



INTERNATIONAL BUDGET PARTNERSHIP  
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## e-Newsletter

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### **Democratization, Visibility, and Transparency in Governmental Audits in Honduras by Luís Fernando Velásquez Leal**

Despite significant efforts in Latin America to encourage civil participation in social auditing processes, the results have been limited because of the lack of coordination and communication between the civil society organizations (CSOs) who would provide the social oversight and the Supreme Audit Institutions (SAIs) who exercise institutional control. Traditionally, the only tool available for citizens to combat corruption and hold the government accountable has been denunciation, but this has not translated into significant improvements in public service provision. In some cases, the SAI perceives citizen participation in the audit process as an infringement on its institutional role, especially given the absence of protocols for such participation. Such protocols, or methodologies, for citizen participation could also increase trust in the SAI's oversight of the use of public resources.

From September 2007 to March 2008 in Honduras, a methodology was developed by the Supreme Tribunal of Accounts (Tribunal Superior de Cuentas or TSC) with assistance from the World Bank, which allowed citizens and CSOs to participate in the TSC's government audits. This methodology was designed to democratize the process and increase the transparency of government audits through a strategic alliance for improving public management.

The final methodology is the result of an important planning process that included developing the conceptual design and technical structure of the auditing process; implementing eight government audits with citizen participation in the areas of education, health, infrastructure, environment and municipalities; and training auditors and public employees of audited entities, as well as citizens from 87 CSOs across the country.

#### **The Honduras Methodology and Results**

The process for citizen participation in government audits consisted of five stages:

**Phase 1 – Citizen Input on the Selection of Audits:** This phase consists of integrating information generated by citizens and the media into the General Plan of Audits as a decisive element for choosing which institutions to audit.

**Phase 2 – Citizen Participation Roles and Information:** In this phase of an audit, the roles and activities of the TSC, as well as those of civil society and audited institutions, are discussed and agreed upon. This phase is important because it establishes the institutional and social alliances needed to improve the management of the audited entities and public service provision. These alliances help strengthen

communication channels and encourage citizens to voice opinions on critical aspects of the quality of services.

**Phase 3 – Institutional Control Development:** In this phase, the TSC holds a public hearing to explain to citizens how their input will be integrated into the auditing process, including the aspects and areas in which citizen contributions will not be included and why.

**Phase 4 – Public Presentation of Results:** The TSC presents in public hearings its findings and recommendations for improving the audited entity's management, which include the roles and responsibilities of both the government and civil society. These hearings also provide an opportunity for the representative of the audited institution to sign a public commitment to make improvements based on the audit.

**Phase 5 – Citizen Tracking of Improvement Recommendations:** This last phase promotes citizen participation and control over the action plans for institutional improvement that arise from audits, substantially transforming traditional forms of social auditing that had existed in Honduras.

This new process for public participation in government audits has direct implications for the credibility of the TSC's performance, generating a growing trust in both the auditing institution and the audited entities. It also strengthens the auditor's ability to perform its oversight duties by enhancing its capacity to address social and community concerns. Lastly, the audit control process is transformed by incorporating citizens' perspectives on the quality of services provided by public agencies.

Below are data quantifying the participation of civil society in the eight audits that were performed in Honduras:

- 479 individuals from 84 CSOs participated directly in the process, and nearly 1,200 individuals attended the public hearings at which audit results were presented.
- Eight audited entities signed public commitments to improve their management.
- 79 percent of the information provided to the public was considered useful for institutional control purposes.
- 123 of 187 internal control deficiencies were detected because of information provided by the public.
- 12 of 23 cases related to noncompliance with existing laws were detected from the public's input.
- 26 of 40 audit findings were determined by the public.
- 92.8 percent of the total financial amount of civil liabilities was detected through information provided by the public.

## Lessons Learned

1. Relevant improvements in the quality of government audits are possible within a short time period because of the strategic alliance between audit institutions, audited entities and civil society.
2. Social control, exercised through social auditing, does not replace institutional control but, rather, complements it, strengthens it and improves the audit institution's performance.

3. A population knowledgeable about the operations and responsibilities of public institutions can be a determining factor in guaranteeing and improving transparency in the management of public resources.
4. Holding state institutions publicly accountable for their performance facilitates greater citizen understanding of and involvement in public affairs.

Today, the Honduras Supreme Tribunal of Accounts implements the new audit process on those institutions that the public believes represent major problems in public management.

For more information, visit [www.ac-colombia.net](http://www.ac-colombia.net).

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## **Public Participation in Road Construction in Philippines and India by Leodigario R. de Guzman and R. Balasubramaniam**

Physical infrastructure is critical to the economic development of a nation. High-quality, well-maintained roads not only can ensure that agricultural products and manufactured goods get to markets but also can save lives, as in the case described below of a road that leads to a hospital. Increasingly, civil society organizations (CSOs) around the world are engaging in monitoring road construction projects to ensure that the construction and maintenance of the roads are of high quality. In this article, we will look at efforts in the Philippines and India by two CSOs that have engaged in monitoring road construction and repair by creating networks and involving the local citizens in the process.

### **Philippines: Bantay Lansangan (Road Watch)**

In a developing country such as the Philippines, roads take on a higher purpose — the presence of high-quality roads spells the difference between poverty and progress. Given the crucial importance of roads and highways, the pervasive problems in the procurement and construction of national infrastructure are striking. When community members are asked for their opinion of a road within their vicinity, it is not uncommon to hear complaints.

In 2007 the national government, CSOs, and the private sector formed Bantay Lansangan (Road Watch), a partnership among government, private, and non-government organization stakeholders and official development assistance partners in the national road sector. This partnership, which comprises 14 organizations, monitors the delivery of quality road services to ensure that users' needs are met through the efficient and transparent use of public resources, thus maximizing value for money and fostering corporate integrity.

A key component of Bantay Lansangan is a national network of volunteer monitors for road projects that will cover 15 regions across the country. Although this initiative is still in its early stages, it has begun holding meetings with partners and stakeholders to design the tools to be used in the monitoring project — such as a Road Users' Satisfaction Survey — and to train the volunteers that will carry out the monitoring of the projects.

A Training of Trainers was held earlier this year, during which participants learned about the stages of road construction from procurement to maintenance. This training will be followed by a series of regional trainings for volunteer monitors beginning in August. Bantay Lansangan plans on training a total of 100 volunteer monitors. In addition to monitoring

road projects, trained volunteers will conduct the road users' satisfaction survey in their localities to gather data on the public's satisfaction with their roads.

The results of the monitoring and the user survey shall form part of a Road Sector Status Report Card that will measure the current status of the Philippines' national road systems. The first report card is expected to be out by the end of this year.

With roads and highways playing such an important and indispensable role in a nation's progress, it is paramount that citizens be given the opportunity to take part in ensuring their proper delivery. This monitoring project can be a model for multi-stakeholder partnership for good governance toward poverty alleviation.

For more information on Bantay Lansangan (Road Watch), contact Leodigario R. de Guzman at [deguzman\\_gabby@yahoo.com](mailto:deguzman_gabby@yahoo.com) or visit <http://www.bantaylansangan.org/>.

### **India: SVYM Road Monitoring**

Another group with experience in road monitoring is the Swami Vivekananda Youth Movement (SVYM) in India. They have successfully engaged all the critical stakeholders in the process of building and maintaining roads and increased community participation. A recent case study from SVYM details the lessons learned from the monitoring of a road in Kenchanahalli village that provides vital access to a charitable hospital.

Vivekananda Memorial Hospital is a charitable 10-bed hospital in Kenchanahalli village founded by SVYM and run by a group of dedicated doctors that serves the tribal-rural people from surrounding villages. The hospital is located along a 13.5 km road that had deteriorated badly throughout the years, making traveling on it a nightmare. "Reaching the hospital on time is sometimes a question of life and death for patients in critical condition. In such cases the road is actually a lifeline," says Dr. M R Seetharam, the SVYM head of health activities.

After several requests for road repairs to the authorities with no results, in August 2006 it appeared that some work on the road was finally going to happen. Concerned about potential road-repair "malpractice," SVYM filed a Right to Information (RTI) application asking about the details of the contract. The information revealed possible improprieties in the contract tender, and an investigation by the Lok Ayukta, the official anti-corruption institution, confirmed that proper procedures had not been followed.

The SVYM realized that filing a complaint against the contractors would lead to protracted legal proceedings and, in the meanwhile, the area and the villagers would still lack a good, usable road. It was at this point that a new "Road to Road-laying" was proposed. The plan was to conduct a new estimate for the work, issue a call for tenders and award the work to qualified contractors. The selected contractor would be involved as a key stakeholder and would be required to ensure high-quality output. The engineers from CNL, the company with official responsibility for the road, would ensure compliance with the clauses and specifications in the contract. And — most important — a committee of the local villages would be formed to act as a Social Audit Group. SVYM would facilitate the training and functioning of the Social Audit Group.

The role of the social audit committee, which comprised 22 men and women, was to monitor the road work on a daily basis, support the contractor when necessary and ensure that quality was maintained. This was the first time the community was taking an active role

in the development of a road. As Madan from Kalasoor says, "We had always taken our roads for granted and assumed it was the government's responsibility. If they were bad, we did not do anything except complain. Now we actually had the chance of getting involved in it actively."

As the work progressed, relationship between all the three stakeholders became more cordial and they became more adept at solving problems as they arose. Regular weekly stakeholder meetings were held to discuss project progress, outstanding issues and community observations. Since the committee members were already oriented to the crucial aspects of road construction and repair, they were in a better position to understand and deal with any technical issues and were better able to respond to concerns of community members directly without bothering the contractor or engineers. Because of their important role, the villagers feel ownership and pride in this road.

The entire 6.5 km stretch of phase one was completed without any major hurdles in a record time of 6 weeks, and the remaining 6 km will be completed in the second phase, beginning after the monsoons.

Swami Vivekananda Youth Movement (SVYM) is a development organization founded by Dr. R. Balasubramaniam in 1984 and is engaged in building a new civil society in India through its grassroots to policy-level action in Health, Education and Community Development sectors. Acting as a key promoter/facilitator in the community's efforts towards self-reliance and empowerment, SVYM is developing local, innovative and cost-effective solutions to sustain community-driven progress. The organization has more than 60 projects in the sectors of health, education, community development, awareness and training located throughout the districts of Karnataka State.

For more information about the organization and its activities, go to: [www.svym.org.in](http://www.svym.org.in).

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## **Public Expenditure Tracking Surveys: Lessons from the Field by Vivek Ramkumar**

The IBP recently completed a report on NGO experiences with public expenditure tracking surveys, in which it presents case studies by NGOs in Tanzania, Malawi, Zambia and Mongolia. Although the report does not draw concrete conclusions on NGO experiences in conducting expenditure tracking surveys, it offers several lessons regarding this matter.

NGOs have distinct skills that they can bring to an expenditure tracking exercise. Many NGOs, particularly those at the grassroots level or with mass memberships, are grounded in local communities and have an intimate understanding of problems faced by these communities. These NGOs can draw upon their understanding of local problems to conduct an expenditure tracking survey that examines issues that are of most concern to the communities.

Further, a common aspect of the survey methodology employed by NGOs is the use of local people to administer questionnaires, which can increase citizens' understanding of budgets and thus strengthen the base on which advocacy efforts can be built.

However, NGOs face challenges in implementing expenditure tracking surveys; chief among them is the lack of access to information. To some extent, this problem is predictable in that if reliable information were readily available, an expenditure tracking survey would probably not be needed in the first place. Nevertheless, there is a difference between cases in which data are unreliable because they are incorrect and cases in which officials simply refuse to share data. (For more information on access to budget information, please visit [www.openbudgetindex.org](http://www.openbudgetindex.org).)

Another challenge faced by NGOs is that governments often follow complicated systems of financial transfers for sectors such as education and healthcare, in which funds flow from the central levels to districts and finally to schools and hospitals. In order to implement an expenditure tracking survey, an NGO needs to be equipped technically to navigate through the financial procedures these transfers entail.

While expenditure tracking surveys have the potential to identify leakages within a financial system and inform positive policy changes, these outcomes can be imperiled by adverse reactions from a government. The report cites an example in Tanzania, where in 2005 an NGO publicized negative findings from an expenditure tracking survey report that was commissioned by the Tanzanian government. The NGO sponsored advertisements in newspapers and on broadcast programs presenting its public expenditure tracking survey findings, to which the government responded by forbidding the Education Ministry from cooperating with the NGO. Nonetheless, pressure from the international community — coupled with the NGO's popularity with the public — prevented the government from banning the organization.

Additionally, “expenditure tracking surveys” has become a catch-all phrase used by NGOs to define a number of expenditure monitoring activities that are often beyond the scope of a traditional expenditure tracking survey exercise. In many instances, the research objective of an NGO is not limited to identifying leakages of funds from one level of government to another but often includes identifying shortages of health or education funding and shortfalls in school and hospital quality. The focus on assessing the adequacy of budget allocations that NGOs often bring to an expenditure tracking survey can be read as a strength rather than a weakness in that the ultimate objective of these tracking exercises is surely to ensure that service beneficiaries — and particularly the poor and marginalized — have access to high-quality services from properly funded education and health systems.

While expenditure tracking surveys can be a useful tool for NGOs, such surveys by themselves often do not enable a group to assess all of the problems it is working to address. Consequently, the IBP has documented a variety of tools that NGOs can use to track expenditures and monitor government budgets, including citizen report cards, social audits, and public procurement monitoring processes. All of these tools should be looked upon as part of a catalogue of methodologies that can be applied by NGOs to monitor government budgets and demand improvements in the effectiveness of budget implementation.

The International Budget Partnership has recently published the guide *Our Money, Our Responsibility: A Citizens' Guide to Monitoring Government Expenditures*. This guide offers an overview of government budget implementation processes and provides practical, tested tools that can be used by civil society organizations interested in monitoring government expenditures. The book is available online at [www.internationalbudget.org](http://www.internationalbudget.org).

For more information, contact Vivek Ramkumar at [ramkumar@cbpp.org](mailto:ramkumar@cbpp.org).

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## Indonesia Enacts Freedom of Information Law by Dedi Haryadi

Although it will not become effective until 2010, the passage of a Freedom of Information (FOI) law in Indonesia on April 3, 2008, was an historic moment not only for activists doing applied budget work but also for the public. After more than eight years of advocacy by many parties — a coalition of NGOs, donor agencies, journalists and various other pressure groups — all 10 of the factions in the Indonesian parliament unanimously approved the FOI bill.

The FOI law governs the following: 1) the obligation of public institutions to disclose information to the public, 2) the guarantee of the public's right to have access to government information, 3) what information should be disclosed and how it should be made available to the public, 4) the procedures for accessing information, 5) what information will be exempted from the law's requirements, and 6) the tasks and functions of a commission of information. This commission will be responsible for drafting the policies and procedures for the implementation of the act.

This short article will closely examine the political and practical implications of the new FOI law for applied budget work and the ongoing advocacy for more transparent budget processes in Indonesia. Politically, the passage of this law clearly shows that the Indonesian people have begun to have some level of success in reclaiming their state. This success is due to the processes that have been in place as the nation transitions to greater democracy, which have provided significant opportunities to realize and strengthen the civil and political rights of the people. The recognition of these rights stands in stark contrast to what existed for decades under the authoritarian Suharto government that denied and neglected the civil and political rights of the people and strictly controlled the media and access to information.

This repressive state distorted the budget process at the national and local level by creating information asymmetries, i.e., not all of those who would be affected by budget decisions had access to sufficient information to effectively participate in those decisions. The result was the passage of asymmetric budgets that served narrow interests at the expense of the broader needs of the nation and its people. During this period, it was not only the Indonesian people who were denied access to important budget information but also members of parliament and other government officials. The budget process was not transparent and accountable, and the asymmetric budgets that came out of that process were characterized by mark-ups on the expenditure side, mark-downs on the revenue side and a prevalence of off-budget expenditures.

The implementation of the new FOI law will reduce information asymmetries in Indonesia's budget process and make the budget more open and accountable. Indonesia was one of the countries included in the IBP's 2006 Open Budget Index (OBI), a comparative measure of the level of transparency and inclusiveness of the budget processes in 59 countries. Is this a quote "...I was involved in the research on which our nation's OBI score of 0.41 was based, which placed Indonesia in the third of five OBI categories of budget transparency and accountability," said Haryadi. Countries in the third category provide some budget information to citizens, and the 21 countries in this category included Bulgaria, Colombia, Costa Rica, Ghana and India.

Improving the level at which Indonesia provides information to its citizens and involves them in its budget process is important, in part, because research has shown empirically

that transparent and accountable government, of which FOI laws are a significant part, reduces the incidence of corruption. In addition to its potential for reducing corruption, the new FOI law could deepen civil society engagement in the budget process, improve public access to budget information, and increase public awareness of important issues. More specifically, advocacy for open and accountable budgets would be easier.

The potential of the new FOI law will become reality if we can succeed in addressing three critical factors related to its implementation. First, we need to increase and strengthen the public demand for information, including budget information. At the local level, an absence of strong public demand for information has made implementing the many existing bylaws on public participation and transparency difficult. Second, we need to ensure that the government has the capacity to provide and disclose budget information in a user-friendly form. And third, we need to increase activities that will improve the public's budget literacy — the awareness of and capacity to understand budget information and processes.

For more information, contact Dedi Haryadi at [dedi@tifafoundation.org](mailto:dedi@tifafoundation.org).

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## **NGOs Gear toward Transparency and Greater Participation in the Philippines' Budget Process by Robert Valencia**

In the Philippines, civil society is diverse and dynamic, with a rich track record of service delivery, social innovation, political activism and lobbying for policy reform. As a result, a number of NGOs and coalitions are active in doing budget work at the national and local level. Among this group you can find Procurement Watch, which has developed pioneering methodologies for citizen oversight of national government procurements; [Galing Pook](#), a foundation that conducts an annual competition that selects and awards the best quality local government programs; and the [Philippine Center for Investigative Journalism](#), which has published investigative reports, often using budget information, that have had extraordinary impact on Philippine politics.

However, projects conducted by civil society organizations (CSOs) at the sub-national and national level could be more critical and analytical if the groups had greater capacity for budget analysis and advocacy. For this reason, Social Watch Philippines convened a panel where? last May that shared perspectives and offered guidance on budget advocacy and its challenges, as well as some advances in the budget process in the Philippines. Divided into three sessions, the workshop touched upon vital topics such as budget analysis, media advocacy strategies and international experience in budget advocacy.

Among the selected panelists was Ravinder Singh Duggal, who explained that global experience has demonstrated that there are various ways in which to influence budgets and demand budget accountability. He also noted that work at different stages of the budget cycle is being taken up as an issue of good governance by an increasing number of groups.

In addition, Duggal noted the need for greater budget transparency in the Philippines based on the results of the IBP's 2006 Open Budget Index — a study of openness, transparency and accountability of the budget process across 59 countries. In this study, the Philippines provides only some information on the budget to its citizens. A summary of the 2006 Open Budget Index results for the Philippines can be found at: <http://www.openbudgetindex.org/CountrySummaryPhilippines.pdf>.

The workshop served as an arena for discussing the lessons learned from the Alternative Budget Initiative (ABI), a consortium of different civil society groups and progressive legislators in the country. Among these lessons is the importance of engaging with key partners in the budget process and the need for non-governmental organizations (NGOs) and CSOs with different advocacy skills to work together. Promoted by Social Watch Philippines, the ABI encourages CSOs to acquire the skills needed to understand the dynamics of the timing and the approach when engaging legislators, as well as to conduct up-to-date, evidence-based research in order to set rational priorities that will guide the crafting of responsive sectoral budget proposals.

The workshop stressed the need to take advantage of the recently enacted resolution by the Philippine House of Representatives that allows NGOs to participate in the preparation of the national budget. This new resolution opens the door for NGOs to actively engage in the budget process and establish formal lines of communications with legislators.

The use of media strategies in budget advocacy was recommended, including developing cost-effective media kits, blogs, news releases and podcasts to help broadcast organizations' proposals nationwide. Also, attendees were encouraged to use lobbying as part of an integrated advocacy marketing plan that would attract the attention of lawmakers.

Additionally, two workshops discussed the future, gaps in performance and specific activities in such sectors as environment protection, agriculture, education and health in the Philippines.

For more information about Social Watch in the Philippines, visit <http://socialwatchphilippines.org/>.

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## **Extractive Industries Transparency Disclosure Act is Introduced in the United States Congress by José María Marín**

On May 15, 2008 Representative Barney Frank, the chairman of the U.S. House of Representative's Financial Services Committee, and co-sponsors introduced the Extractive Industries Transparency Disclosure (EITD) Act for congressional consideration. The EITD Act would require oil, gas and mining companies listed on the U.S. Securities and Exchange Commission (SEC) to publicly disclose all payments made to foreign governments. The law is designed to curb corruption in countries where extractive industries represent a significant share of the economy and help increase the accountability of foreign governments, as well as foster good business practices for investors and companies.

Governments from resource rich countries around the world receive significant payments from foreign companies for extractive operations; however, most of these payments are unaccounted for and are often swindled or mismanaged by corrupt officials. As evidence that these payments are not being put to good use, two-thirds of the world's poorest people live in the 50 or more countries that can be characterized as resource rich, giving way to what is known as the "resource curse" or the "paradox of the rich." In addition to high poverty levels, many of these resource rich countries are characterized by weaker governance and greater instability.

The EITD Act would require companies to disclose in the financial statements already required by the SEC, country by country, all payments of over US\$100,000 made to foreign governments for oil, gas and mineral extractions. The law would apply to all companies involved in the extraction of oil, gas and minerals listed with the SEC, including U.S. and foreign companies. The act would apply to the majority of the largest oil, gas and mining companies in the world, setting an international precedent for the public disclosure of such information. It also would require that the information be compiled in a way that is directly accessible by the public and made available on the Internet. Such regulation would not criminalize any business transactions or create any new civil causes of action for such transactions.

The EITD Act would benefit investors, companies, foreign countries and the United States. The greater transparency that would result from the law would allow investors to better assess risk, especially since many of the companies that would be affected operate in volatile, high-risk countries. The EITD Act would benefit the affected companies by reducing reputation risk, as they could use the required disclosures to counter unfair accusations and blame-shifting from governments regarding these payments. The act will allow citizens in resource rich countries to hold governments to account, increasing levels of good governance and stability. The United States also would gain by reducing instability in the countries that supply it with natural resources.

The greater transparency that the EITD Act would provide would create the opportunity for civil society groups in resource rich countries to access information that previously had been hidden by profit-sharing agreements. There already exists a voluntary initiative called the Extractive Industries Transparency Initiative (EITI) that encourages resource rich countries to disclose company payments and revenue from oil, gas and mining. The EITD Act would complement this initiative since it would force companies to disclose their payments to governments in countries that are not members of EITI.

As stated by Dr. Morton H. Halperin, executive director of the Open Society Policy Center, "The freedom of information made possible by this bill will shed light on the billions of dollars governments are receiving from oil, gas and mining contracts. Governments can be then held accountable to their citizens and the international community for how the money is being spent."

It is possible to find similar laws around the world. The European Parliament approved an amendment to its Transparency Obligations Directive, which came into effect in January 2007 and promotes public disclosure by EU member states of payments made to governments by extractive companies listed on European stock exchanges. In late 2007 the European Parliament recommended new international accounting standards that would require mandatory reporting of revenue payments for extractive companies.

In the United Kingdom, all extractive companies listed on the Alternative Investment Market — part of the London Stock Exchange — must disclose all payments made to any government by the company for acquisition or maintenance of assets of over £10,000. Norway requires all companies in the country to report payments to foreign governments for natural resources extraction to the Brønnøysund Register Center of the Norwegian Ministry of Trade and Industry.

"In too many countries, the discovery of valuable natural resources has led to more harm than good. The principle that the people of a country ought to know what revenue is being

generated by their country's resources shouldn't be a controversial one," said Representative Frank.

For more information, visit [www.openthebooks.org](http://www.openthebooks.org) and [www.pwypusa.org](http://www.pwypusa.org). All the information in this article was obtained from materials on Open the Books website and the Publish What You Pay USA website.

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## **Participatory Budgeting in Brazil: A View from India by Vinod Vyasulu**

Brian Wampler has written a fascinating book titled *Participatory Budgeting in Brazil: Contestation, Cooperation and Accountability* that examines one of the most interesting examples of citizen participation in the budget process. Cabe mencionar que Brazil era una dictadura cuando esto se introdujo en 1989. [1]

Wampler has taken the debate on participatory budgeting beyond Porto Alegre and examined its various manifestations across several Brazilian cities. In the process, he describes what is exceptional about Porto Alegre and the common factors found in all the examples of participatory budgeting in Brazil.

The main argument of the book is that "the substantial variation in the actual delegation of authority to citizens . . . can best be explained by . . . [a] mayoral administrations' incentives to choose to delegate authority, [b] the particular rule structure that is used to delegate authority to citizens, and [c] how CSOs and citizens respond to the new institutions." In other words initial conditions matter. The variations in these conditions also make prediction rather hazardous. The initial conditions in Porto Alegre were auspicious.

That there are variations across a country as huge as Brazil is no surprise. But that participatory budgeting has spread so widely across the country is noteworthy. Those of us who have been working with budgets as a tool of democracy, as the entry point for debates on public priorities, have much to learn from Wampler's book. I cannot help but ask: what made this happen in Brazil and not in India, which has been a democracy since 1947?

Indian scholars have been attempting to answer this question for some time. A brief visit to Brazil, including stops in some of the cities Wampler examines, taught Chiranjib Sen and me that part of the answer is that the historical contexts of the two countries are different.

Wampler makes the unexpected point that Brazil's military rule was an important factor in making participatory budgeting in the country possible. In the 1980s, Brazil embarked on a long and hard struggle to return to democracy. This effort built on the experience of military rule and the Worker's Party's (WP) fight for democracy. An appreciation for the importance of civil society institutions developed and was fostered at this time. Thus, when the new constitution was being written, the WP and others played an important part in defining Brazil as a union of the federal state, the provinces and the municipalities. It was unique to provide municipalities a constitutional status within which to experiment — a point of difference with India.

Because military rule had created distrust in the larger state, political power was vested in the people. A space was created for civil society (conselhos) in a way that has not happened

in other countries, certainly not in India. At the municipal level in Brazil, there are elected councilors and a distinct set of elected participatory delegates. When the two work in tandem with a supportive mayor, we get Porto Alegre.

When the Worker's Party won the election in Porto Alegre, it was able to move decisively. The mayor had constitutional status and could legitimately bring civil society into the process. There were a number of people schooled in the earlier struggle who worked diligently to bring people, including women and the poor, into participatory budgeting. Many studies have focused on the details of the Porto Alegre experience, but there has not been enough emphasis on the reason it was possible. Initial conditions are important, and they were favorable here.

Other cities had a different history, which influenced their experiences with participatory budgeting. Wampler's work in bringing out these variations and nuances is an important contribution to our understanding not just of participatory budgeting but also of local budget processes, in general.

Wampler's conclusion is worth quoting in detail: "CSOs... NGOs... and international funding agencies and think tanks that advocate the adoption of participatory institutions need to be more cognizant of the potential trade-offs associated with the functioning of participatory institutions... When governments are not interested in promoting these new institutional spaces, they are more likely to overlook the demands of [participatory budgeting] participants, thereby emasculating the institution."

The point that participatory budgeting needs both a cooperation with government and a form of contestation brings home to us in other parts of the world the importance of both forms of work — it is not an either/or situation. But when does one cooperate, and when does one contest? [2] And how? Bridging the gulf between those who think the government has sold out to vested interests and those who argue that it is possible to bring change from within is no easy task.

It is incumbent upon CSOs to digest this information and apply it to their work. There is no general formula — in all cases judgments must be made, and we must recognize that judgments can be wrong. But when they are, we must learn to build on the experience gained.

[1] For a discussion of the Indian equivalent, see my book, *Panchayats, Democracy and Development*, Rawat Publishers, Jaipur, 2000.

[2] There is a wealth of experience within the IBP on this. See the forthcoming book, edited by Mark Robinson and Warren Krafchik, dealing with cases studies from several countries. Additional information is also available on the IBP website: [www.internationalbudgets.org](http://www.internationalbudgets.org).

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## **Michael Edwards Questions "Philanthrocapitalism" in his New Book by Robert Valencia**

Michael Edwards, director of the Ford Foundation's Governance and Civil Society programs, recently released his book titled *Just Another Emperor: The Myths and Realities of*

*Philanthrocapitalism*, in which he raises concerns about the increasing influence of business thinking and market principles on the world of philanthropy. In an article based on his book, Edwards describes philanthrocapitalism as “a movement to harness the power of business and the market to the goals of social change.”[1]

Edwards stresses critical points of philanthrocapitalism — and the hype surrounding it — that might divert attention from the deeper changes that are required to transform society and argues that those who support extending business principles to the world of civil society and social change ignore the costs and trade-offs involved in doing so. Edwards explains that, while the efforts of philanthrocapitalists to deploy market methods to distribute goods and services may work on a smaller scale, “the evidence suggests that they are very difficult to operate successfully at scale, and that they usually experience some trade-offs between their social and financial goals.” To support this point, he cites a survey of 25 joint ventures in the United States that found that all but three of the initiatives were characterized by a disconnect between their mission and the bottom line. Furthermore, the two joint ventures surveyed that showed the greatest success in financial terms were also those that had moved the furthest from their social mission by emphasizing activities more likely to increase income at the expense of advocacy and services to the neediest or most difficult to serve clients.

Edwards identifies some worrying trends related to the increasingly market-oriented approach to social change, including:

- “the loss of independence that comes with dependence on business or government, and the consequent weakening of civil-society’s ability to hold them accountable for their actions,”
- “the dilution of ‘other-directed’ behavior by competition and financial incentives (for example, paying volunteers),” and
- “increasing inequality within civil society between well-resourced service providers (or other groups considered to be high performers by large investors) and under-resourced community and advocacy groups.”

While acknowledging that philanthrocapitalism may have increased the overall size of civil society, Edwards thinks it has done little to foster a concomitant increase in civil society’s ability to bring about significant social transformation. He argues that this is because “the logics of business and social transformation are not just different — they pull in opposite directions in many important ways.” Edwards draws a contrast between civil society, the success of which is often based on “the quality of interactions between people and the capacities and institutions they help to create,” and business metrics that “privilege size, growth and market share.” As Edwards puts it, “philanthrocapitalists are not in the mood to wait around for their results, and the metrics they use to evaluate success focus on short-term material gains not long-term structural shifts in values, relationships and power.”

Edwards concludes by observing that “the increasing concentration of wealth and power among philanthrocapitalists is unhealthy for democracy” and warns that “the use of business and market thinking can damage civil society, which is the crucible of democratic politics and social transformation.” He calls for a global public debate to answer “the 55-trillion-dollar question (the amount of philanthropy that is projected to be created in the United States alone over the next forty years): will we use these vast resources to pursue social transformation, or just fritter them away in spending on the symptoms?”

In a response to Edwards, The Atlantic Philanthropies CEO Gara LaMarche says that while he agrees with much of what Edwards says in his article and book, "it is wrong to pose what Edwards calls 'philanthrocapitalism' against traditional philanthropy, because much of his critique is as applicable as well to the large established foundations, which have hardly been in the vanguard of social movements." [2] LaMarche points to a few examples in which foundation support played a role in such social change campaigns as the civil rights' and women's movements but argues that "meaningful social change that upsets the established social order will rarely receive — at least not in the critical earlier stages — support from establishment institutions."

LaMarche does not ignore the sometimes catalytic role that foundations have played in social change and cites Gunnar Myrdal's report on racism commissioned by the Carnegie Foundation, *An American Dilemma*, and George Soros' role in moving the debate on drug-policy reform forward as examples. However, he says that "foundations are not where social movement comes from; and in this respect the newer brand of venture capitalists resemble the older foundations they are beginning to overshadow."

Although LaMarche agrees with Edwards that the emphasis philanthrocapitalists place on measurability and applying market mechanisms to civil society and social change has been over-hyped, he argues that there is a real need for social-justice advocates and the foundations that fund them to address donors' concerns about the impact of funding for advocacy and social policy. He says, "That doesn't mean that we should all become bean-counters, or adopt the mind-numbing jargon of the corporate world. But it does mean we should take control of the 'evaluation' discussion and work together to forge tools that can communicate the importance and impact of social-justice philanthropy to those who are not already singing from the hymnbook."

For more information on Michael Edwards' *Just Another Emperor: The Myths and Realities of Philanthrocapitalism*, go to: <http://www.justanotheremperor.org/>.

To download the publication, go to:

[http://www.nonprofitquarterly.org/images/fbfiles/files/Just\\_Another\\_Emperor.pdf](http://www.nonprofitquarterly.org/images/fbfiles/files/Just_Another_Emperor.pdf)

To read the review by the Non Profit Quarterly, go to:

<http://www.nonprofitquarterly.org/content/view/513/1/>.

[1] Unless otherwise noted, all quotations from Michael Edwards are from Michael Edwards, "Philanthrocapitalism: After the Goldrush," *Democracy News Analysis* from Open Democracy, March, 20, 2008, downloaded from <http://www.opendemocracy.net/node/36008/print> on July 1, 2008.

[2] Unless otherwise noted, all quotations from Gara LaMarche are from LaMarche, Gara, "[Philanthropy for Social Change: A Response to Michael Edwards](#)," *The Atlantic Philanthropies*, April 9, 2008, downloaded on July 1, 2008.

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## **A Collective-Action Approach to Sustainable Immunization Financing by Christina Morgan**

Immunization programs save tens of thousands of lives in the developing world, and the introduction of new vaccines will save many more. As new, pricier vaccines enter the global market, however, many developing countries are struggling to finance their immunization

programs. To address this growing challenge, the Sabin Vaccine Institute (<http://sabin.org/>) has launched the Advocacy Project for Sustainable Immunization Financing. Funded by a generous grant from the Bill & Melinda Gates Foundation, the Advocacy Project concentrates its efforts in 12 African countries: Cameroon, DRC Ethiopia, Kenya, Liberia, Mali, Mozambique, Nigeria, Rwanda, Senegal, Sierra Leone, and Uganda and three Asian countries: Cambodia, Nepal, and Sri Lanka. Achieving sustainable immunization systems can demonstrate a country's ability to deliver a valuable public good on its own terms.

The Advocacy Project will take two unique approaches to establishing sustainable immunization financing mechanisms. First, the public health and fiscal management experts who will compose the Advocacy Project team will serve as facilitators for domestic immunization stakeholders: not only parliamentarians and ministries of health and finance but also civil society actors and private businesses. Engaging these stakeholders in the budget process increases transparency and accountability.

A second unique approach is that the project will operate within a collective action framework. Advocacy Project team members will help set goals and strengthen communication and collaboration among domestic stakeholders and Global Alliance for Vaccines and Immunization (GAVI) partners (WHO, UNICEF, World Bank and others), who currently play a pivotal role in financing national immunization systems. The team will visit each country quarterly to collect information and provide feedback to key actors. Collective action will also be supported through frequent exchanges of key actors across countries. Acting collectively, participants will exchange best practices and hone their budget skills.

The ultimate goal of the Advocacy Project is to assist each country in establishing predictable and sufficient financing for immunization, which will mean securing new, diverse long-term funding sources. Sustainability is assured when each country meets all immunization costs through some combination of long-term domestic and external funding. Civil society groups, media and parliaments will all play a role. The Advocacy Project expects the 15 participating countries to have reached the goal of sustainable immunization financing by 2015. The project's innovative approaches to immunization financing, if successful, can be readily adapted to other development areas.

For more information about this initiative, go to: <http://sabin.org/programs/sif/index.html> or contact Mike McQuestion at [mike.mcquestion@sabin.org](mailto:mike.mcquestion@sabin.org) or Christina Morgan at [Christina.Morgan@sabin.org](mailto:Christina.Morgan@sabin.org).

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## **Building Fiscal Infrastructure in Post-Conflict Countries by José María Marín**

Recently the United States Agency on International Development (USAID) released a new study titled "[Building Fiscal Infrastructure in Post-Conflict Countries](#)." The study is based on the experiences of seven countries that have recently emerged from conflict. The findings of the report closely mirror those in the paper titled "[Rebuilding Fiscal Institutions in Postconflict Countries](#)" by Gupta, Tareq, et al., which summarizes the experiences of the IMF Fiscal Affairs Department (FAD) in rebuilding fiscal institutions in 17 post-conflict countries. Below is a short summary of the key lessons obtained from the recent USAID experiences and the IMF's work.

Countries emerging from conflict depend on their fiscal institutions to help the normalization process, during which the government is called upon to begin rebuilding and to institute programs to heal grievances and stabilize the economy. In this respect, governments in post-conflict countries need to have a functioning system that will allow them to generate revenues and make expenditures in order to meet the needs of the country. The USAID report defines fiscal infrastructure as the systems that manage public revenues, public expenditure, fiscal policy analysis and policy making and the gathering and reporting of economic and fiscal statistics.

The countries included in the USAID report are Afghanistan, Angola, Bosnia and Herzegovina, El Salvador, Guatemala, Kosovo, and Liberia. The report identifies the common challenges facing the countries as well as key lessons that emerge from each country's experience. Lastly, the report delves into issues of the sequencing of activities, identifying those that are most urgent and should occur early in the process of rebuilding fiscal institutions.

## Lessons Learned

Both studies shared some key findings, including the conclusion that expenditures should be one of the first issues addressed, especially because of the sudden demands for resources that reconstruction efforts require. The expenditure system must be simple, easily administered and transparent. To attain this, the FAD identifies two key steps: 1) creating a treasury and payment system, and 2) creating a single account for collecting revenues and disbursing payments to ensure comprehensiveness and accurate reporting.

Another of the priority areas identified in the USAID report is the need to get control over the receipts process. The demand for expenditures during reconstruction requires that simple systems be instituted to streamline the receipts process in order to collect taxes rapidly. Both reports emphasize the importance of initially focusing on indirect taxes — such as customs taxes — in order to raise funds quickly and simply. Although it is recognized that some of these taxes are suboptimal for the economy in the long run, it is a necessary evil in the short run. In addition, some of the fiscal institutions in post-conflict countries might not have the capacity to implement direct taxes, which are more complex to administer and guarantee compliance. Hence, a strategy of phasing in tax policies in a way that is consistent with the ability of the authorities to administer them and the economy to absorb them is important for rebuilding fiscal institutions in post-conflict countries.

Both reports note the importance of capacity building for the fiscal institutions. Although, this aspect of developing fiscal institutions is a long-term process, donors must make the effort to strengthen local capacities as soon as possible. Both administrative as well as analytical ability must be developed if the public financial management system is to be sustainable. The USAID report notes that the need to address weak statistical systems might be included in this process.

Lastly, both the FAD and the USAID report emphasize due to the large influx of donor assistance in post-conflict countries, coordination among donors is essential. Donors must do more than simply meet periodically to discuss the work they are doing individually, according to the USAID report, rather, the reconstruction process must be approached holistically by donors working toward the same goal.

There are several resources online on rebuilding fiscal institutions in post-conflict countries. More information regarding this topic can be found in the IMF's [PFM Blog](#), and on the USAID

website on fiscal reform at <http://www.fiscalreform.net/>. Additionally, the Center on International Cooperation of the New York University has a section dedicated to [Public Finance and Economic Recovery](#) in post-conflict environments.

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## **Mobile Phones and NGO Advocacy. Interview with Katrin Verclas of Mobileactive.org by Robert Valencia**

With more than 3.5 billion cell phones being used across the world, mobile services are becoming a potential tool for nongovernmental organizations (NGOs) to use in advocacy and engagement strategies, revolutionizing the way organizations render services, provide access to information, and involve people in their efforts. For example, the American Red Cross has used SMS technology (short message service or text messaging) to bolster their relief efforts, allowing U.S. mobile customers to make a tax-deductible donation to the Red Cross simply by sending a text message containing the keyword "Help." As part of these special relief initiatives, the mobile carriers waived their usual high fees for so-called premium SMS.

We recently interviewed Katrin Verclas from Mobileactive.org on the advances in using mobile technology for advocacy purposes. A recognized expert in mobile communications for social impact, Verclas has led several nonprofit organizations, such as the NTEN: The Nonprofit Technology, and has served as a program officer at the Proteus Fund, focusing on the use of technology in civic and democratic participation and in government transparency.

### **Background**

MobileActive.org is a growing international network of 3,000 volunteers — highly skilled practitioners, technologists, grassroots activists, NGO staff, intermediary organizations, content and service providers and organizations who fund mobile technology projects — dedicated to the use of mobile phones to make the world a better place. Its mission is to increase the effectiveness of NGOs around the world and to recognize that the proliferation of mobile phones provides unprecedented opportunities for service and information delivery, organizing and communications. The members of the network seek to expand access to knowledge, ideas and experiences about the use of mobile technology for social impact; reduce learning costs for deploying mobile technology; accelerate NGOs' use of effective strategies and tactics of mobile advocacy; and provide a comprehensive platform for building partnerships and for facilitating access to technology and funding.

MobileActive.org members work together to create the resources NGOs need to effectively use mobile phones in their work: locally relevant content and services, support and learning opportunities, and networks that help participants connect with one another. With these things on hand, tens of thousands of NGOs will be in a better position to enrich and serve their communities.

*IBP:* What are some of the innovative ways in which advocates are using mobile phones?

*Katrin Verclas:* This is still an emerging field in which many organizations are trying out various approaches, some with some real success. There are several case studies that demonstrate the use of SMS in the advocacy work of such NGOs as Greenpeace, which was able to effectively advocate for a law by building a large database of supporters. About

300,000 phone numbers were collected from a web form, and an additional 50,000 were collected via other means, such as email or through volunteers stationed on busy streets. Other advocacy groups such as the World Wildlife Fund in South Africa have used so-called SMS information lines to inform buyers at the point of purchase via SMS whether the product (in this case, fish) the consumer is interested in is harvested in an environmentally responsible manner.

*IBP:* Are there any initiatives anywhere in the world that use mobiles for budget-related data collection, monitoring or advocacy?

*Katrin Verclas:* Not yet. However, we are exploring, together with several funders and advocacy organizations, how budget monitoring groups can use mobile technology and other new media in their campaigns and outreach. In the next few months, we will be doing a comprehensive assessment of budget monitoring groups and organizations concerned with government accountability to learn more about their information needs and how to integrate mobile phones into their work.

*IBP:* We have seen the pros of using cell phones for advocacy purposes. Are there any difficulties NGOs might face by using SMS, and how would you help them overcome these obstacles?

*Katrin Verclas:* Yes, using mobiles for advocacy and engagement is not easy. There are a number of barriers: lack of clear strategy, lack of technical know-how, lack of resources (i.e., money, as mobile campaigns can be costly), and lack of scalable tools and mobile applications. We have done a comparison of do-it-yourself tools, and many are lacking in functionality and ease of use and require significant technical capacity. In a growing number of countries, there are commercial vendors, mostly used for mobile marketing campaigns, which may be suitable in some cases for an advocacy campaign, as well. Lastly, there are security concerns in countries with repressive political environments — any organization looking to use mobiles needs to be keenly aware of the idiosyncrasies of mobiles and how to use mobile phones securely so to not endanger their work in any way.

*IBP:* What tips or suggestions would you offer to an organization that wants to start an advocacy campaign using mobile services?

*Katrin Verclas:* Advocacy campaigners need to think through their strategy carefully to determine where mobiles make the most sense and how to best integrate them into an overall strategy. Generally, mobiles as an interactive medium are useful in urgent alert situations and as a way to interact two-ways with their constituents. It is critically important to understand what mobile technology is great for and what it's not useful for in the context of a campaign. Integrating mobiles into an advocacy effort also means that you have to know your constituents well, understand how and for what they are using mobiles and then make your "ask" accordingly.

For other recommendations on running a mobile campaign, please visit the case studies in the MobileActive Strategy Guide on Advocacy (<http://mobileactive.org/strategy-guide-2-mobile-phones-advocacy-campaigns>) and the case studies and materials on MobileActive.org related to advocacy (<http://tinyurl.com/5jqvmb>).

For more information on the network and mobile use for social impact, visit <http://mobileactive.org>.

If you have ideas on how the use of mobile phones can enhance a budget advocacy campaign send an email to [info@internationalbudget.org](mailto:info@internationalbudget.org).

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## **Publish What You Fund (PWYF) Campaign Needs Your Support**

The Publish What You Fund (PWYF) Campaign is a new initiative to promote access to information, accountability and participation for more effective aid processes. This initiative has been developed by Access Info and Tiri ([www.tiri.org](http://www.tiri.org)) in consultation with a working group of leading aid organizations (Action Aid, UK Aid Network, DATA, Aidinfo) and with input from International Alert, the International Budget Partnership and Article 19. PWYF is finalizing the campaign's principles and is turning to the global budget monitoring community for feedback and reactions.

To review the principles, go to: <http://www.internationalbudget.org/PWYFConceptNote.pdf> and <http://www.internationalbudget.org/PWYFPrinciples.pdf>.

To send your feedback, contact Program Director Martin Tisne at Tiri: [martin.tisne@tiri.org](mailto:martin.tisne@tiri.org). The deadline for comments is August 15, 2008.

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## **New in the IBP Participatory Budgeting Theme Page**

A few new toolkits on participatory budgets that have surfaced recently can be found on the IBP website at: <http://www.internationalbudget.org/themes/PB/index.htm>.

### *Participatory Budgeting Unit*

The Participatory Budgeting Unit is a project of Church Action on Poverty in the UK, which supports public sector and community groups in developing participatory budgeting processes in their local areas within the UK. The toolkit is an easy to use "how to" guide for participatory budgeting for the UK.

### *Participatory Budgeting in Africa: A Training Companion with Cases from Eastern and Southern Africa*

Participatory budgeting in Africa is part of an effort to build the capacity of local government officials and their partners for greater accountability and good governance. This companion guide is aimed at helping local governments and other stakeholders prepare for, design, initiate and manage a participatory budgeting process by training key actors who initiate the budgeting processes.

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## **New World Bank Publications**

Two new World Bank publications in the Public Sector Governance and Accountability series have been released:

### *Local Public Financial Management*

The volume provides an overview of local government financial accounting and reporting. Practical guidance is imparted on how and when to use debt, how to assess debt affordability, what debt to use, how to issue debt, and how to manage debt. The use of internal controls and audits to ensure efficiency and integrity is highlighted.

### *Performance Accountability and Combating Corruption*

The volume is organized into two parts. The first part deals with public management reforms to ensure the integrity and improve the efficiency of government operations. The second part provides advice on strengthening the role of representative institutions, such as organs and committees of parliament, in providing oversight of government programs.

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## **International Tax Dialogue**

[The International Tax Dialogue \(ITD\)](#) is a collaborative arrangement involving the IDB, IMF, OECD, UN and World Bank Group to encourage and facilitate discussion of tax matters among national tax officials, international organizations and a range of other key stakeholders.

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## **Finding the Money, edited by Gábor Péteri**

[Finding the Money](#) is a joint publication by the Local Government and Public Reform Initiative and the Center for Policy Studies at the Central European University. It is based on materials developed as part of a summer course at the Central European University.