically, are not necessarily either pro-poor or participatory. A realistic assessment of the degree to which decentralisation is likely to benefit poor people or other marginalised groups has to be made in context, and taking into account the broader political motivations and processes which are behind any given initiative.

#### ***Model 4. From rights to statutory entitlements – a specific basis for claims, backed up by mechanisms of redress***

As an approach to building accountability in the implementation of public policy this has a very different focus to the three models listed above. The focus in government for this model moves to legislative functions, rather than policy formulation and execution (which can become quite heavily constrained if statutory entitlements reach a major share of the public budget). The translation of human rights into statutory entitlements allows for the agency of the poor in a different sense – as actors who can make claims on the basis of citizenship. As summarised in section 3, statutory entitlements, if provided equitably, have many attractions. As a mechanism of delivery they are less likely to be stigmatising of recipients, and strengthening the level of effective citizen entitlement can help to draw people into other forms of active participation in public life. But for a system of statutory entitlements to be effectively pro-poor there are challenges to be met. It is important that the entitlements be affordable as stated and planned – otherwise it is likely that the poor and other marginalised groups may lose out as rationing takes place. Introducing mechanisms of redress which are effective and accessible to all requires political will, and often also entails the development of capacity in legal and administrative systems.

The question of what balance of the above approaches is ‘right’ for strengthening participation and citizen accountability in any given situation can only be judged in context. The approaches should not be seen as mutually exclusive – and a powerful democratic process at the level of formal politics is a benefit to any context for change. The extent to which entitlements are an appropriate element of public policy may depend on variable notions of citizenship, as well as the capacity of the public budget and institutional systems. The evidence reviewed here suggests that the four models presented above should be seen as complementary. The first model is a significant foundation for an accountable policy process, but most systems will benefit from adding in elements of all or some of the other three models. Citizen-led action, such as some gender budget initiatives, often seek to build on elements of all four models.

## **5.2 Implications for development co-operation**

The close linkage between the budget process and all functions and processes of government means that any attempt to summarise the room for donor action in this area generically will inevitably be simplistic. The donor agency literature on Public Expenditure Management focuses largely on procedural and technical adjustments to policy and budget systems themselves. The review of material presented here suggests that – necessary as this work is – it needs to be accompanied by a broader understanding of the political context, and more emphasis on the spaces and capacities needed for civil society to ask questions of public policy and implementation systems, and the capacity of the disadvantaged to make claims for service outcomes.

On the basis of the experience reviewed in this paper the following seven factors can be identified which are likely to facilitate accountability and a people-centred, pro-poor focus in the budget process. Most of the seven features are inter-linked and mutually reinforcing – but they vary in the degree to which external actors such as donors are likely to be able to bring any constructive influence to bear.

### ***1. A constitutional framework and political culture oriented to citizenship and rights***

A large number of the examples of effective and dynamic citizen engagement with budget processes – or pro-poor engagement by civil society – can be found in countries such as South Africa, India or Uganda that have incorporated a strong social vision, including elements of human rights, into the constitution. The embodiment of national purpose in a constitution is an area where respect for sovereignty should be high – so influence and action by external actors is only likely to come into the process in the case of specific requests for assistance. But global initiatives aimed at promoting democratisation, equity and rights have in practice provided inspiration for change at this level on many occasions. The South African constitution, for example, was clearly influenced

strongly by both the Convention for Elimination of Discrimination Against Women and the International Convention on the Rights of the Child. Inter-governmental action, and international civil society movements, are therefore significant in establishing normative frameworks.<sup>74</sup>

## **2. A system of issues-based political competition**

Goetz and Gaventa (2001) summarise the literature on social movements and party systems and conclude that:

“...groups of the poor are best able to influence state policy in contexts where there are well-institutionalised, ideologically diverse, and numerous parties. This is because political competition encourages parties to seek alliances with new social groups and to promote their interests. Opportunities may come from moments of systems change, such as changes in government, or even changes in political regime, from authoritarian to democratic politics.” (p.44)

Goetz and Gaventa note that the linkages and interactions between citizen initiatives and the political environment are poorly documented in the published literature. An environment of political competition between parties with differing platforms and positions on social issues was clearly an important factor in three of the case study examples presented here (the gender budget initiative in South Africa, the participatory budgeting initiative in Brazil and the right to information movement in Rajasthan). It should be noted that political competition, at a societal level, is not entirely dependent on a formal system of multi-party elective democracy. Such processes can occur between factions within a single political movement or party. Some countries which have implemented impressive pro-poor reforms (for example Vietnam or Uganda) can be seen as having done so within the context of a broader populist political ‘project’ without having multi-party democratic systems.

## **3. Sufficient fiscal resources for wide-scale delivery of some basic services**

The literature on citizen action for more accountability in the process of resource allocation and delivery of services draws predominantly on middle-income developing countries (such as Brazil, India, South Africa). There are fewer examples of citizens mobilising to contest local or national budgets in very low-income countries. Uganda, where a considerable momentum for pro-poor reform uniting civil society and governmental actors has developed around the Poverty Eradication Action Plan, might be seen as an exception to this. It remains doubtful that this momentum could have been sustained without commitments (such as Universal Primary Education) which gave all Ugandans a clear stake in the system of public delivery. Donor support, through HIPC debt relief as well as grants and loans, has been an essential element of this process. This suggests that there is a strong argument in governance terms for backing countries which make a real commitment to accountability, transparency and a poverty focus in the implementation of the public budget with direct budget support – so the dynamic of citizenship is reinforced through ensuring that the domestically accountable public sphere is the channel of delivery. This argument is clearly applicable in low-income, aid-dependent environments – while the likelihood that it would make much difference in situations where the donor community is not a major contributor to the public budget is lower.

## **4. A clear framework of policy goals, aligned to a vision of society with respect for social justice**

Clarity at the level of policy goals and objectives facilitates accountability in the sense that statements of intention are essential to any attempt to evaluate progress. The project of establishing such a framework had often provided motivation for administrations to consult on citizen’s priorities – as has been the case with some Participatory Poverty Assessments. The establishment of effective systems for monitoring the achievement of policy goals provides a potentially powerful framework for citizen engagement – although so far empirical examples of this seem rare. The development of a clear pro-poor policy framework is arguably the single ‘condition’ for successful and accountable government that donor agencies currently put most weight on, and is the cornerstone of the current emphasis on nationally owned Poverty Reduction Strategies. Support to processes of consultation and participation are strongly emphasised in the guidance which has been developed, and there are many practical examples.<sup>75</sup> But there is still room for more innovative approaches, as illustrated by donor engagement in the development of the ‘plain-language guide to the PRSP’ in Tanzania, which is cited by McGee (2002) as an example of the benefits of disseminating complex policy messages in an accessible form.

---

<sup>74</sup> See Moser and Norton *et al* (2001).

<sup>75</sup> As summarise in McGee with Levene and Hughes (2002).

### ***5. Transparent systems of decision-making about budget allocation, and of budget execution***

The technical literature on public expenditure management outlines a large range of measures which will help to ensure that officials, politicians and citizens can access information in a comprehensible form, which enables them to find answers to the basic questions of the budget process: how are decisions about resource allocation made?; where, to whose benefit and on what activities have public funds been allocated?; did actual expenditures match allocations – if not, what were the reasons and where were the cuts made? Technical work to strengthen the transparency of the systems of recording and reporting decisions and expenditures remains critically important. A major challenge is to improve the effective public dissemination of budget information at all levels. Donor agencies have a history of engaging with such technical dimensions of public expenditure management, and the rationale for this remains strong in many cases. But there would seem to be a strong case to ensure that such work is better informed by a broader political analysis. This can help identify key actors in public service and civil society who can bridge the gap between citizen groups and the typically relatively closed world of officials engaged in the budget process.

### ***6. An active, engaged civil society able to access information, produce analysis and hold government to account***

This is a key condition for effective citizen-led pro-poor budget initiatives – as is repeatedly demonstrated in the case study material. There have been donor activities that have aimed at improving economic literacy and other forms of capacity building in this field.<sup>76</sup> There is also a growing international civil society movement which promotes civil society budget work through encouraging networking and sharing of information.<sup>77</sup> The most successful initiatives often involve the development of networks of relationships which expand from a base of citizens and activists to include legislators, researchers and officials.

### ***7. Active, informed citizens able to draw down services, make claims and hold service providers and policy makers to account***

In practice formal systems of political representation form only a small part of the conditions necessary for citizens – and particularly poor and excluded groups – to effectively make claims on public policy, budgets and services. As argued in Chapter 4, for poor people to effectively make claims usually requires a number of complementary strategies and elements, including: access to information; group solidarity; development of skills and capabilities, especially organisational and communication skills; the help of allies capable of providing advocacy at other levels and in distant institutional domains; access to a ‘fair regulator’ capable of assessing competing claims according to rights provisions without being captured by elite groups. There are multiple channels through which donor agencies can help to build this level of accountability – involving engagement with both governmental and non-governmental structures. A key entry point is the design of public programmes in ways which offer legally guaranteed rights (for example, to universal primary education), thus providing incentives for people to organise to secure them. As argued by Unsworth, (2001) this could stimulate longer term change in some political contexts, from poor people seeing themselves as clients to beginning to organise and operate as citizens.

### ***A concluding remark – understanding context and working with the broad picture***

The seven factors listed above suggest that – to work effectively for a pro-poor and accountable budget process – it is necessary to do more than put this in the context of a broader policy process and understanding of macro-economics (as in public expenditure management theory). A good understanding of the political context is essential, as well as a willingness to look outside the confines of the public sector to understand how the budget process looks from the point of view of civil society, the public in general, and, particularly, poor people and others who lack voice in the public system.

---

<sup>76</sup> See for example DFID’s proposals for promoting financial and economic literacy in Latin America (DFID 2001), this work is being taken in the context of the PRSP process in Honduras and Nicaragua (Helen Appleton, per. comm.).

<sup>77</sup> The International Budget Project is central to this ([www.internationalbudgetproject.org](http://www.internationalbudgetproject.org)), as are the Gender Responsive Budget Initiatives supported by UNIFEM, the Commonwealth Secretariat and IDRC.

### **5.3 Looking forward – areas for further study**

This paper has covered a wide range of experience, theory and professional practice. There are some areas that have not been covered in depth, either for lack of time or due to the state of the current literature. The following areas are suggested as an appropriate focus for further work on understanding rights and politics in the budget process.

#### ***Taxation and revenue issues in public expenditures***

Some commentators have argued that domestic political accountability depends fundamentally on a ‘fiscal contract’ – implying a widespread system of public taxation, which reinforces the sense of investment in public policy, and creates motivation to hold public policy accountable.<sup>78</sup> This is clearly an important area for further work. Key questions include the relative significance of who is taxed, how much they are taxed and how they are taxed for the operation of incentives to seek accountability from those who devise and implement public policy. There is also a significant global context for changes in tax regimes, as there is a general move on an international level away from payroll taxes and trade tariffs and towards forms of indirect taxation, such as value added tax. The political context of taxation has been a largely under-studied area, but one that is of growing significance for development co-operation as donors (through budget support) seek to harmonise the system for accountability of their funds with that for national taxpayers.

#### ***Case studies on the politics of the budget process***

These are largely lacking in relation to all countries, but particularly so with reference to developing and transitional countries. It is not easy to produce case study material, due to the closed nature of the budget process in most cases, and the difficulty of researching informal norms and networks and the influence they bring to bear. The material reviewed here suggests that in order to have a better platform for predicting key issues – such as under what conditions increasing decentralisation will benefit the poor – an enhanced understanding of the politics of budget formulation and execution is critical. The potential scope of this is considerable, as the politics of budget formulation and execution extend from the key organs of central government, all the way through the institutional framework to level of direct service delivery.

#### ***The impact of changing instruments of development co-operation on national budget systems***

There has been a steady movement in development co-operation away from project approaches to programmatic forms of support to partner governments (sector-wide approaches, central budget support). There is a shortage of case-study material which outlines the impact of these changes on the politics of budget processes in partner countries. It might be expected that the impact of such changes would be stronger in aid dependent countries, and broadly beneficial (insofar as such change should increase incentives for strengthening systems of accountability). But it is not possible to gather much evidence on either of these hypotheses at present. National case studies following the evolution of incentives within budget processes as donor approaches change, would be valuable in providing evidence about the kinds of change which strengthen accountability and a pro-poor orientation under different conditions.

---

<sup>78</sup> Moore and Rakner (2002). Moore (1998) presents a summary of evidence that the historical origins of representative democracy in Britain and France arose from the need to account for systems of revenues and expenditures of growing complexity.

# References

- Abbo, E. and Reinikka, R. (1998) *Do Budgets Really Matter? Evidence from Public Spending on Education and Health in Uganda*. World Bank Policy Research Working Paper 1926.
- Attwood, Heidi and Julian May (1998) 'Kicking Down Doors and Lighting Fires: the South African PPA' in Holland and Blackburn (eds) *Whose Voice? Participatory research and policy change*. IT Publications, London
- Budlender, Debbie (1996) *The Women's Budget* IDASA, Cape Town, South Africa
- Budlender, Debbie (1997) *The Second Women's Budget*. IDASA, South Africa
- Budlender, Debbie, Rhonda Sharp and Kerri Allen (1998) *How to do a Gender-sensitive Budget Analysis: Contemporary Research and Practice*, Commonwealth Secretariat, London.
- Budlender, Debbie (2000) *The Political Economy of Women's Budgets in the South* World Development Vol. 28, No 7.
- Budlender, D. Buenaobra, M, Rood, S. and Sadorra, M.S. (eds) (2001) *Gender Budget Trail-The Philippine Experience*, Asia Foundation, Makati City
- Budlender, Debbie, Diane Elson, Guy Hewitt, and Tanni Mukhopadhyay (2002) *Gender Budgets Make Cents*, Commonwealth Secretariat, London.
- Cagatay, Nilufer, Mumtaz Keklik, Radhika Lal and James Lang (2000) *Budgets As If People Mattered*, Social Development and Poverty Elimination Division, Bureau of Development Policy, UNDP, New York.
- Cassiem, Shaamela, Helen Perry, Mastoera Sadan and Judith Streak (2000) *Child Poverty and the Budget, 2000* IDASA, 2000.
- Cheru, F. (2001) *The Highly Indebted Poor Countries (HIPC) Initiative: A Human Rights Assessment of the Poverty Reduction Strategy Papers (PRSP)*, report to Commission on Human Rights, E/CN.4/2001/56, UN, Geneva.
- DFID (2000) *Realising Human Rights for Poor People: Strategies for Achieving the International Development Targets*.
- DFID (2001a) *Understanding and Reforming Public Expenditure Management: Guidelines for DFID, Version 1*.
- DFID (2001b) *Economic and Financial Literacy Scoping Study: Stage 1 Report* Latin America and Caribbean Department
- Elson, Diane and Nilufer Catagay (2000) 'Social Content of Macroeconomic Policies' *World Development* (28) 7.
- Elson, Diane (2001) *Gender Responsive Budget Initiatives: Some Key Dimensions and Practical Examples* Paper for the UNIFEM/OECD conference on gender responsive budgeting, Brussels, October 2001.
- Foster, Mick and Adrian Fozzard (2000) *Aid and Public Expenditure: A Guide* ODI Working Paper 141.
- Foster, Mick and Jennifer Leavy (2002) *The Choice of Financial Aid Instruments* ODI Working Paper 158, ODI, London.
- Foster, Mick and Peter Mijumbi (2002) *How, When and Why Does Poverty Get Budget Priority?: Poverty Reduction Strategy and Public Expenditure in Uganda* ODI Working Paper, April.
- Foster, Mick, Adrian Fozzard, Felix Naschold and Tim Conway (2002) *How, When and Why Does Poverty Get Budget Priority?: Poverty Reduction Strategy and Public Expenditure Reform in Five African Countries* ODI Working Paper, May.
- Foucault, M. (1980) *Power/Knowledge: Selected Interviews and other Writings, 1972-7*. Pantheon Books, New York.
- Fozzard, Adrian (2001) *The Basic Budgeting Problem: Approaches to Resource Allocation in the Public Sector and their Implications for Pro-Poor Budgeting* ODI Working Paper 147.
- Fozzard, Adrian (2002) *How, When and Why Does Poverty Get Budget Priority?: Poverty Reduction Strategy and Public Expenditure in Mozambique* ODI Working Paper, May.
- Gaventa, John and Andrea Cornwall (2001) 'Power and Knowledge' in Reason and Bradbury (eds) *Handbook of Action Research*, Sage Publications.
- Goetz, Anne Marie and John Gaventa (2001) *Bringing Citizen Voice and Client Focus into Service Delivery*. IDS Working Paper 138.

- Government of Jamaica (2002) *Jamaica 2015: A Framework and Action Plan for Improving Effectiveness, Collaboration and Accountability in the Delivery of Social Policy*. Cabinet Office, Kingston, Jamaica.
- Hewitt, Guy and Sabhita Raju (1999) *Gender Budget Initiative: A Commonwealth Initiative to Integrate gender into National Budgetary Processes*, Commonwealth Secretariat, London.
- Hill, Michael (1997) *The Policy Process: A Reader*, London, Prentice Hall.
- Hudson, Bob (1997) *Street-level bureaucracy: An introduction* In Hill (1997) pp389-392.
- International Budget Project (2000) *A Taste of Success: Examples of the Budget Work of NGOs* www.internationalbudgetproject.org.
- International Budget Project (2001a) *A Guide to Budget Work for NGOs*, www.internationalbudgetproject.org
- International Budget Project (2001b) *Third Conference of the International Budget Project, Mumbai, India, November 2000*. Papers presented and notes on discussions. www.internationalbudgetproject.org.
- Jain, L.C (2000) 'Are our Budgetmakers Faithful to the Constitution?', *Southern Economist*, May 15, 3-11.
- Jenkins, Rob and Anne Marie Goetz (1999) "Accounts and Accountability: Theoretical Implications of the Right-to-information movement in India" *Third World Quarterly* 20 (3): 603-622.
- John, Peter (1998) *Analysing Public Policy*. Continuum, London & New York.
- Jones, P. 1994 *Rights: Issues in Political Theory*. Macmillan: Basingstoke.
- Kanbur, Ravi (2000) *Economic Policy, Distribution and Poverty: the Nature of Disagreements* draft, available at www.people.cornell.edu
- Lacasse, Francois (1996) *Budgeting and Policy-Making: Questions, Tensions and Solutions* in OECD (1996).
- Lipsky, Michael (1997) 'Street-level bureaucracy: An introduction' in Hill, *The Policy Process: A Reader*, London, Prentice Hall.
- McGee, Rosemary, with Andy Norton (2000) *Participation in Poverty Reduction Strategies: a Synthesis of Experience with Participatory Approaches to Policy Design, Implementation and Monitoring*. IDS Working Paper 109, IDS Sussex.
- McGee, Rosemary with Josh Levene and Alexandra Hughes (2002) *Assessing Participation in Poverty Reduction Strategy Papers: a Desk-Based Synthesis of Experience in sub-Saharan Africa*. Research Report 52 IDS Sussex
- McLean, Iain (ed.) (1996) *The Concise Oxford Dictionary of Politics*. OUP.
- Moore, Mick (1998) 'Death without Taxes: Democracy, State Capacity and Aid Dependence in the Fourth World, in Mark Robinson and Gordon White (eds) *The Democratic Developmental State: Political and Institutional Design*. OUP.
- Moore, Mick and Lise Rakner (eds) (2002) *The New Politics of Taxation* IDS Bulletin 33, no. 3 July 2002, forthcoming.
- Moser, Caroline and Andy Norton, with Tim Conway, Clare Ferguson and Polly Vizard (2001) *To Claim Our Rights: Livelihood Security, Human Rights and Sustainable Development*, Overseas Development Institute, London.
- Norton, Andy with Bella Bird, Karen Brock, Margaret Kakande and Carrie Turk (2001) *A rough guide to PPAs: Participatory Poverty Assessment, an Introduction to Theory and Practice*. ODI, London.
- OECD (1996) *Budgeting and Policy Making* SIGMA Papers No. 9, OCDE/GD(96)110 (www.oecd.org/puma)
- ODI (1999) *What Can We Do with a Rights-based Approach to Development?* Overseas Development Institute, London: Briefing Paper No 3.
- Prescod, Michael (2002) *Budget Implementation Practices in Jamaica: A Review with Emphasis on the Consequences for Social Sector Spending* Background study for the Jamaica Social Policy Evaluation Project.
- Riddell, Roger and Mark Robinson (1995) *Non-Governmental Organisations and Rural Poverty Alleviation* ODI/Clarendon Press, Oxford
- Robb, Caroline (1999) *Can the Poor Influence Policy? Participatory Poverty Assessments in the Developing World*. World Bank
- Robinson, Shirley and Linda Biersteker (1997) *First Call: The South African Children's Budget* IDASA
- Schacter, Mark (1999) *Means...Ends...Indicators: Performance Measurement in the Public Sector*, Policy Brief No. 3 Institute on Governance, Ottawa, Ontario.

- Schneider, Aaron and Ben Goldfrank (2001) *Budgets and Ballots in Brazil: Participatory Budgeting from the City to the State*. Draft paper (a.Schneider@ids.ac.uk)
- Scruton, R. (1983) *A Dictionary of Political Thought*. Pan Books: London. First Published 1982.
- Sen, A. (1999) *Development as Freedom*, Oxford University Press, Oxford.
- Sen A. (1984) 'The Right Not To be Hungry', in Fløistad, G. (ed.), *Contemporary Philosophy: A New Survey*, Martinus Nijhoff, The Hague.
- Sen A. (1983) 'Development: Which Way Now?', *Economic Journal*, Vol 93; reprinted in K.Jameson and C. Wilber (Eds.) *The Political Economy of Development and Underdevelopment*, McGraw-Hill, New York.
- Sen A. (1981) *Poverty and Famines: An Essay on Entitlement and Deprivation*, Clarendon, Oxford.
- Sen, Gita (1992) 'Social Needs and Public Accountability: The Case of Kerala' in Wynts, Marc, Maureen Mackintosh and Tom Hewitt *Development Policy and Public Action* OUP, Oxford.
- Senepaty, M. (1997) *Gender Implications of Economic Reforms in the Education Sector in India: The Case of Haryana and Madhya Pradesh* Ph.D. thesis, University of Manchester.
- Sharp, Rhonda and Ray Broomhill (1990) 'Women and Government Budgets', *Australian Journal of Social Issues*, Vol. 25, No.1, pp1-14.
- Sharp, Rhonda and Ray Broomhill (forthcoming) 'Budgeting for Equality: The Australian Experience', *Feminist Economics*.
- Stiglitz, Joseph (2001) 'Employment, Social Justice and Societal Well-Being' Key not speech to ILO Global Employment Forum, 1-3 November 2001.
- Streak, Judith and Shaamela Cassiem, (2001) *Budgeting for Child Socio-economic Rights-Governments Obligations and the child's Right to Social Security and Education in South Africa*, IDASA.
- UN (2001) *Substantive Issues Arising in the Implementation of the International Covenant on Economic, Social and Cultural Rights: Poverty and the International Covenant on Economic, Social and Cultural Rights*, statement adopted by the Committee on Economic and Social Council, E/C.12/2001/10, UN, Geneva.
- UNDP (2000) *Human Development Report 2000*, Oxford University Press, New York
- Unsworth, Sue (2001) *Understanding Pro-Poor Change: A Discussion Paper* DFID discussion paper, circulated 17<sup>th</sup> October 2001.
- UPPAP (2000) *Uganda Poverty Assessment Report: Learning from the Poor* Ministry of Finance and Development, Kampala.
- Wagle, Swarnim and Parmesh Shah (2001) *An Issue Paper on Participation in Public Expenditure Systems* Social Development Department, The World Bank, Washington DC
- Waldron, J. 1991 'Rights.' in D. Miller *et al* 1991 *The Blackwell Encyclopaedia of Political Thought*. Blackwell: Oxford.
- Waldron, J. 1993 *Liberal Rights: collected papers 1981-1991*. Cambridge University Press: Cambridge, New York.
- Weber, Max (1978) *Economy and Society* University of California Press; Berkeley.
- The World Bank (1998) *Public Expenditure Management Handbook*. Washington D.C.
- The World Bank (2000) *World Development Report 2000/01: Attacking Poverty* Washington D.C.