PARTICIPATORY BUDGETING: CONCEPTS AND COUNTRY EXPERIENCES
Jayshree Bose (ed.), 2008, the Icfai University Press, Hyderabad, India, pp. 289

Review*

In economic theory, median voter theorem suggests that democratic countries with higher inequalities should have more progressive tax systems. The logic of this theorem is simple: the larger the segment of the poorer majority, the more likely it is for them to “team up” and vote for parties that will impose more taxes on the rich minority. Regardless of how “logical” this theorem is, in reality it does not hold. It is not countries with high inequality that have a highly redistributive tax system (e.g. Latin American countries), rather those with low inequality that continue to have very redistributive tax systems (e.g. Scandinavian countries). It seems obvious that the rich minority, through legitimate processes of representative democracy, is able to force its will on the poor majority – the rich finance political parties, often control a large portion of media and political elites often recruit themselves from economic elites. One way of making democracy work better for the poor is introducing direct democracy into budgeting practices. Participatory budgeting is a form of economic democracy in which distribution of budget funds based on the decision not of the majority of elected politicians but on the will of the majority of people. The book under review consists of two parts – theoretical and case studies, and sixteen chapters.

The first part has six chapters. In Chapter 1 Jayshree Bose provides a definition of participatory budgeting as the active participation of non-governmental organizations (NGOs) and civil activist groups in budgeting formulation to ensure that minority stakeholders (e.g. women, children) are allocated their dues in the budget, and that the funds are well spent. In addition, common characteristics of participatory budgeting groups are outlined – being pro-poor and independent of the government.

In Chapter 2 she analyzes gender budgets – budgets that are sensitive to women’s needs. The first gender budget was implemented in Australia in 1984. This budget was government-led, without input from stakeholders (i.e. participatory budgeting groups). As a result, it failed to change the mindset, even though it did improve the position of women.

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Women are a particularly vulnerable group especially in the developing countries, where a number of obstacles to their inclusion in budgeting issues exist. For instance, the female workforce is often concentrated in the non-paid sector, e.g. housework, and budgets deal primarily with the paid sector. In addition, women are concentrated in the care-giving sector (for children and elderly), primarily for family members, and due to cultural reasons these are often not considered productive investments.

Chapter 3 gives a proposal on how practically to implement participatory budgeting policies. Manolis Kalikakis et al. suggest creating a sort of catalogue out of which citizens can choose how much funding should be allocated to each item in the catalogue. Of course, some items should not be a part of that catalogue. For instance, citizens should not be given the opportunity to assign funds to services which are not directly observed by them (e.g. army). In addition, in some cases maintaining funds is necessary for normal functioning of the system (e.g. healthcare).

In Chapter 4 Sveinung Legard puts the idea of participatory budgeting into the broader framework of communitarianism. The author concludes that participatory budgeting leads to more redistributive budgets and more funds for the society’s unprivileged. In addition, participatory budgeting creates a more active citizenry and is therefore good for the development of the civil society. Also, participatory budgeting is meant to strengthen ties between the elected and the electorate, enhance administrative transparency and create a sense of “ownership” among stakeholders. Still, in its application, participatory budgeting has fallen short on some of its possible effects. In Puerto Alegre, Brazil, which is one of the first cities in the world successfully to implement participatory budgeting policies, starting from the late 1980s, the “people’s budget” could always be vetoed by the city council, making participatory budgeting only a tool to promote the agenda of the ruling party. Thus, there was room only for programs which were in line with the program of the ruling party.

In Chapter 5 Jayshree Bose discusses problems in accounting for what percentage of funds allocated to certain projects actually reach their destination. Budget allocations are a very poor indicator of actual funds received. Therefore, more sophisticated methods like the public expenditure tracking survey (PETS) and the quantitative service delivery survey (QSDS) are more appropriate. A PETS tracks resource flows through various channels and evaluates what proportion of the resources allocated by the budget comes in at every stage. QSDS has a more detailed, micro approach, making it time- and effort-consuming, as well as costly. Both methods suggest that funds actually allocated are much lower than funds initially assigned through budget allocations.

In Chapter 6 the Municipal Research & Services Center of Washington investigates how Internet technology can be used to increase citizen participation. The Internet provides accessible information to everyone with e-mail access through e-newsletters and e-notifications. In addition, online surveys are a common form of Internet-based citizen participation, as are online discussion boards and forums. The problem with Internet, as a tool of mobilizing citizenry is its limited applicability across countries. Internet can be used only in countries where the Internet is accessible to all segments of the society, i.e. the most developed countries. Using the Internet as a citizen-mobilizing tool in less developed countries can be counter-productive, because it is able to reach only limited seg-
ments of the society – generally the more well-off. Therefore, use of the Internet in this way would be only likely to increase the disenfranchisement of the poorest segments of the society.

The second part consists of ten chapters, which are case studies of participatory budgeting policies in different countries. In Chapter 7 Jose Sterling et al. provide an insight into the “homeland” of participatory budgeting – Porto Alegre in Brazil. In Porto Alegre participatory budgeting process is performed on three levels – local, regional and municipal councils. In the beginning, the number of people who participated in different levels of this process fell. It started rising again after people saw it had an impact on their lives. The main problem was the lack of a pedagogical basis to support the decision-making process. In other words, the community had to be previously informed and educated about rights to participate but also had to have some idea about how the city was being organized. Often people were only interested in the end result but not in understanding the process, which limits future participation.

In Chapter 8 S. Bhaskaran looks into implementation of participatory budgeting policies in Uganda, the country that created a poverty action fund from debt relief funds. Characteristic of this fund was that it allowed community councils to oversee how money from this fund was being spent. This provided linkage between local budget monitoring and national policy processes.

In chapter 9 Katarina Ott analyzes the legal systems of Croatia, Macedonia and Ukraine to look for legal opportunities for participatory budgeting policies as well as for usage of these opportunities in budgeting practice. She concentrates on three specific issues. First, can citizens oversee the budget? Second, are budget data available? And third, is it clear who is accountable for what? Ott concludes that Ukraine offers legal opportunities for its citizens to oversee the budget, but the relevant procedures are not well defined. Macedonia, on the other hand, has no legal framework to allow citizens to participate in the budgetary process. Still, other laws support participation in decisions about common matters. Therefore, it should be said that legal opportunities for overseeing budgetary process are provided indirectly. Croatia has the best legal framework. Still, all three countries show very little interest in overseeing the budgetary system. In Ukraine it is a problem of lack of clearly defined procedures. Macedonia should install a legal framework that supports overseeing the budgetary process. Croatia, on the other hand, has a problem with willingness rather than opportunities. For cultural and psychological reasons, citizen participation is weak and government accountability low in all three countries.

Chapter 10, by the Africa Social Accountability Action Forum, presents a summary of conclusions reached during a training workshop on participatory budgeting in Africa. The workshop highlighted several issues. In order for the project to work, a certain degree of open-mindedness among participants is required. Also, participatory budgeting allows different stakeholders to work together to improve budget efficiency and transparency, as well as giving marginalized groups a chance to be heard. Therefore, participatory budgeting can be used for creating strategic alliances between different stakeholders, which can enhance solidarity in the society and increase redistribution to the poorest segments of the society.
In Chapter 11 Vinod Bhanu analyzes budgeting policies in India. The Indian government has an unfortunate habit of presenting to the public the details of the budget proposal on the same day as the vote for the budget in parliament is being held. This practice excludes any public discussion during the process in which a budget proposal is created. Therefore, parliament can reject or shrink the budget, but it cannot fundamentally alter it. The only institutions consulted in the process of making the budget are the unions. This veil of secrecy surrounding the process of budget-making is justified by the claim that if the process were made public, it could have detrimental effects on the markets and the economy. Unfortunately for the Indian government, there is no empirical evidence to support this claim.

Chapter 12, by Jhuma Mukhopadhyay, is a case study of an intermediary transparency institution, DISHA, in India’s province of Gujarat. Among its activities are providing training for budget overview and creating budget briefs and circulating them to other NGOs and media. It has ensured more funds go into priority sectors like health and education as well as contributing to the creation of new NGOs. The shortcomings of its program are that it distributes its briefs only to selected institutions. Briefs are not available to the general public, e.g. online. In addition, its briefs do not have summary of main findings or recommendations. In conclusion, an intermediary institution like DISHA has contributed a lot to improving budgeting transparency in Gujarat, but failures in its organization and way of work have acted as a constraint on the full positive impact it could have on budgeting transparency and targeting.

In Chapter 13 Jayshree Bose analyzes the Mazdoor Kisan Shakti Sangathan organization, which has gone a step further than most other budget monitoring organizations. It has entered into the field of social audits. Among its activities were public hearings (which also served as a “wall of shame” for wrongdoers), collecting government bills (often by coercing and bribing government officials), probing into issues like fictitious identities and payments made to them. Unorthodox methods, to say the least, led to surprising results – finding payments to “ghost” workers and works, overpayment on projects and usage of inferior and inadequate material in public projects. As a result of the exposure of many scandals, it has created a culture of awareness about misconduct and made a number of wrongdoers admit their mischief and rectify it.

Chapter 14, by Participatory Budgeting, and chapter 15, by Tricia Zipfel et al. discuss the implementation of participatory budgeting in North America and Europe respectively. Each program is specific to the environment in which it is being implemented. What these programs have in common is the party in power. It is clear that participatory budgeting programs are mostly implemented in communities where leftist parties hold power. The last chapter, from internationalbudget.com, provides an overview of latest experiences in the implementation of participatory budgeting policies in various countries, but mainly in Africa and Latin-America. Topics also vary – from synergy problems between different NGOs to social accountability and lack of transparency.

Participatory budgeting is relatively new “experiment” in economic democracy. Its implementation is still limited, but in many places where it has been implemented, it has improved the lives of the people in communities that have implemented participatory
budgeting policies. There are number of obstacles to spreading participatory budgeting system. Some are ideological – it has an appeal mostly to leftist political parties; others are practical – it is easier to implement participatory budgeting at the local than at the national level, so it can have an influence mainly on budgets in local communities. One interesting fact is that probably the biggest experiment in economic democracy was made in the former Yugoslavia’s self-governing socialism. Nostalgia for bygone times is still strong in Croatia, one of the former Yugoslav republics and it is not uncommon for Croatia’s leading economists, when comparing today and before, to speak of the loss of economic democracy. Still, rarely will you hear them speak of participatory budgeting. This is even more interesting when taking into account Katarina Ott’s article, which clearly shows that Croatia’s legal system leaves plenty of room for introducing participatory budgeting policies. This book provides a must-read for our politicians and their economic advisors, especially for those who continue to grieve about the times we have lost instead of implementing good socialist ideas about economic democracy in a slightly modified form.

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