

PARTICIPATORY BUDGETING AND REVENUE GENERATION

PRESENTATION AT THE GDLN
DISSEMINATION EVENT ON 19 – 03- 09
BY Ziria Ndifuna and Alfred Chanza

Project Design and Workplan

Background, design and purpose of Project

- Originated from the Durban PB seminar March 08 and launch of Peer to Peer Learning Initiative;
- Revenue Generation Group has members from Malawi, Swaziland, Tanzania, Zambia, Uganda;
- Project undertaken June 2008 covering Blantyre City Assembly (Malawi), Ilala MC (Tanzania), Kabwe MC (Zambia);
- Project formulated to explore linkage between PB and revenue generation;

2

Background, Design and Purpose of Project cont...

- Project explored **extent of citizen participation** in planning, budgeting and degree of responsiveness by revenue generation;
- Purpose was to explore PB mechanisms in context of **what is, what should** and **what could be happening**;
- Project set to examine foundation for PB by exploring expenditure assignment and revenue generation;
- Research done through fieldwork in select urban councils and literature review ;
- Guided by a Consultant, country focal-point officers led researchers and provided link with institutions/individuals;
- Field surveys done simultaneously in the 3 municipalities for 1 ½ weeks

3

Background, Design and Purpose of Project cont...

- Workplan provided for 11 days for preparation and field survey;
- 6 days for Consultant to guide interviews with Central Govt and national institutions;
- 2 days provided for data inputting and pre-running by Country Supervisors;
- 7 days for data analysis, interpretation and report writing
- Field surveys started 31st May and Draft Final Report submitted 27th June 08
- Over 400 people interviewed in each municipality, officials from national level, CSOs, etc.;
- Project report outlines analysis of findings, conclusions and recommendations ;

4

Project Rationale

- Study designed basing on experience from pilot study on PB in Uganda in January 2008;
- Little citizen participation despite elaborate legal, regulatory and institutional framework in Uganda;
- Local revenue collections declining progressively for last 5 years (Uganda);
- Need to explore in the 3 project countries legal, regulatory and institutional frameworks for PB;
- Need to compare what's in practice to how systems & processes were designed;

5

Project Rationale cont...

- Explored operating environment leading to effective PB and revenue generation;
- Level and quality of participation were explored and factors that facilitate or limit participation;
- Explored if there is increased and effective participation in debates and decision-making;
- Explored existing potential revenue generation against collections and contribution to LG financing;
- Links between contributions and service delivery, between accountability and revenue generation established;

6

Major Findings

- Malawi, Tanzania and Zambia at various stages of decentralisation;
- Practicing deconcentrated form of decentralisation mostly but shown desire to move to devolution;
- Have all not marched policies with adequate legal and institutional frameworks;
- Policy, legal and institutional frameworks to large extent do not support BP (Zambia);
- Tanzania, Malawi mention encouragement of participation though not supported by legal framework;
- Legal framework for Revenue generation exists for the 3 countries but policy framework not clear;

7

Major Findings cont...

- 76% of citizen category in surveys said they had never seen a LG budget;
- Level of trust in LG leadership is also quite low (36%);
- Efforts by the 3 municipalities in involving citizens in planning and budgeting encouraging;
- Residents of Blantyre City Assembly at one time demanded higher rates be charged;
- Kabwe MC residents indicated need to relate service provision to revenues collected;
- Want reasonable amounts of revenues going to service provision not administrative expenses;
- General view that maximizing revenue generation hinged on citizen understanding;

8

Major Findings cont...

- Citizen involvement encourages generation of innovative ideas on alternative or new revenue sources;
- Contribution of local revenues to LG financing minimal;
- The 3 municipalities realised need to strengthen PPPs;
- Revenue sharing mechanisms between CG & LG and between layers of LGs affect service delivery;
- Knowledge and skills level of LG leaders found inadequate and affects their performance;
- Resistance of CG to devolve powers to LGs (Zambia & Malawi) has led to slow pace of decentralisation;
- Corruption, high poverty levels, HIV/AIDs have affected LR collections in all 3 countries.

9

Recommendations

- Need to streamline policy, legal and institutional frameworks for meaningful fiscal decentralisation;
- Sensitization & capacity building of policy makers, politicians, local leaders and councilors;
- Meaningful participation of citizens and stakeholders;
- Revenue enhancement mechanisms:
 - Need for buoyant sources of revenue for LGs;
 - Ability to estimate revenue potential for various sources;
 - Systems of rewards & sanctions to motivate collectors;
- Coordination of LG revenue generation & budgeting;
- Peer to peer learning mechanisms.

Main Lessons Learnt

- Existence of structures, systems & procedures does not mean decentralisation process is operating well;
- Need to develop a comprehensive Strategy for fiscal decentralisation which spells out:
 - Decision-making centers in the processes of revenue generation and expenditure management;
 - Forums & systems for negotiation & dialogue to build consensus on resource allocation in the budgeting processes;
 - Institutions that facilitate continuous capacity building for efficient LG budgeting & revenue generation;
 - Information system for LG revenue & expenditure management;

11

Main Lessons Learnt cont...

- Citizens need to own LG budgets to meaningfully participate in development/governance issues (76% not aware);
- LGs: not aware of their revenue potential from various sources, collection capacity is unknown;
- LGs - generally treated by CG with suspicion;
- Policy, legal & institutional frameworks don't adequately address issues of PB;
- Capacity building should be continuous & also focus on citizens/local people;
- Political will: Need champions of decentralisation

Sustainability of Mutual Learning Initiative

- Study tours/exchange visits among peers;
- Adequate preparation before survey involving all group members;
- Participating group members to commit enough time during 'survey' period
- enough time should be allowed to accomplish tasks ;
- Specific software & other logistics should be obtained prior to the survey;
- Challenge: maintaining communication amongst group;
- Use of Consultant on project useful;
- Engage the countries where study was carried out to
 - understand and own contents of report
 - ensure effective implementation of recommendations