



MINISTRY OF ECONOMY AND FINANCE – PERU

Participatory Budgeting in Peru 2003-2008

Roger Salhuana Cavides

Durban, March 2008

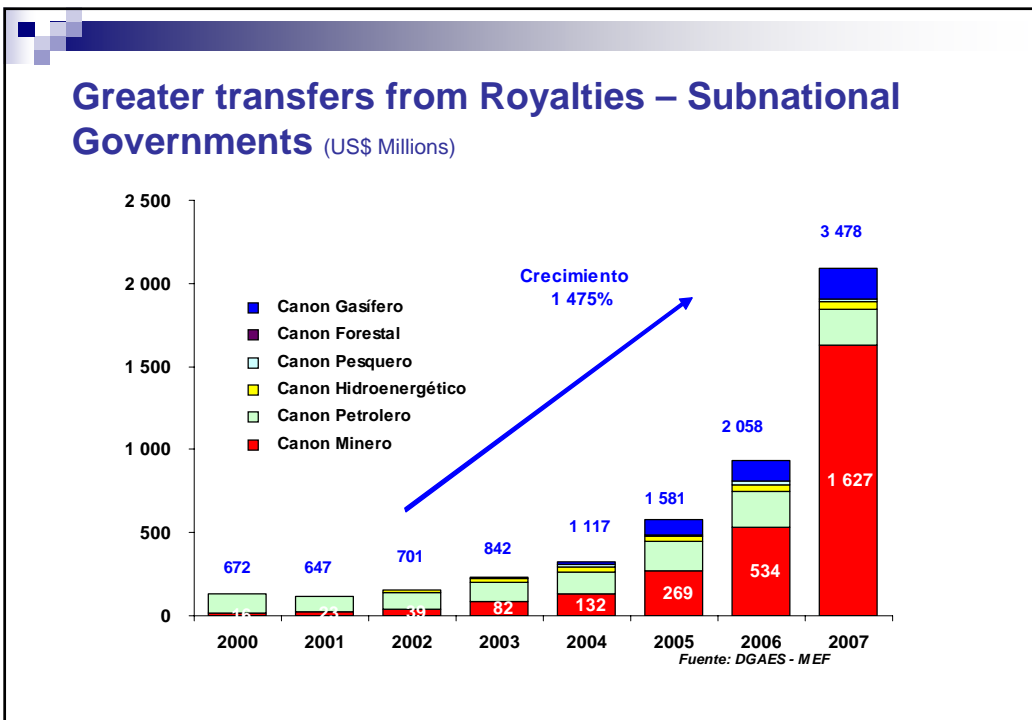
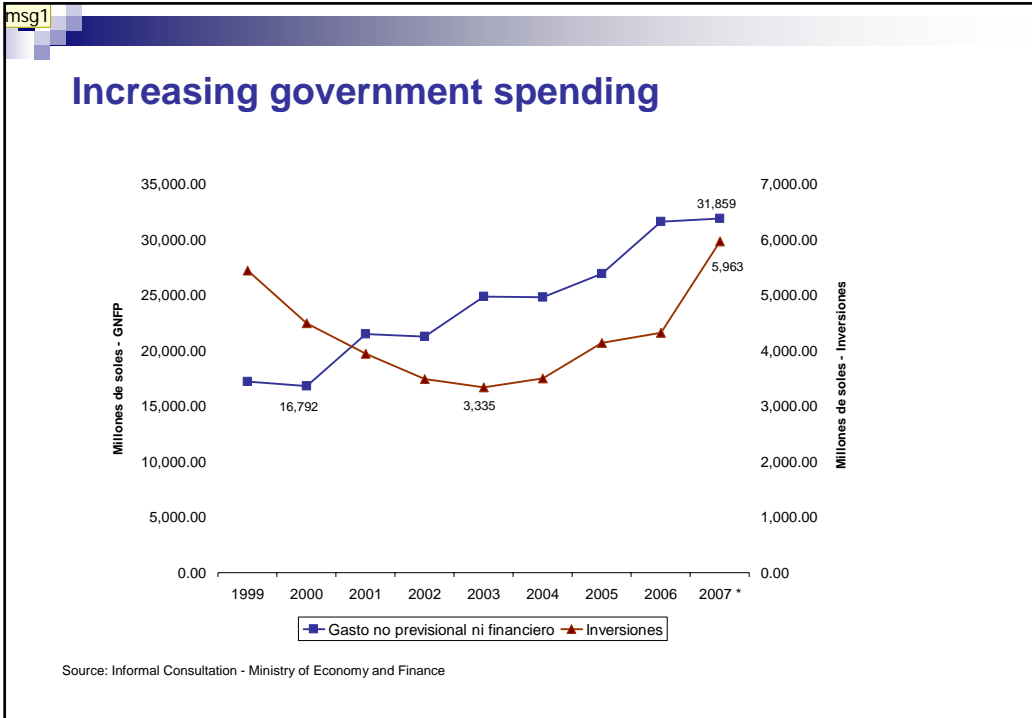


Background 2000-2004

- ❑ Democracy
 - Emphasis on Consensus and;
 - Participation

- ❑ Growth of the economy and of government funds
 - Mining Royalties
 - Transfers / Decentralization

- ❑ Concern for quality of government spending
 - Stagnation of poverty
 - Greater spending, lack of results



Slide 3

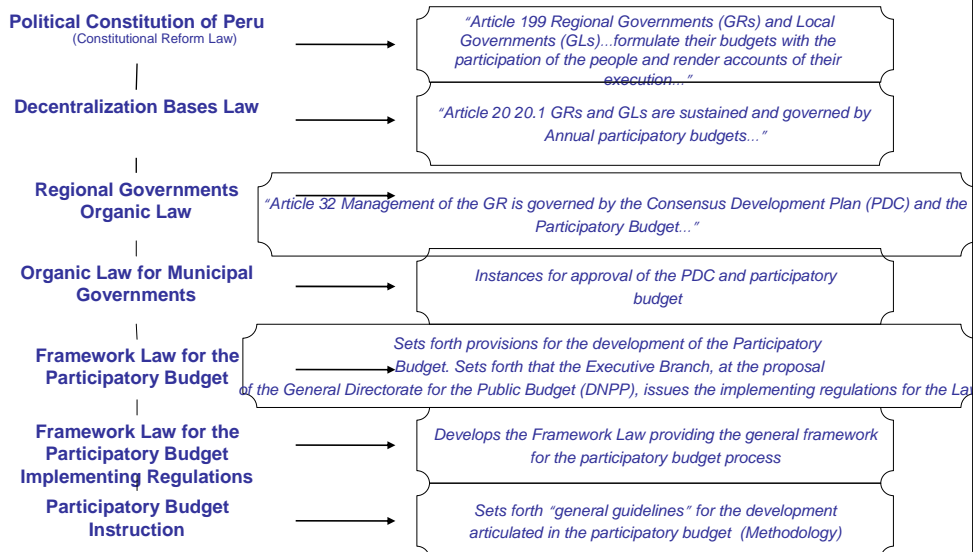
msg1 Left margin: Million sols - GNFP
Right margin: Million sols - Investments
Bottom: Non-budget, non-financial spending
Investments
Marian S. Greenfield, 2008/03/03

Increasing government spending with no change in results

Budget Variance	Change in Results
From 1999-2006 real spending on basic education increased by 1.63 billion sols (41%)	After six years, the change in average educational results in reading comprehension of students in the 6 th year of primary school and 5 th year of secondary school was nil.
Over the last five years, food and nutrition programs have received a 16% budget increase.	The chronic malnutrition among children under 5 years of age has remained at 25% for 10 years
Individual health increased by 1.089 billion sols from 2000 to 2005 (80%).	From 2000 to 2005, coverage of hospital births went from 52% to 71%. The 30% not covered by the government and private system corresponds to the most vulnerable population



Regulatory Framework for the Participatory Budget



Preparation and Announcement:

- ❑ Composition of the Technical Team
- ❑ Preparation of the process timeline
- ❑ Preparation and approval of (regional or municipal) regulations governing the process
- ❑ Review of prior diagnoses
- ❑ Announcement

Period: March-April

Case: announcements are issued by local governments by various means. It is common to find notices and announcements inviting participation in the process in the streets during the initial period.

Identification, registration of Participating Agents and Capacity Building

- ❑ Participating Agents are the social actors who make decisions in the process.
- ❑ A greater level of representativity is sought
- ❑ Formalization of traditionally organized social groups
- ❑ Territorial- and theme-based groups are recognized
- ❑ Sensitization and capacity-building events are held throughout the country (organized by the Ministry of Economy and Finance, Regional and Local Governments, Cooperation and Nongovernmental organizations).

Case: In the initial Participatory Budget phases in Peru, representativity tended to be rather poor, with little inclusion of the groups traditionally excluded. This has improved, but not sufficiently.

The role of nongovernmental organizations is marked in the capacity-building phase. There is intense activity throughout the country.

Period: March-April



Task Workshops

- ❑ Workshop on Rendering Accounts and Consensus Development Plans
 - Progress on projects prioritized the prior year.
 - Justification of modifications to projects
 - Commitments undertaken by actors
 - Results in terms of coverage of services.
- ❑ Workshop on Diagnosis, Definition of Criteria for Prioritizing and Identifying Projects
 - Diagnosis and identification of priority problems
 - Identification of criteria for prioritization
 - Identification of actions or projects (solutions)



Period: May-June

Technical Evaluation

- ❑ Verification of existence of preinvestment studies of projects in the Peruvian Public Investment System.
- ❑ Verification of whether the project contributes to the solution of the problem previously prioritized.
- ❑ Preparation of the project record itemizing estimated costs.
- ❑ For unworkable proposed solutions, alternatives may be presented and justified.
- ❑ If problems have identified but not solutions, alternatives may be presented and justified.
- ❑ Proposals for actions and projects, including estimated costs, are summarized and presented to the Participating Agents for their approval in the Workshop on Prioritizing [Projects] and Formalizing Agreements.

Prioritizations with favorable technical analysis



Period: May-June

Formalization of Agreements

- ❑ The technical team prepares the “Participatory Budget Document” and the Record of Agreements and Commitments for the Participatory Budget.
 - ❑ The Regional President or Mayor presents the results and conclusions
 - ❑ Final approval and execution of Agreements
 - ❑ Composition of Oversight Committees
- Period: June



Case: this is a critical phase. In good processes, formalization flows. However, conflicts between elected officials (regional presidents or mayors) and civil society are not unusual due to differing priorities. This occurs primarily due to certain officials who do not participate in or become familiar with the process beforehand. Results vary. In some cases, probably in most cases, the will of the officials is imposed.

Oversight Mechanisms: The Oversight Committee

- ❑ Monitors and oversees the participatory budget process.
- ❑ Is elected from among the Participating Agents
- ❑ Is formally recognized by the Regional or Local Council

Functions:

- ❑ Oversee compliance with the agreements on process for execution of the regional or local government budget.
- ❑ Oversee that prioritized projects are included in the institutional budget.
- ❑ Oversee that funds are invested as agreed and that the local government has a timeline for execution of works.
- ❑ Submit pertinent claims to the Regional and Local Councils, Comptroller General of the Republic and Ombudsman
- ❑ Report half-yearly on the results of the oversight performed.

*Case: In some local governments, **Works Oversight Committees** comprising neighbors and direct beneficiaries of projects have been created to supervise the execution of the projects. This has fostered greater effectiveness of social oversight.*

Key actors and roles

Congress of the Republic: Amendment of the constitution and approval of ad hoc laws. Scant participation in the instrument application phase.

Ministry of Economy and Finance: It establishes technical parameters through the General Directorate for the Public Budget. In the beginning it had an aggressive policy for articulation of consensus on guidelines for the execution of capacity building activities. This is still policy and recently efforts are again being made to transmit the vision of the Ministry of Economy and Finance (MEF) with respect to the Participatory Budget. Scant development of mechanisms for Monitoring and Evaluation of the process.

Sector Ministries (Peruvian Government): Participate as requesters, as Participating Agents through their decentralized executing units. They do not offer solutions.

Ombudsman: From the outset assumed a role as promotor of the process and support for the population regarding respecting its right to participate.

Roundtable in the Fight Against Poverty: Public-private organization created as a space for consensus on initiatives. Promoted the process from the outset and is one of the entities that has led the effort.

Political Parties: Are indifferent to the process and except for officials from opposition groups they take advantage of the Participatory Budget as a platform.

Key actors and roles

Subnational Governments:

Are responsible for applying the instrument. Government officials (regional president and mayor), with numerous exceptions, primarily at the regional level, do not appreciate the process and see it as a space that saps power from them.

Civil servants for the most part appreciate the process and try to perfect it. They encounter the pressure of the political agenda.

Population: Participates in an organized fashion. Nonetheless, the representativity of the agents is still low. A certain indifference persists among population groups. This increases the greater the populational scale and the greater the local government scale.

Nongovernmental Organizations: The great majority considers the Participatory Budget a priority on their agenda and funnel financing into capacity-building actions impacting specific issues such as children, women, the handicapped, etc. Depending on their interests. Have played and play a key role in the achievement of national capacity-building activities.

International Technical Cooperation: Provides financing (donation and debt) to the country to promote spaces for participation. The World Bank has been one of the most enthusiastic in the process for Peru.

2007 Process

Approximately 37,000 people (Participating Agents) participated in the 2007 process, of which 30% were women.

The general structure for prioritization was:

Local Governments

	US\$ Millions	%
■ Roads	165.76	29.0%
■ Sanitation	112.57	19.7%
■ Social and Economic Promotion	89.50	15.7%
■ Education	67.37	11.8%
■ Irrigation	44.40	7.8%
■ Health	31.38	5.5%
■ Environment	20.89	3.7%
■ Electrification	19.38	3.4%
■ Water	19.32	3.4%
■ Other	0.77	0.1%
■ Grand total	571.34	100.0%

Regional Governments

	US\$ Millions	%
■ Roads	268.78	30.2%
■ Irrigation	163.33	18.3%
■ Education	128.21	14.4%
■ Sanitation	75.56	8.5%
■ Social and Economic Promotion	68.22	7.7%
■ Health	65.19	7.3%
■ Electrification	42.91	4.8%
■ Other	79.05	8.9%
■ Total	891.24	100.0%

Lessons - Experiences

- Decentralization and the participatory processes represent a challenge for the relationships among the MEF-Subnational Governments -Civil Society. Shows the insufficiency of the principle of "regulatory centralization and operating decentralization".
- National-Regional-Local Government regulation may limit local initiatives, but the lack of such regulation offers the least space for operational inefficiency.
- They participatory budget will fully achieve its objectives with the familiarity, comprehension and commitment of the elected officials civil servants responsible for its implementation. Comprehension of the objectives and tools of the participatory budget by the population and those who participate directly in the process is critical.
- Among the 26 Regional Governments and 1834 Local Governments that apply the Participatory Budget in Peru there are numerous innovative experiences:
 - Jesús María (Local Government-Lima): Participatory Budget with participation by children and adolescents.
 - Ilo (Southern Coast): Model of good governance and democratic participation
 - Villa El Salvador (Local Government-Lima): Participatory School Budget
 - Morropón (Local Government-Northern Peru): Composition of Works Oversight Committees
 - Padre Márquez (Local Government-Peruvian Forest): All funds funneled into the top priority (safe water).
- Like any process, the learning curve and proper application is gradual. At the outset, bad processes predominate. Over the years a critical mass of skilled people is built up and strengthened. Nonetheless, it is important to keep the ultimate objectives of the process clear.

Principal limitations of the process

In many cases, at both the regional and local levels, the following persist:

- Officials' noncompliance with agreements: change of priorities during the budget approval and execution phase. Discontent and disillusionment among Participating Agents and the population.
- Improper application of the decision making methodology: old, patronage schemes for allocating funds persist.
- Officials not familiar with the fundamentals of the participatory budget – Lack of commitment to the process.
- Limited representativity of participatory agents, particularly population excluded due to high cost of participation.
- Participation limited to traditional interest groups (urban power groups)

Some conditions for successful cases

- ✓ Regional President or Mayor committed and leading the process.
- ✓ Politicians, specialists and population duly skilled
- ✓ Technical support (technical assistance and capacity building) from nongovernmental organizations.
- ✓ Population with proactive attitude regarding initiative and leadership of the regional or local government.