



Working Paper Series - 2004 / 1

# **PARTICIPATORY BUDGETING IN SOUTH AFRICA**

*Bheki Langa and Afeikhena Jerome*

**ARCHIV  
120441**

Les Cahiers du SISERA – 2004 / 1

**Bheki Langa and Afeikhena Jerome**

## **Participatory Budgeting in South Africa**

*Paper prepared under SISERA emerging center seed grant*

March 2004

ARCHIV  
330.1(6)  
S 4E  
no. 2004/1

## Foreword

The mission of the Secretariat for Institutional Support for Economic Research in Africa (SISERA) is to provide technical and financial support to African research centres. One of SISERA's main objectives is to help improve upon the dissemination of research results of African centres.

This Working Paper Series was established in order to provide an outlet for the research output of SISERA's Partner Institutions, which are African research centres that have demonstrated a capacity to carry out policy-oriented research and to help enhance the policy debate in their respective countries or sub-regions.

The Series focuses on economic policy-making topics and provide a forum for discussions on issues of interest to African countries. It is widely circulated within Africa to policy-makers and research centres and abroad to institutions that work in the development field.

Manuscripts of Partner Institutions are published with their authorization.

## Avant-propos

Le Secrétariat d'Appui Institutionnel à la Recherche en Economie en Afrique (SISERA) a pour mission d'apporter une assistance technique et financière aux centres Africains de recherche en économie. Un des objectifs du Secrétariat est d'aider les centres à disséminer les résultats de leurs travaux de recherche.

Les Cahiers du SISERA ont donc été créés pour permettre une meilleure diffusion des travaux de recherche des Institutions Partenaires de SISERA. Ces dernières sont des centres de recherche qui ont démontré une capacité à faire de la recherche appliquée propre à influencer les décisions politiques et à améliorer la qualité des débats sur les questions économiques d'ordre national ou sous-régional.

Ces Cahiers s'intéressent aux travaux de recherche en économie appliquée et constituent une tribune où les discussions sur les questions économiques qui concernent les pays Africains peuvent être menées. Ils sont distribués en Afrique aux décideurs et centres de recherche, et ailleurs aux institutions qui travaillent dans le domaine du développement.

Les documents des Institutions Partenaires sont publiés ici avec leur permission.

*Pour plus d'information veuillez contacter /  
For further information please contact:*

**Secrétariat d'Appui Institutionnel à la Recherche en Economie en Afrique  
Secretariat for Institutional Support for Economic Research in Africa  
(SISERA)**

B.P. 11007 Peytavin  
Dakar, SENEGAL

Tel: (221) 864 00 00 - Fax: (221) 825 32 55  
e-mail: dsanogo@idrc.org.sn

# Table of Contents

---

<u>Foreword</u> .....	ii
<u>Avant-propos</u> .....	ii
<u>Table of Contents</u> .....	iii
<u>Abstract</u> .....	iv
1. <u>Introduction</u> .....	1
2. <u>Contextual Background</u> .....	2
3. <u>Budgeting in South Africa</u> .....	5
4. <u>Experience with Participatory Budgeting in South Africa</u> .....	11
<u>Training:</u> .....	12
<u>Women's and Children's Budgets:</u> .....	12
<u>Intergovernmental fiscal relations:</u> .....	13
<u>Budget reform:</u> .....	13
<u>Budget transparency and participation in the budget process:</u> .....	13
<u>Africa Budget Project:</u> .....	14
<u>Fair Share Initiative by UWC School of Government</u> .....	14
<u>The Peoples Budget</u> .....	14
5. <u>Conclusion</u> .....	15
<u>References</u> .....	17

## **Abstract**

Since the advent of a democratic South Africa in 1994, several initiatives by government and civil society have attempted to address the social inequalities wrought by apartheid. This paper appraises South Africa's experience with participatory budgeting, a major innovation in fiscal decentralization in recent years. It reviews extensively international experience, particularly that of *Porto Alegre*, the capital City of Rio Grande do Sul in Southern Brazil where has been recognized as the trailblazer in this field. A major finding is while a number of initiatives by civil society organisations and Universities have taken root in the country to promote it, participatory budgeting is still in its infancy in South Africa. It recommends the institutionalization of participatory budgeting, especially at the municipal level, to encourage active citizenship and confront backlogs in infrastructure provision.

## 1. Introduction

Since the mid-1980s, a wave of market-oriented reforms got under way in several developing countries and economies in transition. These economies engaged in unprecedented efforts to alter their economic structures. The reform package, usually at the behest of the World Bank and the International Monetary Fund, entails introduction of first generation reforms. These normally include removal of quantitative restrictions on imports, major reductions in tariffs, privatization of key state-owned enterprises, changes in the regulatory regime for the private sector, removal of subsidies and reform of welfare systems. These are usually accompanied by a number of 'second-stage' reforms targeted at increasing economic efficiency and enhancing growth.

These reforms have met with varying degrees of success. The events of recent years, especially in Africa where reforms have exacerbated rather than ameliorated economic problems and the vulnerability of a large segment of the population have thrown doubt on the sustainability of these reforms, especially their ability to raise living standards. In large measure, the poor results of the past twenty years have raised doubts about the efficacy of the prescribed economic reform programmes.

The weaknesses of the Washington consensus, which was paraded as the intellectual showpiece of the so-called reform movement, have already been widely discussed elsewhere<sup>1</sup>. A large number of developing countries pursued its dictums but failed to reap the promised rewards. Advocates of this reform programme have been quick to argue that the poor record of their experiments in developing countries is not reflective of inappropriateness of their policy prescriptions, but rather points to failure of these countries to follow the recommended policies. In other words, problems are attributed to failure on the part of the developing countries to 'stay the course' (Stiglitz, 2000).

It is widely acknowledged that the Washington consensus did not provide the kind of solutions required by developing countries to address serious developmental challenges they face. There is growing awareness of the inadequacy of the standard market-based stabilization packages to correct the peculiar structural and socioeconomic problems facing each of the individual countries in the very diverse developing world. It is clear that solutions to the problems facing developing countries require an eclectic approach to development that takes cognizance of the peculiar cultural, historical and geo-political conditions and varied experiences of each country (Taylor, 1988).

Consideration of the diversity and variations in economic, political, cultural and social conditions in developing countries provides a critical methodological starting

---

<sup>1</sup> See Stiglitz, J. 1988. More Instruments and Broader Goals: Moving Towards the Post Washington Consensus. WIDER Annual Lectures 2. Helsinki. Williamson, J. 2003, "From Reform Agenda to Damaged Brand Name. A Short History of the Washington Consensus and What to Do". Redrafting the Reform Agenda. *Finance and Development*, September and Manuel, T. A. 2003. "Africa: Finding the Right Path", Redrafting the Reform Agenda, *Finance and Development*, September.

point for any useful assessment of policy options for these countries. In our assessment of participatory budgeting in South Africa we draw extensively on international experience, particularly Brazil, which has been the recognized trailblazer in this field. But while the Brazilian experience is very instructive and deserves serious study by all those committed to promoting public participation, we argue that this experiment can only succeed in South Africa if it is implemented with serious consideration of the special and very peculiar circumstances and challenges in this country.

This paper is structured into five sections: section two examines the concept of and experience with participatory budgeting; section three deals with budgeting in South Africa; section four appraises experience with participatory budgeting in South Africa and section five concludes.

## **2. Contextual Background**

Participatory budgeting is a recent phenomenon, with the first significant experience recorded in 1989 in the city of *Porto Alegre*, the capital and economic centre of the relatively wealthy state of Rio Grande do Sul in Southern Brazil in 1989 (Sousa, 2000). Brazil is a country with a long tradition of authoritarian politics and by all conceivable measure, outrageous social inequalities. Following the re-establishment of democracy in 1985, traditional patronage practices, social exclusion and corruption dominated Brazilian politics. With the election of Olivio Dutra as mayor in 1989, the Workers' Party, which was founded during the 1964-1988 military dictatorship assumed office in Porto Alegre. The party's campaign was based on democratic participation and the "inversion of spending priorities", which implied the reversal of a long-standing trend in which public resources were spent in middle and upper class neighbourhoods.

The party encountered a bankrupt municipality and a dysfunctional bureaucracy. Porto Alegre, then with a population of 1,290,000, was characterized by high levels of income inequality, lack of transparency in government transactions, inefficient management of municipal resources and low levels of public participation (Marquetti, 2000). During the first two years, the government experimented with different mechanisms to tackle the financial constraints, to provide citizens with a direct role in the activities of government, and to invert the social spending priorities of previous administration. Participatory Budgeting was born through this experimental process (Wampler, 2000).

The municipality developed a system called '*Orçamento Participativo*' or "participatory budgeting", that has since become a model for similar programs not only in Brazil but also in the rest of Latin America. Since then, it has spread to over 190 municipalities in six Brazilian states and has been experimented in a few other countries including Ireland, Canada, India, Uganda, Brazil, and South Africa among others (Sousa, 2000). Its success has been widely acknowledged internationally. International organizations have become increasingly sympathetic to it, although they are more interested in its technical virtues of efficiency and effectiveness in resource

distribution and utilization than in its democratic virtues. Participatory budgeting has been successfully implemented in municipalities ranging from nearly two million inhabitants to just under 100,000 inhabitants.

Participatory budgeting refers to a process in which a wide range of stakeholders debate, analyze, prioritize, and monitor decisions about public expenditures and investments<sup>2</sup>. They are consultative processes in which citizens are directly involved in making policy decisions, spur administrative reform, and distribute public resources to low-income neighbourhoods. It is a process whereby communities work together with elected representatives (councilors) and officials to develop policies and budgets in order to meet the needs of the community. Forums are held throughout the year so that citizens have the opportunity to allocate resources, prioritize broad social policies, and monitor public spending. In the process, discussion and debate can take place on what the needs and priorities are and decisions are taken on how funds should be allocated. Even after the passage of the budget and the commencement of the fiscal year, the participatory meetings remain active. The meetings review and evaluate the projects implemented. Governments and citizens initiate these programs to promote learning and active citizenship, achieve social justice through improved policies and resources allocation, and reform the administrative apparatus (Wampler, 2000).

Participatory budgeting moves the locus of decision-making from the private offices of politicians and technocrats to public forums, this way fostering transparency. Communities work together with elected representatives (councilors) and officials to develop policies and budgets in order to achieve broader social goals. Ordinary people learn to negotiate among themselves as well as with the government over the distribution of scarce resources. An important aspect of participatory budgeting is involvement of citizenry in proposing solutions to the problem of raising income to fund development initiatives. This includes dealing with the important issue of payment for public goods and services. In the Brazilian context, participatory budgeting confronted the political legacies of clientelism, social exclusion and corruption by making the budgetary process transparent, open and public. Social and political exclusion is challenged as low-income and traditionally excluded political actors are given the opportunity to make policy decisions (Sousa, 2000).

Participatory budgeting can occur in three different stages of public expenditure management:

- 1) *Budget formulation and analysis*: citizens participate in allocating budgets according to priorities they have identified in participatory poverty diagnostics; formulate alternate budgets; or assess proposed allocations in relation to a government's policy commitments and stated concerns and objectives.
- 2) *Expenditure monitoring and tracking*: citizens track whether public spending is consistent with allocations made in the budget and track the flow of funds to the agencies responsible for the delivery of goods and services; and

---

<sup>2</sup> Stakeholders can include the general public; poor and vulnerable groups including women, organized civil society, the private sector, representative assemblies or parliaments and the donor community.



- 3) *Monitoring of public service delivery*; citizens monitor the quality of goods and services provided by government through processes similar to citizen report cards or scorecards.

Increased participation in budgeting can lead to the formulation of and investment in pro-poor policies, greater societal consensus, and support for difficult policy reforms. Experiences with participatory budgeting have shown positive links between participation, sound macroeconomic policies, and more effective government.

The main characteristics of participatory budgeting in Porto Alegre, has been the focus of a growing literature (Abers, 1998 and 2000; Santos, 1998; and Wampler, 2000). It is an ongoing, yearlong process. Porto Alegre is divided into sixteen regions, in which participants' deliberate local and regional capital projects. The first round, which typically runs from March to June, involves the distribution of information, the initial discussions on policies, and the establishment of the number of elected representatives. Mobilization in neighborhood meetings is high because turnout determines the number of elected representatives from each neighbourhood to the regional meetings. Since final votes are held at the regional level, a greater number of elected representatives (citizen-delegates) from a particular neighborhood increase the likelihood of having a project selected.

The second round defines the policies and projects that will be implemented by the government for the coming fiscal year (or even two years). During this stage, participants should have acquired sufficient information to promote the priorities of their communities and to make decisions at the regional meetings. Final decisions on specific public works or the definition of general social priorities are made at the regional meetings.

In the months following the district assemblies, the delegates in the District Budget Forums negotiate among themselves to come up with district-wide "priority lists" of infrastructure projects in each investment category. The Municipal Budget Council determines how to distribute funds for each priority among districts. Finally, each district's quota is applied following the priority list of the district. The Municipal Budget Council and the District Budget Forums also monitor spending year-round and engage in regular discussion with local government personnel on issues related to service provision more generally. The Budget Council is responsible for overseeing the plans of each city agency.

Distribution of resources is based on two criteria, namely the Quality of Life Index and mobilization and deliberation processes within the region. Each region receives a specific percentage of the budget depending on its overall need. Wealthier regions with more advanced infrastructure receive a lower percentage than poorer region. The "priority trip" is a key part of the part of this process, as participants must visit the site of a proposed project to personally evaluate the level of need.

Participatory Budgeting programs have two general tracks. The first track “PB Public Works,” is on specific public works project while the second track, “PB Thematic” focuses on general spending policies. Most participatory budgeting programmes initially focus on specific public works but broaden to include general social policies over time.

It is important to keep in mind that there is no precise or exact model for participatory budgeting programs. While there are similar tenets and institutional mechanisms, these programs are structured in response to the particular political, social, and economic environment of each city or state. A few notable characteristics of participatory budgeting are central to understanding its functioning. First, participatory meeting decisions only have an impact on investments, and the total amount available for investment priorities is calculated after allocating funds for current costs, such as salaries, maintenance, and interest payments. Second, even after the passage of the budget and the commencement of the fiscal year, the participatory meetings remain active. They are responsible for tracking the progress of the investments and communicating with the executive through the elected council. After the completion of the budget, the meetings review and evaluate the projects implemented.

There are several limitations to participatory budgeting system and it is by no means a magic bullet. The first limitation stems from the focus on specific public works. The focus on specific public works makes it difficult to generate discussions on planning for the future. Furthermore, many participants are less interested in learning about rights, the fiscal responsibility of the government and broader social policies. While participatory budgeting programmes directly incorporate civil society actors in the policymaking process, the government remains the principal actor. The municipality organizes meetings, provides information, ensures that bureaucrats meet with the population, and guarantees that selected policies will be implemented. The influence of the mayor and the governing coalition is substantial. Without a strong political commitment to the programme, it is less likely that the program will succeed. The complexity of the issues involved also requires that citizens have substantial technical and analytical skills to weigh the relevancy of different arguments.

### **3. Budgeting in South Africa**

With an area of 1.22 million square kilometres and a population of 44.8 million in 2000, the Republic of South Africa is the largest economy in Africa. Its per capita income of approximately R24, 186 and Gross Domestic Product of R1 099 billion in 2002 ranks it as an upper middle-income country<sup>3</sup>. In spite of this relative wealth the country is characterized by a striking dualism due to decades of apartheid rule. The distribution of income in South Africa is highly skewed. About 13% of the population live in "first world" conditions, while the vast majority live in typical 'third world' conditions, characterized by low levels of education, chronic malnutrition, high mortality rates, disease and abject poverty. Income distribution is also highly uneven

---

<sup>3</sup> *Intergovernmental Fiscal Review 2003*, National Treasury. Republic of South Africa, 2003.

from a regional perspective. For example, one of the nine provinces, Gauteng, with a population share of only 18% accounts for approximately 41,6% of the country's gross domestic product.

The racial profile of South Africa's formal business sector continues to resemble that of the pre-1994 era. Apartheid public budgets allocated a disproportionately small amount of the national budget towards education, health, housing and basic needs of black South Africans. A key objective of the 1994 democratic government was to democratize state institutions, redress inequality and extend services to the broader population. The 1996 Constitution of South Africa, and the 1993 Interim Constitution, which preceded it, provided the legislative framework for the new budgetary system.

South Africa's first democratic election in April 1994 ushered in a new chapter in the country's history, allowing the previously excluded 80% of the population to vote for the first time. One of the serious challenges that faced the new government was the need to reprioritize existing budget resources and service delivery from tertiary services for middle-class white people in cities towards primary services for low-income black people in the rural areas in the provinces. In order to meet this challenge the entire budgetary system had to be reformed. This has entailed the designing and implementation of a new public financial management system, collation and publication of substantially improved budgetary information, enhanced accountability of civil servants and provision for the participation of civil society in the budgetary processes.

The new unitary system of government has three distinctive, interrelated and interdependent spheres, with significant decentralization of powers, functions and budgeting processes. The Constitution entrenches 'co-operative governance', obliging the three spheres of government to co-operate and to negotiate political and budgeting issues between them. Numerous intergovernmental forums, including the Budget Council and the Budget Forum facilitate consultation around the budget process.

Given the regional imbalances in income distribution, South Africa's fiscal system is based on a revenue-sharing model, with most of the nine provinces receiving more funds than they raise through national taxes. Except for the major urban municipalities, most municipalities are also highly dependent on national transfers, although to a lesser extent than provinces.

The South African Constitution divides functions between the three spheres of Government. Some functions are shared (concurrent) and others are exclusive. The provincial sphere performs functions like school education, health and social grants, which do not lend themselves to substantial cost recovery, but account for a substantial proportion of public spending. Provinces only raise about 4% of their own revenue. Municipalities, by contrast, have significant revenue-raising powers and collect between 60 to 95 % of their own revenue, as two-thirds of their activities such as water, electricity and refuse-removal, are self-funded.

The big concurrent functions shared between national and provincial governments include school education, health services, social security and welfare services, housing and agriculture. For these functions, national government is largely responsible for providing leadership, formulating policy, determining the regulatory framework including setting minimum norms and standards.

The post-1994 government in South Africa, at an early stage acknowledged the central role of budgets in the implementation of its policies and programmes. The system inherited in 1994 was the result of nearly half a century of concentrating public service provision towards a minority of the population in an environment where the budget was shrouded in secrecy. It advocated zero budgeting in its formative years to address the problems identified with incremental budgeting which was being practiced then. Under incremental budgeting, each agency simply adjusts each line item by a given percentage to account for inflation in compiling its budget for the coming year. The process could not accommodate possible changes in the relative importance of programmes. The large-scale reorientation envisaged under the Reconstruction and Development Programme (RDP) clearly required a more appealing system. Under the zero-based budgeting approach, each agency would set all allocations to zero, and then not allocate any money except where they could justify the expenditure as a priority in terms of the RDP.

While theoretically appealing, the zero-budgeting approach did not work in practice when it was adopted. Where new programmes were introduced and allocated funds, the agencies concerned often seemed unable to spend the allocations within the twelve-month budgeting period. Underspending was particularly common in respect of new programmes, which took longer to set up than envisaged, and in respect of capital expenditure. With the latter, agencies often budgeted in one year for the full amount of a project that spanned several years out of fear that they would not get the necessary money in later years. They were, however, unable physically to implement the project within the space of twelve months. The result was a multitude of requests for rollovers and inadequate control of flows (Hoddinott, et al. 2001).

The introduction of the new constitution in 1997 fundamentally changed the budgeting process in South Africa. Previously, budgets were centrally allocated to each sector or function and the allocation of the overall budget between the national and provincial departments was determined by the a Committee. Since the introduction of the new constitution, budgets are allocated to the national, provincial and local spheres of government and each province has the authority to determine their own preferences in allocating budgets to different functions or sectors. In addition to these constitutional changes, there have also been changes in the key 'actors' within the budgeting process. The Department of Finance (DoF) has assumed the dominant role in the budgeting process together with the provincial treasuries.

The Medium Term Expenditure Framework (MTEF) was introduced in 1997, at the preparatory stages of the 1998/9 national and provincial government's budget. Spending agencies were required to prepare 3-year budget plans in line with the

government's new MTEF when preparing budgets for the 1998/99 financial year. The basic premise is that government and its agencies should plan programmes and budgets on a three-year rolling basis. The three-year envelope in principle allows for longer-term planning at both the macroeconomic and sectoral levels and the incorporation of longer-term projects, in particular infrastructure projects and phased reprioritisation. It provides the opportunity for agencies to phase in new projects and accommodated delays in startup. Thus, the MTEF was seen as a mechanism for ensuring that spending agencies explicitly consider how to match planned spending with their policy priorities, and for promoting integration of the planning and budgeting processes.

The advantages of budgeting over a longer time horizon, rather than the traditional annual budget, were summarised by the Presidential Review Commission (1998: 26) as follows:

- Permits policy development to be linked with resources over time
- Creates a predictable medium term planning environment
- Provides a framework for assessing priorities
- Promotes the credibility of the fiscal strategy by, inter alia, making explicit the assumptions on which projections and prioritisation is based.

Under the MTEF, the phases of the budget cycle are presented in Figure 1. Spending agencies are required to prepare 3-year budgets under 2 scenarios:

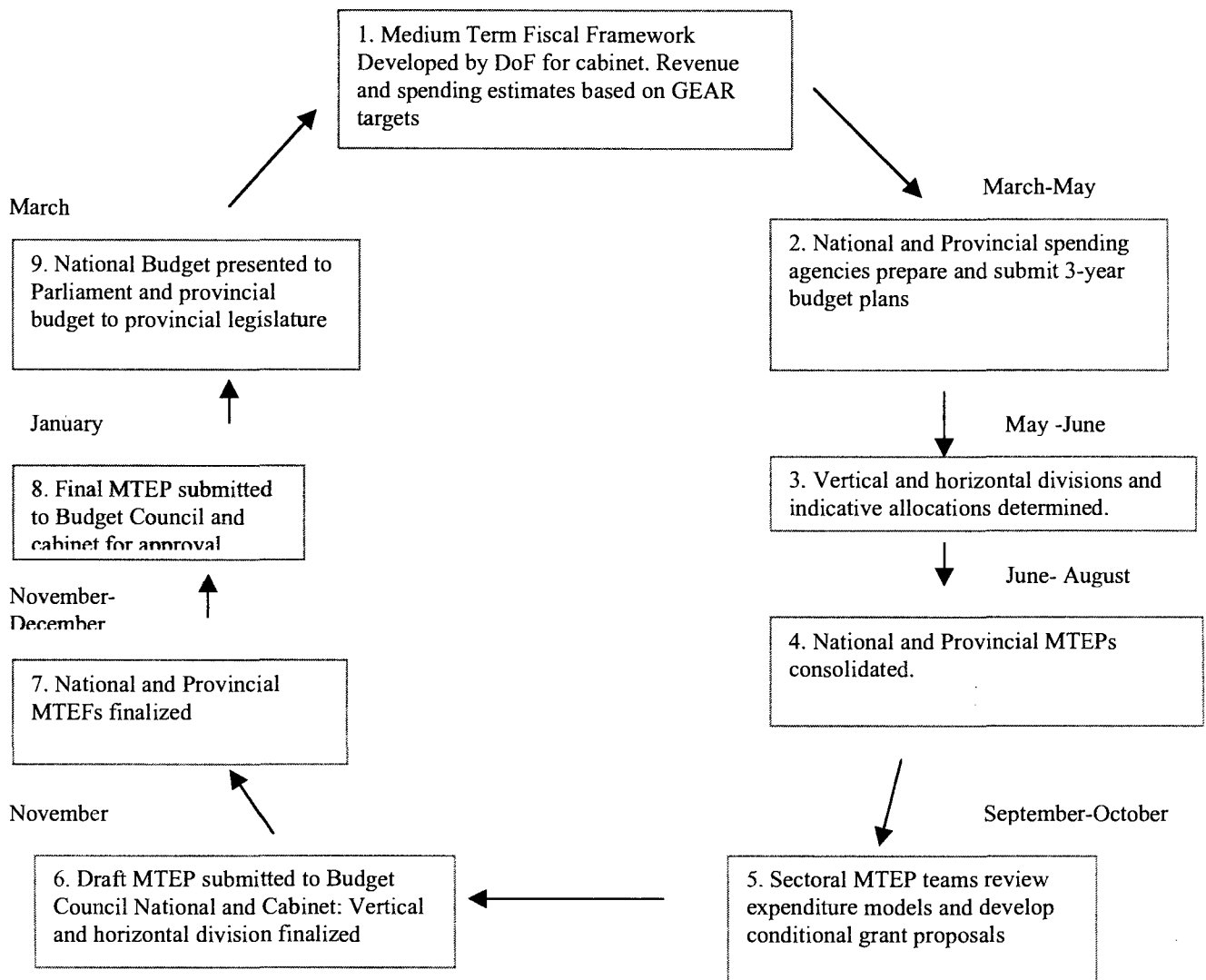
- A 'no-growth' scenario - which requires agencies to consider how they would stay within the previous year's budget allocation (i.e. if new programmes are to be introduced, they have to consider what existing programmes will be downscaled and/or where efficiency gains could be achieved); and
- A 'needs-based' or 'zero-based' budget - which requires agencies to cost current activities which they wish to maintain, the expansion of existing programmes and new programmes which they wish to implement.

These preliminary budget estimates are submitted to the provincial treasuries (in the case of provincial spending agencies) and to the national DoF and DSE (in the case of national spending agencies) for consideration. The third stage of the budget process is determining the guideline or indicative allocations to the different spheres of government (i.e. national, provincial and local government) and within each sphere (e.g. the allocation to individual provinces from the total amount set aside for provincial budgets). These allocations are respectively called the 'vertical' and 'horizontal' divisions.

The MTEF has since undergone several transformation since introduced, allowing for inter governmental coordination of plans, accountability and transparency. There is a significant increase in cooperation and coordination between the nine provinces and the national government in key sectors such as education, health and welfare. The MTEF now include performance, or output-based budgeting, which is the norm in many developed countries. In preparation for the 1999/2000 budget, each national

agency was, for the first time, asked to prepare comprehensive inputs to the budget documentation. The circular to agencies included a request for targets and indicators. These inputs were consolidated in a new budget document, the National Expenditure Survey.

**Figure 1: Budget Cycle with the Introduction of MTEF**



Source: Presidential Budget Commission, 1998

The approach now offers opportunities for public and parliamentary involvement and comments with the three-year estimates published in November, several months before the budget is presented in parliament.

The budget is presented to parliament during the annual budget speech, accompanied by the *Division of Revenue Bill* since 1998. Following the first reading of the budget, the *Appropriation Bill* which gives spending agencies the legal authority to spend funds allocated to them and proposed tax legislation are submitted to the National Assembly Portfolio Committee on Finance. They are given seven working days to hear submissions, mainly from government departments and the South African Reserve Bank and are then required to table a report on their hearings in parliament. The Appropriation Bill and associated bills are then voted on in the National Assembly.

As the Appropriation Bill is regarded as a 'national money bill' (under section 77 of the constitution), it is deemed not to affect provinces. As a result, the Appropriation Bill is forwarded only to the National Council of Provinces (NCOP) after the National Assembly vote. The NCOP may hold public hearings on the Bill (through its Select Standing Committee on Finance). Once enabling legislation (Money Bills Amendment Procedure Bill) has been passed, the NCOP could recommend that the Bill be passed, amended or rejected. If either amendment or rejection is recommended, the National Assembly will have to reconsider the Bill. However, as this is considered a section 77 bill, the National Assembly does not have to adhere to the NCOP recommendations.

#### **4. Experience with Participatory Budgeting in South Africa**

Since the advent of a democratic South Africa in 1994, several initiatives by government and civil society have attempted to address the social inequalities wrought by apartheid. Legislation on a national, provincial and local government level, infrastructure programmes in historically marginalized areas and other initiatives have been implemented by government. Within the same context, CBO's, NGO's, universities and other tertiary institutions have, with the assistance of donor funding implemented programmes to this end. There are a number of initiatives by civil society organisations and Universities that have taken root in the country to promote participatory budgeting. These are examined succinctly in what follows.

*The Budget Information Service (BIS) of the Institute for Democracy in South Africa (IDASA).*

The experience of the Budget Information Service (BIS) of IDASA has been examined elaborately by Krafchik, 2001. IDASA<sup>4</sup> was founded in 1986 as an effort to create a safe space for dialogue between those in power and the liberation movements.

---

<sup>4</sup> The discussion on IDASA draws substantially from Krafchik, Warren, 2001 "Inclusive National Budgeting: A South African Case Study", Regional Workshop on Participation and Empowerment for Inclusive Development Peru, July 9 – 11, 2001



The organization has since grown into a public interest organization committed to consolidating the country's democratic institutions.

In response to South Africa's first democratic elections in 1994, IDASA established the Budget Information Service (BIS) in 1995 in order to produce timely, critical, objective and accessible information on the impact of the budget on poor people and ensure the smooth flow of public policy related information between citizens to government. BIS was one of three related institutions established concurrently – the other two focusing on political information and public opinion polling.

The Budget Information Service aims at enhancing the participation of legislatures and civil society in the budget process. This reflects the organization's belief that inclusive budgeting will support South Africa's transition through building citizen commitment to tough budget policy choices; improving budget and poverty decision-making and program impact.

The work of BIS initially focused on two primary target groups – legislators and civil society organizations. Approximately 80% of the legislators elected in 1994 had little experience in parliamentary democracy. Most legislators had recently emerged from exile or underground internal movements. Yet, within the first few weeks of office they were presented with the budget for 1994/5 drafted by the previous government for approval with (Krafchik, 2001). The weaknesses of the legislature in budgetary matters become the initial entry point for the work of BIS. The initial efforts were targeted at building oversight capacity by assisting legislature committees to understand the budget and prepare for the legislative budget process.

The Budget Information Service is currently divided into several sub-projects. These include

*Training:*

BIS currently offers approximately 20 applied budget training modules including system issues, budget analysis and budget process and advocacy issues. BIS' training is mostly directed at legislatures and civil society, but they increasingly also train provincial Departments of Finance and international donor and technical assistance organizations.

*Women's and Children's Budgets:*

These incidence group budgets are a method BIS developed to measure expenditure and tax reprioritization by monitoring the relationship between government policy and budget allocations to women, children and the disabled. These are not alternative or separate budgets but analyses of the impact of the public budget on particular groups with high incidence of poverty.

### *Intergovernmental fiscal relations:*

In response to the new, untested provincial structure and responsibilities, the BIS devoted some resources to inter-governmental fiscal relations. It started with a book that provided the first text on the rules of the new system and challenges for greater provincial equality and poverty alleviation. This was subsequently reduced into a set of training modules. The BIS also responded to the paucity of cross-provincial information by maintaining an information monitor in each provincial legislature. These provide BIS with monthly reports on new and forthcoming legislation and issues. The system means that BIS often provides the first inter-provincial comparisons of health, education and welfare expenditure in the country. BIS information is designed to test the implications of the new system for the poor and to support provincial legislatures and provincial network civil society partners. Recently, BIS has backed this up with a partnership with KPMG accountants to place budget trainers in each of the nine provincial legislatures.

### *Budget reform:*

Most of BIS' work is ultimately targeted at creating an improved budget system. For example, BIS conducts comparative analyses of anticipated financial legislation – both on process, design and content issues. The organization's aim is to predict future budget legislation and provide policy alternatives drawn from international experience that can deepen debate and improve choices. BIS' major intervention here was on the design of the new bedrock South African financial management system codified in the Public Financial Management Act. I will return to the impact of this work at the end of my input. Our current focus is on effective participation options for legislature and civil society organizations in the drafting and legislative budget processes. This includes a considerable focus on the benefits and limitations of budget amendment powers. There is no literature on the relationship between legislatures and the budget in developing countries, but many of our civil society colleagues in developing countries are helping to overcome this problem.

### *Budget transparency and participation in the budget process:*

BIS together with the International Budget Project designed a comparative survey to measure the extent of budget transparency and participation in the budget process. It drew on the work of international institutions such as the IMF and OECD, but added issues of concern to South Africa. Broadly speaking, our survey is more operationally focused, targets budget transparency specifically and adds a focus on legislature civil society in the budget process.

The pilot survey on South Africa was launched last year and is currently being replicated in five Latin American (Argentina, Brazil, Chile, Mexico and Peru) and four African countries (Ghana, Kenya, Nigeria and Zambia). The results of these studies will be out in December 2001.

### *Africa Budget Project:*

A new development is BIS' work with the International Budget Project to develop an African sub-network of budget organizations. The first activity was to convene a workshop on Public Expenditure Management and Participation in the Budget in Harare in 1999. The meeting was co-sponsored by DFID, The World Bank and the Ford Foundation and taught in conjunction with the Public Expenditure Management unit at the Bank. BIS' current work in Africa includes budget training, research on comparative fiscal constitutions and budget reform.

### *Fair Share Initiative by UWC School of Government*

Fair share has been working with ward committees in some municipalities of the Eastern Cape, KwaZulu-Natal, Limpopo and North West in the past three years. Fair Share got involved in the training of ward committees in June 2001 mainly in the area of Integrated Development Planning processes, Municipal Budgets and community participation. Ward committee members are part of an army of volunteers from community organizations who are concerned about the development of their communities. The first set of workshops were conducted in the following municipalities Ditsobotla, Setla-Kgobi, Greater Taung, Naledi (North West Province); Abaqulusi, Maphumolo (KwaZulu Natal); and Mbashe and Mquma (Eastern CapeProvince).

Fair Share has also been implementing a Local Government Partnership Programme in partnership with SALGA Eastern Cape. The focus of the programme is to facilitate an understanding of how macro economic policies, budgets and legislation affect the capacity of local governments' to deliver. Fair Share and SALGA has been working with several municipalities, including the municipalities of Mnquma (Butterworth, Cantani, Ncamaqwe), Mbashe (Idutywa, Willowvale and Elliotdale); Emalahleni (Dordrecht, Indwe and Lady .rere); InxubaYethembamo (Cradock and Middelburg) and Tsolwana (Tarkastad and Hofmeyr) with more than 340 participating in workshops.

### *The People's Budget*

A major national initiative in participatory budgeting is the People's Budget embarked upon in November 2000, by COSATU, SACC and SANGOCO. The People's Budget campaign arose mainly in response to the deep budget cuts in public spending since the introduction of GEAR in 1996. The GEAR strategy focused mainly on fiscal discipline and economic growth, but significantly cut spending on social services. The initiative is an attempt by civil society to provide an alternative to the current macro-economic framework. It is seen as an attempt to move beyond mere criticism of existing policies by providing "workable, credible and progressive alternatives."(The people's budget –NALEDI, 2001).

The People's Budget campaign is also based on the outcomes of the Poverty Hearings conducted in 1998 in all the nine provinces, in which over 10 000 people participated.

## **5. Conclusion**

While the post-election Constitution laid the groundwork for more transparent decisions and decision making in government, the democratisation of the political processes dictated greater transparency and participation. Without the full participation of its citizenry, a government is unable to fulfill its mandate as the people's elected representative. It is therefore in the interests of both municipalities and marginalized populations to facilitate the political participation of the latter.

Budgets are still considered the exclusive preserve of government and the budget processes remain closed to external participation. Experience is beginning to show that external engagement in budgets may be compatible with fiscal discipline and reprioritization. In a world where state and legislature capacity is often less than desirable, budget groups offer a new form of public – private partnerships that may, over time, enhance domestic budget management.

In South Africa, where many black communities have not had access to the most basic services, participatory budgeting is an important tool that can be used to encourage active citizenship; where people at a local level are directly involved in the transformation and development of their community. There is need to institutionalize participatory budgeting, especially at the municipal level, to encourage active citizenship and confront backlogs in infrastructure provision with government's renewed commitment to the expanded public works scheme.<sup>5</sup> Experience is beginning to show the way forward. Hoddinott et al. (2001) conducted a multivariate analysis of the impact of community participation on the efficacy of public works interventions designed to reduce poverty in South Africa's Western Cape Province and suggest that because communities possess informational advantages not available to outsiders, community participation offers the prospect of lowering the cost of antipoverty interventions. Moreover, increasing community participation reduces the cost of these interventions and improves their targeting towards the poor.

The challenge of implementing participatory budgeting in South Africa is huge. Within the framework of co-operative governance, the government has already passed several legislations that demands community participation including the Municipal systems Act (Act 32 of 2000 ) Section 16 (1) and the Municipal Finance Bill 2000. There is need to build on this. South Africa has had a long history of collective, progressive struggle for socioeconomic equality and justice especially under apartheid.

---

<sup>5</sup> President Thabo Mbeki in his State of the Nation address to the joint sitting of the Houses of Parliament, Cape Town, 21 May 2004 indicated that he plans to launch the Expanded Public Works Programme in all provinces by the beginning of September, concentrating on the 21 urban and rural nodes already identified in the Government's Urban Renewal and Integrated and Sustainable Rural Development Programmes.

Indeed, for most South Africans, the necessary shift to a truly participatory budget process would come almost naturally, especially given the rich and varied history of participatory democracy in people's organisations and movements, as a means to overcome the divisions, inequalities and injustices that pervaded South Africa.

Perhaps some palpable lessons can be drawn from the Brazilian experience where the Participatory Budgeting system of Porto Alegre has been extremely successful by all accounts. Between 1989 and 1996, the number of households with access to water services increased from about 80% to about 98% and the percentage of the population served by the municipal sewage system increased from 46% to approximately 85%. Also since 1989, 200 km of road has been paved in the city. Porto Alegre is now the Brazilian State capital with the highest-ranked Human Development Index (United Nations, 2004). This process has led to a noticeable improvement in the behaviour of politicians, community leaders and councilors. It has also led to workable mechanisms of accountability and transparency in the formation, allocation and implementation of the municipal budget.

Participatory budgeting in Porto Alegre has been successful because the municipality has been able to involve thousands of ordinary people in decision-making on the allocation of resources. In 1990, about 1000 people participated in the assemblies. By 1998, this number grew to 16 000, and by 1999, more than 40 000 people were involved in the participatory budgeting process. The most important effect of this process in Porto Alegre, is the redistribution of resources to deprived and poor communities and the improvement in the welfare of the population.

Changing this mindset requires direct positive interventions from government. For this system to thrive in South Africa, there is need to confront many of the non formal constraints to engagement which still persist, in particular, poor communication, limited education and a multitude of languages which inhibit the ability of many people to engage.

## References

- Abers, Rebecca (1998) 'From Clientelism to Co-operation: Local Government, Participatory Policy, and Civic Organizing in Porto Alegre, Brazil', *Politics & Society* 26(4): 511-523.
- Abers, Rebecca (2000) 'Overcoming the Dilemmas of Participatory Democracy: The Participatory Budget Policy in Porto Alegre, Brazil, paper presented at the LASA 2000, Miami (16-18 March).
- Fair Share (2001) Economic Justice Update, Vol 5, No 1. School of Government, University of Western Cape.
- Folscher, Alta. 1999 "Fiscal Transparency and Participation in the Budget Process. South Africa: A Country Report", 9<sup>th</sup> International Anti-Corruption Conference, 10-15 October 1999. Durban, South Africa.
- Taylor, L. 1988. *Varieties of Stabilization Experience. Towards Sensible Macroeconomics in the Third World*. Oxford University Press.
- Manuel, T. A. (2003) "Africa: Finding the Right Path", Redrafting the Reform Agenda, *Finance and Development*, September
- Marquetti, A. 2000, Extending Democracy: The Participatory Budgeting Experience in Porto Alegre, Brazil, 1989-1999. Pontificia Universidade Catolica do Rio Grande do Sul.
- National Treasury (2003) *Intergovernmental Fiscal Review 2003*, Republic of South Africa
- Santos, Bonaventura de S. (1998) 'Participatory Budgeting in Porto Alegre: Toward a Redistributive Democracy', *Politics & Society* 26(4): 461-510.
- Souza, C. 2000, Participatory Budgeting in Brazilian Cities: Limits and Possibilities in Building Democratic Institutions. Federal University of Bahia, Brazil.
- Stiglitz, J. (1988) More Instruments and Broader Goals: Moving Towards the Post Washington Consensus. WIDER Annual Lectures 2, Helsinki.
- United Nations Development Programme. Participatory Budgeting": Increasing Citizen Involvement In Municipal Development Strategy Formulation. A Case From The South: Porto Alegre, Brazil.  
[http://mirror.undp.org/switzerland/wacap/en/experiences/porto\\_alegre.htm](http://mirror.undp.org/switzerland/wacap/en/experiences/porto_alegre.htm)  
(Accessed 03/04/04).

Williamson, J. (2003) “ From Reform Agenda to Damaged Brand Name. A Short History of the Washington Consensus and What to Do”, Redrafting the Reform Agenda, *Finance and Development*, September

Wampler, Brian 2000 Guide to Participatory Budgeting,  
[www.internationalbudget.org/resources/library/GPB.pdf](http://www.internationalbudget.org/resources/library/GPB.pdf) – (Accessed 14 May 2004).

Krafchik, Warren, 2001 “Inclusive National Budgeting: A South African Case Study”, Regional Workshop on Participation and Empowerment for Inclusive Development Peru, July 9 – 11, 2001

Secrétariat d'Appui Institutionnel à la Recherche Economique en Afrique  
Secretariat for Institutional Support for Economic Research in Africa  
s/c CRDI/IDRC – BP 1007 Peytavin – Dakar – Sénégal  
Tél. : (221) 864 00 00 – Fax : (221) 825 32 55



Canada