

## Involving People in Budget Making Process

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The continuing battle between the AAP Government in Delhi and the Lieutenant Governor is not particularly being savoured by anyone, neither has it been covering either side with glory. It is also a sad commentary on the AAP Government's inexperience in handling of bureaucrats. The daily spats and the disgraceful language sometimes being used by AAP leaders are pointers to their immaturity. But all this distracted our attention from an exemplary initiative – *Janta ka Budget*- taken by AAP towards engaging citizens directly in governance.

The Annual Financial Statements that are presented every year with lots of fanfare in our country to guide the economic life of the nation for the next one year are veiled in a shroud of secrecy while under preparation, perhaps a colonial hangover. The same process though in a much lesser scale is repeated in every state. But whether at the Centre or in the states, the people whose economic fortunes and spending priorities for the next year are being decided find absolutely no place in the scheme of things; all decisions for their welfare are taken by the mandarins of the finance ministry/ department in their wisdom. The underlying assumption perhaps is that budget-making, being incredibly complex, tortuous and a technically intricate exercise, would not be amenable to the understanding of the ignoramus on the street. Thus the budget is always locked in the Black Box, to be opened only on the day of presentation to disseminate the fragrance of its promises accompanied by long-winding speeches of finance ministers often interspersed with couplets embodying the wisdom of sages and carrying very little meaning for the common man; even the bulky documents that the exercise produces are incomprehensible to most. The rituals and secrecy associated with the preparation of a budget in fact render it quite farcical. It is a senseless one-way communication, in which the citizens whose lives it affects gets no opportunity to discuss, debate and influence the allocation of public resources for government activities. It is characterized by complete opaqueness with a very high value of opacity, and possibly clientelism and patronage as well, besides barring the entry of fresh ideas the absence of which makes every budget look like stale wine in a new bottle which has lost its newness from overuse.

The argument given in defence of the existing system and practices is that bringing such discourses in the public domain would lead to corporate houses, interest and lobby groups as well as powerful elites hijacking the entire process and robbing it of whatever little objectivity it is still left with. What such argument shields is the lack of accountability, transparency, and participation, which are essential elements of any system of good governance. It need not be so. Website of the Office of Management and Budget, USA, provides a link that enables anyone to file a petition on budget, and each petition draws a reasoned response from a responsible government official. This ensures citizens participation, injection of fresh ideas and accountability on the part of a designated government official. Such participation or accountability is conspicuously absent in our budgeting processes.

In a welcome departure from the stale practices followed every year for making of the annual budget, in May 2015, the Delhi Chief Minister had kick-started a public consultation process at a constituency, to be followed by similar consultations in 11 others, to seek people's opinion for the city's budget. The idea was to cover all the 70 constituencies during the five-year tenure of the Government – in an attempt to engage citizens in a truly decentralised decision making process for budget preparation.

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For the purpose, each of the twelve constituencies are to be allotted Rs 20 crore, to be distributed among 40 parts, each part getting Rs 50 lakh to address local issues of concern to be decided by the people on the basis of votes, in which all persons with their names on the electoral lists can participate. About 300 people present at the meeting listed out 21 key issues and voted on the issues most pertinent to their areas, which could be taken up within the budget of Rs 50 lakh, ranging from libraries, parking lots, dispensaries, rainwater harvesting and road repair to community centres, security and even the covering of drains. Development works are prioritized based on voting and area residents are to be given regular updates on the status of work.

AAP Government has taken a leaf out of the participatory budgeting practices that was started in the city of Porto Allegro in Brazil in 1989. It allowed citizens to negotiate with government officials over the municipality's budgetary allocation and investment priorities that resulted in increased expenditure on basic sanitation and health services such as water connections and waste removal. The local government of Porto Alegre now spends about \$ 200 million per year on construction and services through its annual participatory budgeting exercise. Since then, participatory budgeting has been used in many cities across the world to increase the effectiveness of Government's spending programmes through citizens' engagement. In Brazil, 50000 people out of total 15 lakh population now participate in the assemblies held at neighbourhood, city and regional levels to decide on spending priorities. In Rio Grande do Sul in Brazil, over one million citizens vote on budget priorities in the state, deciding where a portion of the public investment should be spent; they can exercise their votes physically in the polling stations or electronically through computers or mobile phones, increasing participation and decreasing costs.

Since Porto Alegre, this process had been replicated in more than 1500 municipalities in Europe, Asia, Africa, and North America. Quite a few countries have extended the process at the level of the national budget, including Brazil, Peru, UK, Finland and Nigeria whose budget legislations include provisions for citizen participation and engagement, including, as in Brazil, public hearings during preparation and discussion of the budget. Across the world, people today are increasingly being engaged in decision making involving substantial amounts of funds.

It is to be noted, however, that adoption of public budgeting by itself does not automatically translate into welfare improvements. Studies point out that participatory budgeting needs not only financial resources, but also, and crucially, political commitment from local governments along with sustained and organized efforts from citizens and civil society. It automatically implies establishment of transparent and effective mechanisms for the government to respond to citizens.

In our country, however, participatory budgeting remains an alien concept, mostly due to the lack of political will and mass awareness. Only a few cities had earlier experimented with participatory budgeting. In 2001, Bangalore became the first city in India to implement participatory budgeting, when a civil society organization, Janaagraha, launched a participatory budgeting campaign towards improving local governance through engaging citizens in local infrastructure planning. Janaagraha facilitated a participatory budgeting process in 2002–2003 across 20% of the city's municipal wards, but the practice was soon given up. The experiences gained from this exercise was summarized in a book on participatory planning and a video which helped participatory planning processes in cities such as Hubli–Dharwad and Pune. The major challenges were mobilizing citizens to produce good plans and convincing local government that these plans were legitimate and workable.

In 2006, Pune implemented it for the first time and attracted massive response from the citizens as well as NGOs. Under participatory budgeting in Pune, each prabhag (comprising of two electoral

wards) was allocated a budget of 50 lacs with the maximum limit of Rs. 5 lacs a single project. Rs 38 crore out of a total annual budget of Rs 4100 crore of the Pune Municipal Corporation was allocated for 76 prabhags towards participatory budgeting during 2013-14.

Engaging citizens in governance has been an ancient global practice the origin of which can be traced to the city-state of Athens some 2,500 years ago where citizens were given an active role in civic governance. It was a participatory system of democracy under which Athens flourished in myriads of ways and created a unique civilization, the fruits of which have enriched the entire humanity for all times to come. Rome followed suit, though the process was hijacked at times by power hungry rulers. Subsequently, countries in the Middle East and North Africa also devised their own forms of citizen engagement which ultimately institutionalised the tradition of 'Shura' - the 'consultative assembly' which is still in existence in Arab countries to advise the monarch. Parliament of Pakistan is also called the Majlis-i-Shura, and, the Upper House of Parliament in Egypt is known as the Shura Council.

Citizen engagement is actually a social contract between citizens and government which gives citizens a stake in decision-making. It not only improves development outcomes through consultation, collaboration and participation of the citizens, but also increases the transparency and quality of the governance. Citizen engagements in various forms in different countries have achieved remarkable successes and it would be worthwhile to take lessons from some of these innovative forms of engagement.

In Uganda, local civil society organizations worked to promote a local compact between communities and local health workers in villages to involve the community in monitoring the implementation of Government's health programmes. It resulted in the reduction in infant mortality by 33% and increase in the usage of outpatient services by 20%; there was also noticeable improvement in overall health treatment practices. In Indonesia, community-level participatory budgeting and oversight increased access to healthcare and reduced poverty in all the sub-districts covered by the nation-wide rural community development program, PNPM.

FixMyStreet, a UK-based online platform, allows citizens to participate by reporting problems with local infrastructure to the authorities like existence of potholes, graffiti or broken streetlights, which are automatically forwarded to the relevant local authority, and the citizen is later notified if and when the problem is fixed by that authority. In South Africa, an initiative was launched by the NGO, Section 27, to give parents in some schools in Limpopo district mobile phones with a free text SMS number to be able to report when a teacher doesn't turn up, or when textbooks haven't been delivered, or when the toilets aren't working; it was successful in improved outcomes in all these areas. It was the citizens' initiative about enforcing accountability that restored power back in their hands.

In 2002, Ethiopia started decentralising service delivery through intergovernmental fiscal transfers from the federal to regional, and then down to municipal, or *woreda*, administrations using participatory budgeting practices. Despite concerns that limited local capacity and a hierarchical, traditional society would undermine local government effectiveness, this decentralization succeeded in improving delivery of basic primary social services to ordinary people. Child mortality fell from 123 per thousand in 2005 to 88 in 2010, and the net primary enrollment rate rose from 68 percent to 82 percent during this period. Studies have shown that while benefits of participatory budget spending on health, education, and agriculture at the *woreda* level accrued to all income levels, 58 percent of the beneficiaries belonged to the two bottom quantiles, meaning the poorest.

Lack of participation and opaqueness in budgetary processes are not problems faced only in our country. International Budget Partnership (IBP) is a Washington-based advocacy group founded in 1997 with the objective of promoting ‘transparent and inclusive budget processes as a means to improve governance and service delivery in the developing world.’ It endeavours to make the government budgets more ‘responsive to the needs of poor and low-income people’ and to render the process of budget making more transparent and accountable to the public. It aims to fulfil these objectives by partnering with civil society organizations around the world, leveraging their local knowledge, experience and relationships with the public in order to transform their country’s budgetary system. In its own words, “IBP works in five major areas: building budget analysis and advocacy skills through training and technical assistance; measuring and advancing transparency, accountability, and public participation in the budget process; contributing to strong and sustainable organizations by providing financial assistance for civil society budget work; enhancing knowledge exchange by acting as a hub of information on civil society budget work; and building vibrant international and regional budget networks.”

Open Budget Survey (OBS) is an initiative taken by IBP to disseminate information about budgetary systems and practices followed in different countries and suggest remedies to strengthen the budgetary systems. OBS assesses the three core pillars of a well-functioning budget accountability ecosystem: transparency, participation, and oversight. The Open Budget Index (OBI) assigns to each country a score from 0 to 100 based on the availability of budget information in public domain. A country’s OBI score reflects the timeliness and comprehensiveness of budget information available in the public domain in eight identified key budget documents: Pre-Budget Statement, Executive’s Budget Proposal and supporting documents, Enacted Budget, Citizens’ Budget, In-Year Reports, Mid-Year Review, Year-End Report and Audit Report. Of these eight documents, India does not prepare only the first one, one that is essential for public participation.

In its latest survey results released in 2015, at least one of its three pillars was found to be deficient in all but four of the 102 countries surveyed. It also found that “The vast majority of the world’s population live in countries where governments still fail to provide enough budget information for the public to fully understand or monitor how public funds are raised or spent.” Among the 102 countries surveyed, only 24 provide sufficient budget information. Of the rest, in 34 countries, public is largely left in the dark about budget policies, while in 44 countries, limited budget information is only available, which ‘constrains the ability of civil society and the public to assess the overall fiscal health of a country and evaluate the effectiveness of government policies.’ In the latest OBS, India scores a modest 46 out of 100 in transparency (Open Budget Index), 75 in oversight of budgetary expenditure by Supreme Audit Institution, 39 in oversight by legislature and a pathetic 19 out of 100 in public participation.

One country that stands out in terms of public participation with the highest score of 83 out of 100 is South Korea which provides extensive opportunities for public engagement through six major mechanisms: (1) formalized “Open Discussion for the Public” (ODP); (2) meetings with local government officials by central government agencies and field trips; (3) a fiscal policy advisory meeting; (4) an Assembly Experts Hearing; (5) a budget waste reporting centre; and (6) public participation in audits by the Board of Audit and Inspection (BAI). The different steps involved in the budgeting process in South Korea are shown in figure A, which are worth emulating by suitably adapting to our situations:

Figure 1. Public Participation in the Budget and MTEF<sup>2</sup> Formulation Processes<sup>3</sup>

Month	MTEF and annual budgeting cycle	Public participation mechanism
1	MTEF preparation (LMs)	
2	MTEF Draft (BO)	Open Discussion for the Public (Public hearing)
3	- Coordination (BO and LMs)	
4	- Cabinet meeting - Ceilings communicated to LMs	
5	Budget draft by LMs	
6	- MTEF task force team work - Finalise MTEF	Meeting with local governments and field trips
7	- Submit to the Assembly	Fiscal Policy Advisory Meeting with LMS, experts, local governments
8	- Budget formulation	
9	- Submit to the Assembly	
10	Assembly review and finalisation	Assembly Expert Hearing
11		
12		
Budget Implementation		Budget Waste Report Centre
Budget Settlement & Audit		Public participation in audits by BAI

Of course citizens’ engagement alone is not enough to usher in change and improvement. Change can come only through collective organisation, collective action and strong networks. Democracy has its own limitations, and elections – the only tool to engage citizens directly in governance through the exercise of their choices once in five years – being restricted only to choosing the government, may not be an effective tool for empowering citizens and facilitating citizens’ engagement. But citizen engagement can be a powerful catalyst to usher in change, even in a tradition bound society like ours. It can also be effective means for providing feedback to governments to prevent and control disasters. Of course, it presupposes the existence of a free media to carry this feedback - Amartya Sen had shown that people don’t die of famines in countries with free media.

The 73<sup>rd</sup> and 74<sup>th</sup> amendments to our Constitution mandate local self-governance in our villages, towns and cities. The Model Nagara Raj Bill, 2008, our first community participation legislation, introduced as a mandatory reform under the Jawaharlal Nehru National Urban Renewal Mission (JNNURM), sought to create new tiers of decision making in each municipality called the Area

<sup>2</sup> MTEF: Medium Term Expenditure Framework; LM: Line Ministries; BO: Budget Office.

<sup>3</sup> Source: Kang, Young Kyu and Saw Young (Sandy) Min, “Public Participation in the Budget Process in the Republic of Korea”, World Bank, June 2013 ([http://siteresources.worldbank.org/PUBLICSECTORANDGOVERNANCE/Resources/285741-1361973400317/GPSM\\_Korea\\_v4.pdf](http://siteresources.worldbank.org/PUBLICSECTORANDGOVERNANCE/Resources/285741-1361973400317/GPSM_Korea_v4.pdf)), accessed 27/10/2015)

(Mahalla) Sabha that will elect Ward Committee comprising of citizens of the locality who will prepare ward-level budgets in consultation with local people. With municipality at the apex, it was a new 3-tier structure for local self-governance. State governments are averse to passing the bill for fear of losing their grip over these bodies, and thus even after two decades since the Constitutional amendments, we are nowhere close to the dream of practising local self-governance. There are few channels for citizens to participate in local governance and our current top-down models of urban governance are ineffective because centralized solutions cannot address dispersed and decentralized requirements of urban populations.

Only by creating the appropriate accountability space through institutionalization of citizen participation, people can be empowered to participate in decision-making on matters that directly affect their lives. Experience of Bangalore and Pune tells us that citizens can successfully initiate participatory planning and budgeting, independent of the ruling dispensation in the state. These can bring better neighbourhood-level outcomes and a more significant role for the citizens in decision-making. Overall, these may lead to better urban planning and governance. Once the experiments become pervasive at the local level, their outreach can be extended gradually to the subnational and then finally to the national level, bringing an end to the Black Box Budgets.

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