



AFFILIATED NETWORK FOR SOCIAL ACCOUNTABILITY

May 19-20, 2008  
Addis Ababa, Ethiopia

**OPERATIONAL PRINCIPLES OF BUDGET TRANSPARENCY  
AND DEMYSTIFICATION**

**BY**

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## INTRODUCTION

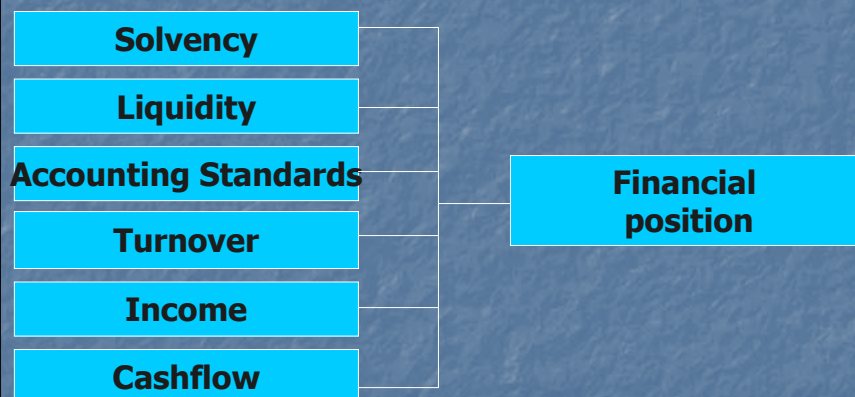
Broader context:

- Public sector reforms
- Decentralization
- Competition for Foreign Direct Investment
- Costs of investment attraction
- Requirements of open and democratic societies
- Public participation and Social Accountability
- Local Government Budget

## LOCAL GOVERNMENT BUDGET

- Single most important policy document
- Formal quantitative statement of resources
- Plan
- Monetary terms
- Enables fixing of taxes, tariffs and charges
- Authorizes annual expenditure
- Provides base for control of income and expenditure
- Provides yardstick for measuring implementation of policy

## FINANCIAL APPRAISAL



## BUDGET DEMYSTIFICATION

- Budget translated into layman's language and terms
- Not too many pages- "short and crisp document"
- Clear understanding of policy framework and implications of content
- Development of manuals and training to help interpret the budget
- Budget guides
- Local languages (Malawi Economic Justice Network)

## BUDGET TRANSPARENCY

- Openness about policy intentions, formulation and implementation
- "Full disclosure of all relevant fiscal information in a timely and systematic manner" ( OECD Best Practice for Budget Transparency)
- Requires:
  - Clarity of roles and responsibilities in Public Finance
  - Public availability of information
  - Open budget preparation, execution and reporting
  - Independent assurances of integrity( external audit)  
(IMF Code of Good Practices on Fiscal Transparency)

## LOCAL ECONOMIC DEVELOPMENT (LED)

- An approach towards achieving competitiveness, job creation and poverty alleviation
- Encourages local people, who include the Local Government, commercial and industrial businesspeople, informal traders and CSOs to work together to achieve sustainable economic growth, bring economic benefits and improved quality of life for all residents within a local area
- Successful LED depends on local partnerships as well as on national and regional structures to promote and support local initiatives

## ECONOMIC APPRAISAL

**Diversity of tax**

**Growth indicators**

**Physical factors**

**Economic environment**

## APPROACHES TO LED

- Pro-market approach
  - Push for high private profit on investments made rather than the improvement of poor people's general welfare
  - Attraction of inward investment to build the local tax base leading to increased revenue generation for welfare services
  - Requires an aggressive marketing of locality; incentives
  - Reduces unemployment

## APPROACHES TO LED (Cont)

- Pro-poor approach
  - Focuses on generating pro-poor LED instead of promoting more uneven development between the areas where the poor and the rich live
  - Requires that there be a mobilization of internal resources, capacities and skills
  - Calls for sectarian targeting
  - Bias towards providing support to SMEs, R&D, focused training and placement for the poor, support for community development, "living wage" policies

## MEASURES FOR IMPROVING BUDGET TRANSPARENCY

- Avoid off-budget activities-
  - Funds from donors not accounted for in the budget
  - include all returns from such sources as grants, natural resources,
- Donor co-ordination
  - example: Uganda
- Sound budget and expenditure management systems
  - Public Expenditure Management approach (PEM)
  - Medium Term Expenditure Framework (MTEF)
  - Communication Technology
  - Synchronize with country's PRS
- Making information available
- Build budget literacy

## BENEFITS OF TRANSPARENCY IN LOCAL GOVERNMENT PUBLIC EXPENDITURE MANAGEMENT

- Increased understanding and appreciation
- Facilitates capacity building
- Enhances political legitimacy and support from voters
- Increased interest in monitoring and evaluation of development projects
- Improvements in revenue generation

## CHALLENGES IN PROMOTING TRANSPARENCY IN LOCAL GOVERNMENT PUBLIC EXPENDITURE MANAGEMENT

- Time
- Cost
- Specific guidelines
- Expertise; jargon and formats
- Forecasts- not always correct; estimates
- Dysfunctional behaviors:
  - Resentment
  - Pressure
  - Discouragement
- Information Technology

## CHALLENGES TO LED IMPLEMENTATION

- Lack of infrastructure and limited public services-telecoms, electricity, water and waste water disposal systems, transportation infrastructures, e.g highways and airports
- Limited accumulated funds-limited tax bases-difficulties in adjusting to population growth or decline (e.g. brain drain)
- High costs of infrastructure
- Capacity constraints
- Low credit rating; Bad reputation

**THE ROLE OF LOCAL GOVERNMENTS AND CIVIC  
SOCIETY ORGANIZATIONS IN BUDGET  
TRANSPARENCY AND DEMYSTIFICATION FOR  
LOCAL ECONOMIC DEVELOPMENT**

**ROLE OF CSOs, NGOs AND BUSINESS IN LOCAL  
GOVERNMENT BUDGETS AND LED**

- Develop leadership potential
- Provide access to training and mentoring
- Contribute funds

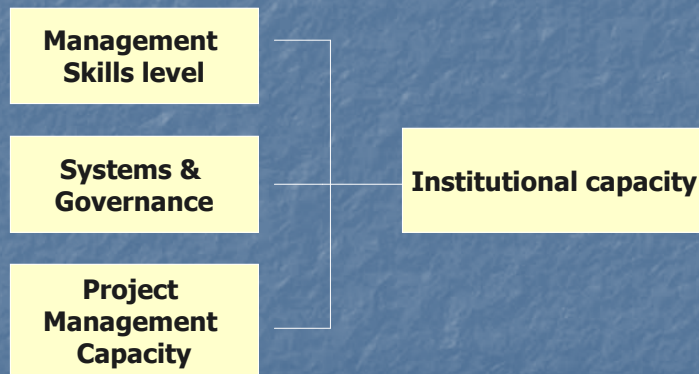
## ROLE OF MUNICIPALITIES IN LED IMPLEMENTATION

- Provide the local infrastructure that facilitates development initiatives
- Channel finance to these initiatives
- Consult extensively with the local communities
- Conduct needs analysis studies
- Identify local resources and expertise
- Broker appropriate partnerships and training
- LG can adopt these LED policies:
  - Coordinator: lead the planning process
  - Facilitator: conducive environment- development permits, standards, zoning,
  - Stimulator: compilation of brochures, exhibiting at Fairs, sports, fashion city, fine restaurants,
  - Entrepreneur/Developer: income generation for LG where gaps exists

## INSTITUTIONAL FRAMEWORK

- Provide support structures-e.g. sub-regional business centers; empowerment of special populations, such as women, youths and disabled locals through clubs, gardens,
- Local Management structure-dedicated management, local champion either within LG or an NGO to improve accountability, responsiveness and responsibility
- Strengthen Local Government capacity to comply
- Facilitate coverage
- Provide training for Councillors, staff and CSOs
- Mobilize financial resources- IT infrastructure and systems

## INSTITUTIONAL CAPACITY APPRAISAL



## LEGISLATIVE FRAMEWORK

- Amendments to Constitution
- Amendments to existing laws
- New laws on Budget Transparency- budget reports, budget process, openness
- Regulation of procurement; contracts; vendors/suppliers; leases
- Access to public information

## **DESIGNING MUNICIPAL FINANCE INFORMATION SYSTEMS TO ENSURE RELIABLE REVENUE AND EXPENDITURE INFORMATION AND PUBLIC ACCESS**

### **OECD Best Practices in Budget Transparency:**

- Principal Reports: Budget reports; Monthly reports; Mid-Year Reports; Year-end reports
- Specific Disclosures: economic assumptions
- Integrity, Control and accountability-accounting policies, systems and responsibilities, audit, public scrutiny

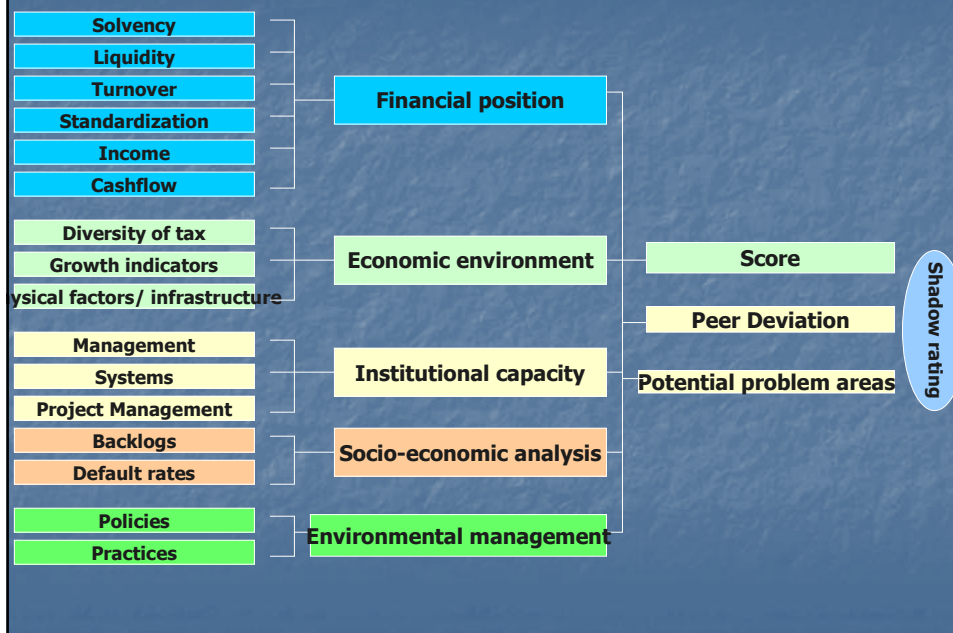
## **Organizing Public Campaigns And Civil Society Actions To Promote Budget Transparency And Demystification**

- Feedback meetings
- Outreach programs, newsletters/ circulars, suggestion boxes, periodic budget reviews
- Press, radio, and television advertising, posters, exhibitions, window displays, postal circularization, and door-to-door distribution of simplified LG budgets
- Civic awareness workshops.
- Joint budget analysis workshops.
- Exchange visits with other LAs/CSOs.
- Regular community planning workshops.
- Joint residents and LA meetings.
- Posters at Public places

## LESSONS LEARNT

- Development needs an integrated approach hence need for transparent and demystified budgets
- LED in low income areas requires a dedicated implementation team that is socially accountable
- If local government has low capacity, set up own LED management team and budgeting system comprising CSOs, NGOs, Business and LG
- Develop strong links between local government, business support institutions and private sector.
- Balance top down and bottom up development approach.
- Requires strong community organization.
- Clear role
- Non-political
- Proper representation
- Requires strong local leadership.
- Need for baseline data / needs analysis.

## BUDGET TRANSPARENCY AND LED



## CONCLUSION

- Democracy requires that the citizens be informed
- LG budgets are single most important policy document
- LED has emerged as an approach that seeks to achieve global competitiveness, job creation and poverty alleviation at a local level
- In implementing LED, LGs can adopt a pro-poor and/or a pro-market approach
- Legislation and institutional frameworks are important
- Best Practice in Budget Transparency-Budget reports, specific disclosure and integrity, control and accountability
- Publicity
- Africa can achieve budget transparency and demystification for Local Economic Development

THANK YOU FOR YOUR ATTENTION

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