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Partnership Modalities for Enhancing Good Governance

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FOREWORD

This study is part of ECA's continuous support to its member States in enhancing good governance on the continent in accordance with the New Partnership for Africa's Development (NEPAD) framework. The study spotlights two main issues, namely public-private partnerships and participatory national budgeting. The main objective of the publication is to document and disseminate best practices in these two areas in order to enhance good governance in Africa.

The question this study attempts to answer is not whether companies, social organizations, individual citizens and governments should work together in the delivery of services and in adopting and implementing crucial policy decisions, but how this cooperation can be shaped to improve services delivery.

In addressing these issues, the study aims to inspire further discussion, research and action in these increasingly important areas. In addition, the paper recognizes that partnerships are not easy to form even when they offer significant social and economic benefits. Similar to other development approaches, partnerships face a variety of operational and strategic challenges that policy-makers need to address to benefit fully from this new approach.

A staff team from Development Policy Management Division (DPMD) prepared the study under the overall supervision of the Director, Mr. Okey Onyejekwe. The team was led by Guillermo Mangué Nnandongo and comprised Mamadi Kourouma, Guy Ranaivomanana, Monique Nardi Roquette, Mzwanele G. Mfunwa, Emebet Mesfin and Dawit Tesfaye. The team was assisted by Tighist Gebreab and Ferdos Issa. Comments, suggestions and recommendations were received from Subregional Offices (SROs) and their contribution is hereby acknowledged.

It is expected that this study will prompt more discussions between governments and their development partners, both local and international, to share knowledge, advance the development of partnership modalities, and promote participatory governance across the continent in order to achieve sustainable development in Africa.

Okey Onyejekwe
Director
Development Policy Management Division

LIST OF ACRONYMS

ACBF	Africa Capacity-Building Foundation
ADF	African Development Forum
AfDB	African Development Bank
AU	African Union
BIS	Budget Information Service
BODC	Borough of the Dolphin Coast
BOT	Build-Operate Transfer
CBO	Community based Organization
CEDAW	Convention on Elimination of All Forms of Discrimination Against Women
CHDCS	Committee on Human Development and Civil Society
CSO	Civil Society Organization
CWSA	Community Water and Sewerage Agency
CWSP	Community Water and Sanitation Project
DPMD	Development Policy Management Division
EAP	East Asia and the Pacific
ECA	Economic Commission for Africa
EU	European Union
FAO	Food and Agriculture Organization
GDP	Gross Domestic Product
HIPC	Highly Indebted Poor Country
IBT	Increasing Block Tariff
ICCPR	International Convention on Civil and Political Rights
ICESCR	International Covenant on Economic, Social and Cultural Rights
IDASA	Institute for Democracy in South Africa
IDS	Institute for Development Studies
IDM	Illembe District Municipality
IMF	International Monetary Fund
MDG	Millennium Development Goal
IMIESA	Institution of Municipal Engineering of Southern Africa
MP	Member of Parliament
MWLE	Ministry of Water, Land and Environment
NEPAD	New Partnership for Africa's Development
NGO	Non-governmental Organization
NWSC	National Water and Sewerage Corporation
OECD	Organization for Economic Cooperation and Development
ODA	Official Development Assistance
PPP	Public-Private Partnership
PRSP	Poverty Reduction Strategy Paper
REC	Regional Economic Community
SADC	Southern African Development Community
SAIIA	South African Institute of International Affairs
SDE	Sénégalaise des Eaux
SIDA	Swedish International Development Agency

SME	Small and Medium Enterprises
SONEES	Société Nationale d'Exploitation des Eaux du Sénégal
SRO	Subregional Office (ECA)
SSA	Sub-Saharan Africa
STWSP	Small-Town Water and Sewerage Project
TRAC	Trans-Africa Concessions
UN	United Nations
UNECA	United Nations Economic Commission for Africa
UNDP	United Nations Development Programme
UNICEF	United Nations Children's Fund
UNIFEM	United Nations Development Fund for Women
USA	United States of America
USAID	United States Agency for International Development
WHO	World Health Organization

EXECUTIVE SUMMARY

This study discusses two important development trends emerging throughout the world as we enter the twenty-first century: public-private partnerships and participatory development. In the first case, the study identifies best practices and specific steps that African countries could take to encourage private sector involvement in the delivery of social services and infrastructure, with particular emphasis on water and sanitation services. In the second, the study explores modalities and best practices to engage citizens in policy-making processes, particularly with respect to the formulation and implementation of national budgets.

The paper contains a number of recommendations and guidelines for consideration by all actors including the central, provincial and local governments, private sector and civil society, to encourage partnerships and participatory development and to enhance good governance.

The section on Public-Private Partnerships (PPPs) Modalities for Social Services Delivery: Water and Sanitation, addresses issues such as the manner in which governments can best meet the needs of their citizens by moving away from the traditional “command and control” approaches to a more complex environment that balances regulatory frameworks with voluntary approaches and market incentives. The paper recognizes that PPPs are not a panacea in addressing Africa’s deeply rooted socio-economic problems. Nevertheless, it offers creative and innovative approaches to problem solving, at both policy and practical levels that are worthy of serious consideration. The paper underscores the centrality of effective delivery of public services, water and sanitation, to achieving the Millennium Development Goals (MDGs). The rapid population growth and growing poverty mean that African governments need to be able to provide access to safe water to an additional 211 million urban population. This will require expansion of infrastructure and production capacity to provide adequate water and sanitation services.

Meanwhile, the widespread and monopolistic dominance of public enterprises in water services in most African countries has been repeatedly blamed for the inefficiency and poor state of these services. Against this backdrop and the challenges ahead to meet the MDGs, African governments are under constant pressure to consider alternative water infrastructure and service provision through both privatizing and/or building partnerships with the private sector. The rationale behind involving the private sector is to avoid political pitfalls of full privatization, utilize new technology and expertise brought by private actors, and share risks to gain access to increased capital to improve operating efficiency and responsiveness to consumer needs.

In recent years, successful reform programmes and pilot projects aimed at developing sustainable PPPs in water supply and sanitation services have resulted in more water for more people (with an annual rise of water production of 19 per cent in Senegal; better financial sustainability of the private enterprises involved (SONEES in Senegal); a more equitable tariff system that protects poorer consumers while ensuring adequate cost recovery; better targeted subsidy schemes for poor consumers; and drastic increase of coverage in water and sanitation in urban and rural areas. The rural water coverage, for example, increased from 30 per cent in 1990 to 41 per cent in 2000 in Ghana while sanitation coverage in Lesotho rose from 15 per cent to more than 50 per cent in rural areas in 20 years.

The paper suggests that making water services accessible to most people in the country should not only be considered as a target for meeting the MDGs, but also as a core responsibility of national and local governments and the private sector to satisfy the legitimate need of the citizens. In this respect, governments should increasingly seek the most appropriate and affordable ways, the professional expertise and private investment through various forms of PPPs, which are expected to contribute significantly to national objectives in water supply and sanitation.

The section entitled “Participatory Approach to National Budgeting” joins the increasing international chorus that advocates for meaningful and effective participation of all stakeholders, especially the poor, in the national budgeting process. Notwithstanding the fact that in a true democracy a national budget should be a translation of an inclusive policy-making process into implementable and time-bound projects and programmes, in practice, budgets are battlegrounds in which various stakeholders fight for limited resources. Indeed, the direct participation of the poor or their representatives will put them in good stead to claim an equitable share of the national cake.

Representation by the poor ensures that the budget reflects in a concrete way the national policy priorities to combat poverty. In a nutshell, such participation narrows the gap between political intentions to reduce poverty and actual actions, thus ensuring that budgets follow policy directly. Naturally, such a participatory budgeting process would address the disparities existing in the society. For example, the narrowing gender gap would entail analysis of the impact of government expenditure and revenue on women and men. This impact analysis would help governments decide how policies need to be adjusted, and where resources need to be reallocated. The same analysis would extend to other vulnerable groups such as the rural community, the disabled and the aged.

This section also analyses the factors that bring to fruition the process of participatory national budgeting. These factors include: (a) a strong democratic culture in government and civil society; (b) budget processes that are transparent to enhance accountability; (c) a capable parliament that is able to influence the drafting of the budget and analyse its components more pro-actively; and (d) the existence of institutionalized mechanisms that ensure that the constituents (interest groups) monitor the implementation of the budget, assess the budget impact on economic development and on priorities, with a view to improving subsequent budget implementation.

The paper concludes that PPPs are viable options to improve government’s service delivery functions. Successful PPPs require creating an enabling environment in which key roles and responsibilities are institutionally separated, clearly defined, and equitably allocated among all actors. Appropriate regulatory frameworks and institutions at national level to oversee the process are essential to operationalize national policies, protect property rights, and generate equitable returns on private investments.

Full participation by all citizens in socio-economic and political policy-making in institutions and mechanisms that link human development and governance are considered keys to building and sustaining democracies, reducing conflict, and achieving sustainable human development. People’s participation in policy-making leads to greater government accountability, openness and transparency and builds up social reciprocities characterized by equity, inter-group tolerance, as well as inclusive, responsible and active citizenship; all hallmarks of good governance. Without private sector and civil society participating or partnering with the government in service delivery and decision-making processes sustainable development cannot be achieved.

PART I

INTRODUCTION

1.1 Overview

1. At the dawn of the twenty-first century, two development concepts have emerged in the development discourse: partnerships and participatory development. These concepts represent a new type of challenge for government. Addressing them is not just about adopting new policy and institutional arrangements, but rather a matter of changing values in the State apparatus and society as a whole, and to recognize new stakeholders as partners in the development process. The core of these two concepts is therefore a shift in balance away from the public sector towards the private sector and a shift towards sharing tasks and responsibilities (Kooiman, 1993). These two concepts are also shaping a new national political agenda whereby a new pattern of interaction between government and society can be observed. This pattern is aimed at discovering alternative ways of coping with new problems or of creating new possibilities for governing.

2. Public-private partnerships (PPPs) and the involvement of citizens in decision-making processes are now viewed as an inherently advantageous way of addressing today's development challenges. On the one hand, this new approach ensures implementation of a strategic framework for making PPPs a more viable service delivery option for governments. On the other hand, involving citizens in the process of adoption and implementation of public policies that affect their lives is a means of enhancing good governance. Indeed, in many areas of public sector responsibility, inclusiveness is a better option to deliver services effectively. This inclusiveness is often encouraged because of the dynamics of competition, or because it brings advanced technical or risk management capacity. Indeed, by bringing private capital into state enterprises, countries could gain access to technology and skills transfer, as well as to the capital needed for expansion and organizational renewal.

3. Engaging citizens in decision-making processes helps to ensure that planning. This and subsequent resource allocation is in line with the needs and interest of the population and increases the likelihood that delivery strategies will be effective and sustainable. In addition, people's participation in policy-making and implementation processes leads to greater accountability, openness and transparency and builds up social reciprocities characterized by equity, inter-group tolerance, as well as inclusive, responsible and active citizenship, all hallmarks of good governance.

4. In Africa, these two development approaches are emerging. In the area of PPPs, the key challenge is the provision of public services to improve the quality of life of the population, particularly those in rural areas. The governance approach is mainly related to enhancing citizens' participation in decision-making processes. Most African countries have undertaken major economic reforms since the 1980s. These reforms have recently yielded relatively higher economic growth. However, these economic gains have not translated into improved living conditions and there remains a concern about people's access to basic social services, such as education, health, water, and sanitation. Government alone cannot meet these growing development challenges to improve economic efficiency and to extend social services, including infrastructure to more people, government and the private sector must combine their different strengths, providing a supportive and regulatory environment on the one hand, and entrepreneurial innovation, capital and specialist skills on the other.

5. Good governance aims at ensuring that the voices of the citizens, particularly the poorest and the most vulnerable, are heard in decision-making over issues that affect their lives. Thus, good governance ensures that political, social and economic priorities are based on broad consensus in society. Good governance therefore calls for creative participatory modalities for civil society groups,¹ in public policy formulation and implementation, including the national budget.

1.2 Objective

6. The main objective of this study is two-fold: first to document and disseminate best practices related to PPPs for service delivery, with spotlight on water and sanitation services, and second, to disseminate best practices in participatory development, with particular emphasis on a participatory national budgeting process.

1.3 Scope of the Study

7. In determining the scope of the study, Economic Commission for Africa (ECA) felt that lot of work had already been undertaken on appropriate partnerships and participatory development. However, there was as yet little comparative evidence on the way in which national governments were embracing these development modalities. The actions of national governments clearly seemed central to the way in which partnerships and participatory development policy and strategy were formulated and implemented. It was for this reason that government actions became central to the study.

8. The focus on government's partnering with business is also due to the fact that governance includes the State, but transcends it by including the private sector and civil society. All three actors are critical for sustainable human and economic development. The State creates a conducive political and legal environment; the private sector creates job opportunities and generates incomes; and the civil society facilitates political and social interaction, thereby mobilizing individuals and groups to participate in economic, social and political activities. Because each actor has weaknesses and strengths, a major objective of ECA's support for partnerships is to promote constructive interaction among all the three actors to enhance good governance. While partnerships cannot exist without the active involvement of the business community and civil society, this study focuses primarily on the role of government. This is because, in most African countries, governments still rely mostly on regulation rather than collaboration in encouraging private sector and civil society involvement in development and governance activities.

1.4 Methodology

9. The study used a desk-research method. It concentrated largely on a series of literature review of country documents related to partnerships and participatory development. Along with the review of country documents, ECA's own papers were also reviewed. These have included papers presented to workshops, seminars and to intergovernmental forums including the Third Meeting of the Committee on Human Development and Civil Society

¹ Civil society here covers all organizations not under direct government control, as well as non-profit non-governmental organizations.

(CHDCS). In each case, the thoughts prompted by the papers and discussions from the participants have been used to refine the ideas set out in this study. These include:

- Providing higher quality services at lower cost;
- Improving accessibility and choices to the consumer;
- Promoting efficiency through private capital and expertise; and
- Improving decision-making processes; and seek the view of beneficiaries in determining their needs and preferences.

1.5 Structure of the Paper

10. Following the introduction, Part II provides the rationale for the study and puts the issues addressed in perspective. Part III on PPPs for service delivery, discusses several aspects of partnerships with particular emphasis on water and sanitation services. It also discusses successful cases of PPPs in selected African countries. Part IV identifies best practices and suggests specific steps to enhance PPPs in service delivery. In this regard, it presents some familiar proposals about the possible role of government, private sector and civil society in enhancing states' performance in public service delivery. Part V on participatory approach to national budgeting process, analyzes different stages of national budget management, namely: formulation; implementation; monitoring; and evaluation. It also deals with feasible forms of engaging citizens in policy formulation, implementation and evaluation in a manner that is appropriate and sensitive to the needs of the African countries. Finally, Part VI summarizes major aspects of PPPs and participatory national budgeting for improving good governance.

PART II

THE NEED FOR PARTNERSHIPS

2.1 Why partnership for good governance?

11. Sustainable development and conflict avoidance require a partnership between different interests, based on mutual trust and shared values. Around the world, several issues need to be addressed if government, private sector and civil society are to work efficiently to improve service delivery. Development issues and challenges have become too complex and interdependent and the financial and managerial resources for addressing them too scarce, for any one single institution, public or private, to be able to respond effectively to all these socio-economic challenges alone. Of course, partnership and participation are not a panacea for development. In Africa, partnerships and people participation in development are forms of development modalities that need to be explored in addressing today's socio-economic problems where traditional, single-sector approaches are proving inadequate. One important argument that is frequently raised in favour of partnership is the potential for salutary synergies through coordination. Thus, the basic idea behind partnership is to assess the value-added via joint action. This assessment includes analysis of investments and outcomes, and of negotiations concerning the division of responsibility for investment and gains.

12. In Africa, public agencies are facing increasing difficulties in implementing development agendas, due to financial, ideological and social reasons. For example, the performance of the public sector in providing social services, including infrastructure, is generally poor. According to UNDP (2003), population with access to safe drinking water in SSA is only 42 per cent compared to 68 per cent in East Asia and the Pacific or Latin America and the Caribbean.² Rapid population growth, coupled with low economic growth, contracting public sector expenditure, rising unemployment and impoverishment have widened the gap between provision of social services and infrastructure and what is needed. In addition, shrinking budgets are forcing governments to reduce expenditures on social services. Both central and local governments are therefore facing serious challenges in this respect.

13. These challenges are forcing governments to think strategically and creatively in order to improve infrastructure networks and enhance service delivery to their people. In this respect, the concept of public-private and civil society partnerships is being given serious consideration. As a result, over the last two decades, there has been a surge in government efforts to share responsibilities in the delivery of basic social services, including infrastructure, with the private sector and civil society. In addition, another important driver for partnership is that public provision of social services is lagging behind both in terms of quality as well as quantity. Against this background, discussions on the significance of government working in partnership with the private sector and civil society have emerged as a golden opportunity for government to engage non-State actors in combating poverty.

14. Although, the driving force behind development continues to be the government, many African countries are now seeing people not only as beneficiaries of development, but as main actors in the development process. Many countries are extending governments' activities to include non-government actors fully in the development and governance process

² UNDP, *Human Development Report*, 2003.

and the concepts of participation and partnerships have become critical considerations in development planning. Governments are adopting participatory approaches in assessing needs and in implementing programmes and assessing policy impacts on development. This has been particularly relevant for the ongoing economic and social transition where the challenges of alleviating poverty and the needs for democratization are considered as important instruments to enhance development. These pressing demands are providing compelling reasons for participation and partnership to define and seek solutions collectively that would lead to sustainable growth and development. Participation and partnerships lead to openness and transparency in policy-making, and the creation and sustenance of accountability, sense of the right to accountability.

2.2 Key concepts

15. This study utilizes two key terms: partnership and governance. While the concept of partnership differs across the countries, scholars and contexts, there is one single underlying idea of the concept of partnership, that of association of two or more persons (institutions) in a business enterprise, sharing expenses, profits, and losses.³

16. While the above definition provides a useful starting point, it has the inconvenience of encompassing a range of partnership aspects that are beyond the scope of this study. Non-governmental organizations (NGOs) can come together and join forces to campaign for new legislation to secure environmental improvements. Governments can join with others to fight wars and/or to provide humanitarian assistance. For the purpose of this study, partnership involves two or more actors, at least one of which is public, and each of the other participants are a principal, i.e. capable of bargaining on its own right. The main focus of this study is, therefore, to analyze modalities of partnership that involve governments at all levels (central and local) working with private sector, civil society organizations (CSO) or with individuals in specifically addressing socio-economic issues, particularly the delivery of social services and infrastructure. To make this possible, the study analyses partnerships as a function of good governance, which could be described as the continuing series of negotiations and actions among the public sector, the private sector and the citizenry leading to agreements to interact in ways which will reinforce sustainable human development.

17. **Public-private partnership:** describes a spectrum of possible relationships between public and private sectors for the cooperative provision of social services, including infrastructure. The only essential ingredient is some degree of private participation in the delivery of traditionally public services. Private actors may include private business, as well as NGOs and community-based organizations (CBOs).

18. According to Nelson and Zadek (2000), the notion of partnership implies people and organizations from some combination of public, business and civil constituencies who engage in voluntary, mutually beneficial innovative relationships to address common social aims through combining their resources and competencies.⁴ As such, partnership could mean government working together with a wide range of social partners at the national and local level to plan, implement and evaluate policy and actions for socio-economic development.

³ Heilman, J. and G. Johnston, 1992. *The Politics of Economics of Privatization*, University of Alabama Press, p. 197.

⁴ Jane Nelson and Simon Zadek, *Partnership Alchemy*, The Copenhagen Centre, 2000.

19. Heilman and Johnston (1992:197) provide another definition closed to the one given above. Both authors consider that PPPs are a kind of combination between public need and private capability and resources to create a market opportunity through which the public need is met and a profit is made.⁵

20. The South African Department of Finance⁶ defines PPP as a contractual arrangement whereby a private entity performs part of a government's service delivery or administrative function and assumes the associated risks. In return, the private entity receives a fee according to predefined performance criteria, which may be: (a) entirely from service tariffs or user charges; (b) entirely from a departmental or other budget; or (c) a combination of the above. Table 1 below highlights some basic principles of partnerships.

⁵ Heilman, J. and G. Johnston , 1992. *The Politics of Economics of Privatization*, University of Alabama Press, p. 197.

⁶ Republic of South Africa, Department of Finance, *Strategic Framework for Delivering Public Services through Public-Private Partnerships*, April 2000.

Table 1: Basic principles of partnerships

Societal aims	Participants come together specifically to achieve societal benefits through joint action. These benefits are understood here as primarily meaning those benefits to individuals and groups who are economically, socially and politically disadvantaged, and so excluded from fully participating in and contributing to society. This is achieved in part by enabling individual partners to pursue their own interests, which may include the direct or indirect commercial interests of participating companies as well as the interests of other partners.
Innovation	The partnership seeks to explore new approaches to addressing social and economic problems and opportunities. These often challenge the traditional modus operandi of the partners.
Multi-constituency	Participants are drawn from two or more of the following: public bodies (at the local or national levels); private sector entities (ranging from individual companies to business associations); and civil society (ranging from local community initiatives to trade unions, academic institutions and national and international NGOs).
Voluntary	Participation is voluntary in the sense that it is based on the active decision by each partner to engage, rather than the imperative of statutory compliance. However, some partners may be pressured to join the partnership for reasons of risk management, conflict avoidance or peer pressure rather than an entirely self-motivated desire to participate.
Mutual benefit and shared investment	There is a resource contribution and associated risks or costs (financial, human, political or social) on the part of each partner and each partner benefits in some defined way.
Synergy gains by coordination	Participants seek to achieve more than the sum of their individual parts by creating leverage and synergy between key components of the partnership (context, purpose, participants, organization, and outcomes).

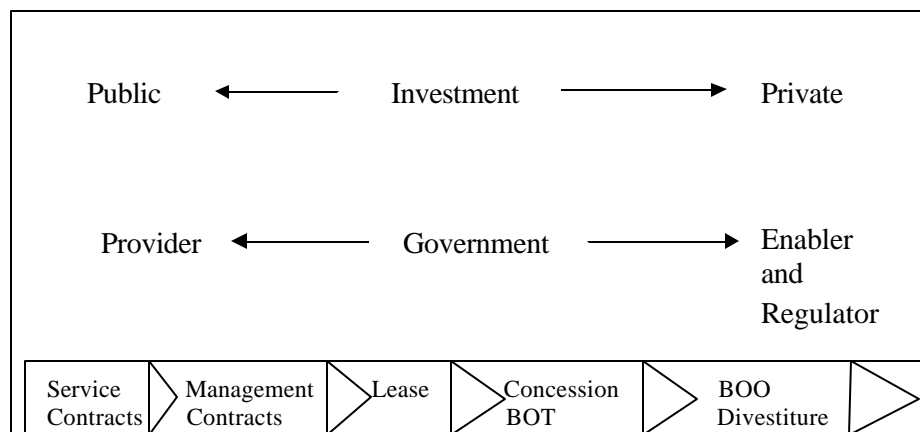
Source: Adapted from Partnership Alchemy, The Copenhagen Centre, 2000

21. **Service contract:** is the simplest and most commonly used form of PPP. In such contracts, a government department awards a private entity the right and obligation to perform a specific service, within well-defined specifications for a specific period. The government retains ownership and control of all facilities and capital assets and properties.

22. **Concession and build-operate-transfer (BOT):** these options imply the mobilization of private finance on a limited basis. In the case of concession, the concessionaire's responsibilities are expected to include maintenance, upgrading and enhancement of the facility, which may involve substantial capital investment. In the case of BOT, the private entity undertakes the financing and construction of a given infrastructure facility, as well as its operation and maintenance, for a specified period of time.

23. **PPP in service delivery:** refers to the change of the means of delivering services, without a change in the departments' accountability for ensuring that the services are delivered. The departments' focus, however shifts from managing the inputs to managing the outcomes (i.e. the department becomes a contract manager rather than a resource manager). Box 1 below provides a spectrum of PPP options.

Box 1. Spectrum of public-private partnership options



Source: Extracted from Dr. Sasi Kumar & C. Jayasankar Prasad, Public-private partnerships in urban infrastructure, Kerala CALLING, 2004.

24. **Governance**, a word originally used by Chaucer and Shakespeare in the seventeenth century to mean a “method of management.”⁷ Today, there is a shift that is taking place in understanding the concept of governance. In the past, governance used to be mainly about what governments do. For instance, according to the World Bank (1989), governance indicates the manner in which power is exercised in the management of a country’s economic and social resources for development.⁸ Today, the concept is increasingly about balancing the roles, responsibilities, accountabilities and capabilities of: different levels of governments (i.e. national and local); different actors or sectors in society (i.e. public, private, and civil society and individual citizens). In this respect, the United Nations Development Programme (UNDP) sees governance as: “the exercise of economic, political and administrative authority to manage a country’s affairs at all levels. Good governance, is among other things, participatory, transparent, and accountable. It is also effective and equitable...” (UNDP 1997).

25. In this study, governance is considered as a framework through which political, economic, and social administrative authority is exercised at local, national and international levels. In today’s world, this framework consist of a wide variety of mechanisms, processes, institutions and relationships (including partnerships) through which individual citizens, groups and organizations can express their interest, exercise their rights and responsibilities, and mediate their differences.

2.3 Understanding partnership in the African context

26. In Africa, governments face daunting challenges in the delivery of social services and infrastructure. In order to understand how various African governments are formulating their partnership modalities, it is important to look at the context in which they operate. The study reveals that, the emergence of partnerships is a relatively new phenomenon in most African countries. Among the countries studied, there are a number of factors that are placing

⁷ Shorter Oxford English Dictionary, Vol. 1, 1973, p 874.

⁸ World Bank, *sub-Saharan Africa, From Crisis to Sustainable Growth, A Long-Term Perspective Study*, Washington DC, The World Bank, 1989, pages 60-61.

pressures on governments, forcing them to rethink their role fundamentally and their relationships with the private sector and civil society. While the precise nature of these forces varies between countries, there is considerable agreement on the principal drives of these changes.

27. First, with the advent of democratic regimes, there is a growing interest of citizens and their organizations and institutions to participate in economic, political and social decision-making processes as well as the delivery of public services. Second, donors, NGOs and CSOs are increasingly insisting upon reducing government spending in the provision of social services, engage citizens in assessing needs, implementing programmes and evaluating government policy impacts on development, as well as the need to involve the private sector in the delivery of social services. Thus, the need for partnerships and participatory development have become important in the process of planning, decision-making, implementation and assessment of public policies towards the poverty reduction. While the factors described above have undoubtedly affected the role of the State, they have also had a profound impact on government's relationship with the citizenry. Third, initiatives such as the New Partnership for Africa's Development (NEPAD) are a clear indication that Africa's political leadership, acknowledges the need for, and is willing to work in partnership with, the private sector and the civil society.

28. Today, there are several ongoing actions including the Poverty Reduction Strategy Paper (PRSP), PPPs, and participatory national budgeting aimed at promoting participation and partnerships in development. These are valuable lessons to deepening participation and partnerships in the development and governance process. Indeed, many countries such as Mauritius, South Africa and Uganda are adopting partnership approaches in assessing needs, implementing programmes and projects and evaluating public policy impacts on development. There are several other ongoing actions across the continent aimed at promoting participation and partnerships.

29. Despite the above developments, key questions remain unanswered. How should partnerships be effected across different dimensions of public service delivery and implementation of development programmes? Through what organizational structures? With what representation, roles and processes? and with what demands for capacity development?

PART III

PUBLIC-PRIVATE PARTNERSHIPS FOR SERVICE DELIVERY: WATER AND SANITATION

Today, governments are finding that their existing water, sanitation, energy and other social services are unable to service their rapidly expanding population. In addition, governments realize that their financial resources are not sufficient to cover the needed expansion of these services. Even where governments do find the resources to subsidize public utilities, service is often poor and sectors of population largely unserved. It is becoming increasingly clear that governments cannot meet the continually growing demand for social services acting alone. One of the most viable options is to involve the private sector in the state monopolies through what is generally termed as public-private partnerships (PPPs).

Dr. Sasi Kumar
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India, February 2004

3.1 Background

30. The manner in which provision of basic infrastructure services is dispensed to meet the demands of the public in general will determine the level of economic activity and, in turn, the overall development of a nation. Most sectors cannot function without electricity, telecommunications, and water; therefore, the adequate and effective provision of these services is central to the growth of an economy and the improvement of public welfare. Infrastructure can be seen as the “wheels of economic activity.” (World Bank, 1994:2). Thus, developing infrastructure capacity “...can deliver major benefits in economic growth, poverty alleviation, and environmental sustainability, but only when it provides services that respond to demand and does so effectively.”

31. Adequate and effective delivery of public services is also central to achieving the MDGs. To ensure sustainable development and guarantee a progressive stride towards achieving many of the goals, in particular, improved health and environmental sustainability, widespread access to water, sanitation and other basic public services, are proving to be fundamental preconditions (OECD, 2004).

32. African governments face a daunting task in their attempts to provide effective and equitable public services. When looking at the various surveys available, it becomes quite apparent that basic infrastructure in SSA lags well behind the rest of the world (Table 2). According to the (UNDP, 2003) in 2000, the population with access to safe water in SSA was only 44 per cent, while the average for countries in East Asia and the Pacific (EAP) stood at 67 per cent and in Latin America and the Caribbean was reported to be 65 per cent.⁹ Furthermore, it is amply clear that the challenge of providing basic water and sanitation (UNDP, 2003) persists as not much improvement has been made since the early 1990s. Even where water supply systems and sanitation facilities have been installed, they are still often inadequate, unsafe and with infrastructure for their delivery in disrepair. According to the UNICEF and WHO data, only 62 per cent of the African population has access to improved

⁹ UNDP, 2003. *Human Development Report*.

water supply, with the worst conditions existing for rural populations who only have 47 per cent coverage. Sanitation coverage is also very low compared to other regions, with only 60 per cent of the population with improved sanitation (UNICEF/WHO, 2000). Again, the situation is poorer for rural populations, with only 45 per cent coverage. Private connections for water in urban SSA remain very low, with only 2.7 connections per 100 people (Water Utility Partnership, 2003).

Table 2: Population access to water and sanitation services in sub-Saharan Africa compared to other regions

Regions	Population with sustainable access to improved water source (%)				Urban population with access to improved sanitation (%)	
	Rural		Urban		1990	2000
	1990	2000	1990	2000		
Arab States	...	76	...	94	...	96
East Asia and the Pacific	...	67	...	93	...	73
Latin America and the Caribbean	...	65	...	94	...	86
South Asia	66	81	90	95	52	68
Sub-Saharan Africa	39	44	86	83	74	74

Source: UNDP, 2003. p 227.

... = Data not available.

33. In general, the widespread dominance of public enterprises in the provision of public goods in Africa has been repeatedly blamed for the terrible state of these services. The monopolistic nature of the market structure resulted in inefficiency and the lack of pricing mechanisms to determine consumer demand and to reflect service costs. Accordingly, these “below-cost prices” have contributed to the low levels of government investment and lack of service expansion.

34. The MDGs put particular emphasis on improved coverage of water and sanitation supply and have a global target to halve the proportion of people without sustainable access to safe drinking water and basic sanitation by the year 2015. For many countries in Africa, achieving the targets will entail facing various challenges. For example, with rapid growth in urbanization and increased rural-urban migration and informal settlements, population growth, and growing poverty, African governments will need to be able to provide access to safe water to 210 million and sanitation to 211 million additional urban residents over the next 15 years.¹⁰ It is also estimated that almost 300 million Africans will be living in slums and informal settlements by the year 2020 (World Bank 2004). This implies that investments in water supply and sanitation will require injections of large amounts of capital.¹¹ Similarly, with regard to the MDGs, UNICEF and WHO assert that if governments are to maintain current levels of water supply and sanitation provision under the projected growth scenario, access to these services should increase by 10 million a year for a 10-year period.

¹⁰ UNICEF/WHO, op. cit.

¹¹ World Bank, 2004. “*The World Bank Group’s Programme for Water Supply and Sanitation*”, Water Supply and Sanitation Sector Board.

35. Against this backdrop, governments have been under intense pressure to consider alternative ways of providing infrastructure. The past few years, therefore, have witnessed an upsurge in the commercialization of public services provision through building partnerships with the private sector. In general, the rationale behind involving the private sector is to avoid the potential political pitfalls of full privatization, utilize new technology and expertise, share risks and gain access to increased capital to improve operating efficiency, and ultimately, make the sector more responsive to consumer needs. Progressively, government, private sector and CSO roles have become more clearly defined and PPP schemes have become more popular.

36. The contractual arrangements that could be entered into between public and private sectors range from service contracts, management contracts, leases, operations and maintenance concessions, capital investments to divesture and asset ownership, through which variable levels of partnership are established to improve levels of efficiency, effectiveness, responsiveness and adequacy of public services. In most cases, the arrangements are service or sector specific. While one option might be apt for power provision, for example, other partnerships would be more appropriate for another sector. Table 3 illustrates the different PPP options for water and sanitation provision.

Table 3: Allocation of key responsibilities under the various options for private sector participation

Option	Asset Ownership	Operations and Maintenance	Capital Investment	Commercial Risk	Duration
Service Contract	Public	Public and Private	Public	Public	1-2 years
Management Contract	Public	Private	Public	Public	3-5 years
Lease	Public	Private	Public	Shared	8-15 years
Concession	Public	Private	Private	Private	25-30 years
Build-Operate-Own Contracts (BOO)	Private and public	Private	Private	Private	20-30 years
Divesture	Private or private and public	Private	Private	Private	Indefinite (may be limited by license)

Source: World Bank, 1997. *"Toolkits for Private Participation in Water and Sanitation"*

37. According to a recent study by the South African Institute for International Affairs, in cases where partnerships have been able to deliver desired outcomes, "...thorough planning, good communication, strong commitment from both parties and effective monitoring, regulation and enforcement by the government" was present (Farlam 2005). Where there has been a lack of thorough planning, PPPs in the water sector have not had of the desired results. According to Ogunbiyi (2004), several schemes have had a "negative impact on the poorest of the poor by restricting their access to clean supplies due to high tariffs."¹² The same author

¹² Ogunbiyi, Constantine, 2004. "PPPs: Fad or good for SADC?", SADC PPP Pathway, SADC Banking Association PPP Capacity-Building Programme, Newsletter No. 1, July.

further asserts that PPP schemes involving management contracts, where the combination of public finance and private management of technical and commercial operations has been applied, could be the best type of contractual arrangement for water supply and sanitation in Africa.

38. There are also cases where PPPs take place across countries. Box 2 below provides a concrete example of crossborder international partnerships involving Mozambican and South African companies.

Box 2: International partnership: Good practices from South Africa and Mozambique

In 1996, the Governments of South Africa and Mozambique signed a 30-year concession for a private consortium, Trans African Concessions (TRAC), to build and operate the N4 toll road from Witbank, South Africa to Maputo, Mozambique. After the 30-year period, control and management of the road reverts to the Governments. The contract was worth R3 billion (at 1996 estimates = US\$ 660 million). The N4 road was financed from 20 per cent equity and 80 per cent debt. The three construction companies who are the sponsors of the project contributed 10 per cent worth of equity with the rest of the capital provided by the South African Infrastructure Fund; Rand Merchant Bank Asset Management and five other investors. The Governments of South Africa and Mozambique jointly and severally guarantee the debt of TRAC and, under certain conditions, guarantee the equity. At the time, it was the biggest project finance deal in Southern Africa. The N4 road faced demand risk: i.e. would cars pay to use this road when less well-maintained but free alternative routes existed? Traffic volumes, which were dependent on increased regional trade and economic growth in Mozambique, have not been as high as the financiers projected, but TRAC says the traffic has been 'acceptable' and the latest figures show that from 2003 to 2004, the traffic grew in volume by 4.5 per cent. There was also considerable user payment risk in Mozambique as the poor communities were unable and unwilling to pay high toll fees. TRAC cross-subsidized the Mozambican portion of the road with higher revenues from the South African side. It also provided substantial discounts to local users and public transport on both sides of the border.

Lessons learnt:

The N4 toll road shows the viability of PPPs in the road sector where the users are willing and able to pay. The N4 road has successfully reduced overloading of heavy vehicles, a major cause of road deterioration. It has also facilitated the growth of tourism in the region as well as other sectoral investments in Mozambique such as the Mozal aluminium smelter and the natural gas plants at Pande and Temane. More specifically:

- The commercial risk was shared between a range of partners;
- Cross-subsidization (from the more affluent South African users) and substantial discounts for regular users from Mozambican helped to reduce the user payment risk; and
- The road facilitated further private sector investment in Mozambique, which in turn raised traffic volumes.

Shortcomings:

Academics criticized the N4 PPP as there was hardly any emphasis on a people-centered development high transport costs along the toll road mean that small-scale traders and informal businesses and hawkers lost out to large-scale and organized traders and businesses, especially from South Africa's rich industrial province of Gauteng.

Source: "Working Together Assessing Public-Private Partnership in Africa" The South Africa Institute of International Affairs, 2005.

3.2 Case studies

3.2.1 Senegal: Urban water sector reform

39. In 1994, only 54 per cent of Senegal's urban population had access to safe water. There was an urgent need for reform. The Government recognized that greater managerial autonomy was needed to ensure both improved productivity and operational efficiency, and that some sector investment would have to come from non-State sources. All these requirements pointed towards involving the private sector, while the Government's main interest was to maintain control over the assets. With the creation of an enabling government framework for private investment, increased efficiency and improved service delivery were among the highest priorities.

40. In 1995, the Government created a Steering Committee of the Ministers of each government agency concerned with water supply and sanitation. At a workshop, the Committee concluded that a state asset-holding company should be formed, which would retain the assets and the right to extract water, and that an operating company should be created to produce and distribute water. It was decided that a professional operator would own at least 51 per cent of the capital; the other 49 per cent, being owned by a mixture of Senegalese investors, former workers of *Société Nationale d'Exploitation des Eaux du Sénégal* (SONEES) and the State.

41. The Committee also recommended that tariffs be structured so that cost recovery, and therefore, financial sustainability, was ensured and that the reform had a "social dimension." The technical subcommittee drew up a list of functions for the state asset-holding company and the operating company. The list also included recommendations such as remuneration of the private operator to be linked to efficiency of the network (measured by reduced water that was unaccounted for and increased billing and collection efficiency), and that there be some contribution by the operator to capital expenditures. The Committee came to the conclusion that in light of the needs and constraints of the sector, an *affermage* contract was the preferred option.

42. One of the major objectives of the institutional reform of the urban water sector was to establish long-term financial viability through increased efficiency and effectiveness. This was necessary for a number of reasons: (i) to alleviate the burden on the State of having to provide direct and indirect subsidies to the sector and thus free up resources to be used elsewhere; (ii) to make it possible for the sector to generate enough resources to finance part of the future capital expenditures; (iii) to bring the indebtedness to a level compatible with the sector's capacity to service it; and (iv) to attract private investors to finance an increasing part of future investment needs.

The financial policy of the sector was defined on the following basis:

- The only support to come from the State would be in the form of on-lending of donor's financing; there would be no ongoing operating subsidies;

- There would be no excessive increases in water tariffs; increases would be introduced gradually, set initially at a constant rate but adjusted upwards or downwards according to progress in reaching financial equilibrium; and
- The social tariff (the subsidized first block of the tariff for consumption under 10-cubic meters per month) would be retained in order to ensure affordability.

43. A 10-year *affermage* contract governing operations of the system was signed between three parties: the Republic of Senegal, represented by the *Ministère de l'Hydraulique*, SONEES, and a private operating company formed specially for this purpose, *Sénégalaise des Eaux* (SDE). SDE also signed a performance contract with SONEES for the same duration. The contract outlined SONEES' responsibilities with respect to making infrastructure available to the operator and prompt execution of work relating to system investment.

44. Related to adjustments to tariffs in accordance with the Contract Plan, SDE's main obligations included:

- Using the productive capacity of the infrastructure in an optimal manner;
- Maintaining and repairing infrastructure at its own cost;
- Renewing a minimum of 14,000 metres and 6,000 connections per year; and
- Meeting WHO standards for water quality.

Main outcomes

45. **More water to more people:** Since the reform process began, the volume of water produced for use in the urban water sector has risen each year, from 96.3 million cubic metres in 1997, to 114.6 cubic metres in 2002, a 19 per cent increase. Approximately 74 per cent of this water is used in Dakar.

46. **Better financial health:** The Government agreed to implement, through time-bound action plans, corrective measures to reduce the high water usage of public sector clients, budget annual public agency consumption, and pay government water bills within two months of issuance. Looking at the cash flow can also assess the financial health of the sector. The cash balance of SONEES has been positive since 1996, when major sector investment started as predicted by the financial model.

47. **Changes in tariff:** Senegal uses an "increasing block tariff" (IBT) structure, comprising a subsidized "social tariff" for levels of consumption below 20-cubic metres in a 60-day period, a regular tariff for consumption over this, and a "dissuasive tariff" for consumption above 100-cubic metres per 60 days. The tariff consists of the rate of charges for operation and maintenance of the system a component to cover costs of SONEES and ONAS (the State organization responsible for sanitation) and other components.

48. **Service to the poor:** The subsidies targeted at the poor in the water sector are in three forms:

- Subsidized connections through a social programme, financed by government funds (some of which have been provided by the World Bank);
- Construction of stand posts in areas where there are people without private connections, financed by the Government with funds from the World Bank, and supply of water to these stand posts at low rates (the stand posts are managed by private operators recruited by SDE in consultation with the local community); and
- Subsidies for low levels of consumption, financed through a cross-subsidy between customer categories and delivered through an increasing block tariff, with a social tariff for household consumption under 10-cubic metres per month.

Key factors for successful implementation

49. The choice of an *affermage* contract, which was enhanced by the addition of strong financial incentives to reduce leakage and improve billing and collection efficiency, was innovative. It addressed the needs of the Government and kept the assets in their hands, and operations and maintenance functions were clearly defined. Furthermore, the nature of the contract fostered a partnership between the Government and the private operator.

50. Strong political will and good leadership from the relevant ministry was present throughout the reform process and there was little interference from the part of the Government. It was a well designed process that allowed for flexibility and innovation when necessary.

Lessons learnt

- There can be no sustainable reform without political commitment, stakeholder ownership and strong internal leadership;
- Sector investment must be planned in parallel or in synergy with the utility reform and should be financed by external support agencies;
- Governments must remain committed to sector investment and implement it in a timely manner, as delays in rehabilitation and extension work will jeopardize improvement in service;
- Establishing a climate of trust and cooperation among the key actors will make reform sustainable and robust. This can be done by undertaking capacity-building activities;
- The state asset-holding company must be institutionally autonomous, professionally competent and have clear financial targets;
- Issues of employment and job security for staff must be addressed up front;

- The form of any contract with the private sector must be closely based on, and entirely consistent, with the development aims of the sector.

3.2.2. Ghana: Expansion of water supply in rural areas

51. The Ghana Water and Sewerage Corporation, a State company under the Ministry of Works and Housing, was responsible for both urban and rural water supply and sewerage for a population of some 15 million people. Most of the corporation's staff and resources, however, were devoted to the urban sector, with just two or three staff working in rural services. As a result, donors and NGOs who wanted to work in rural water and sanitation found themselves setting up large regional projects that were almost independent from the Government, both in their policies and in their implementation.

52. By the mid-1980s, the Government realized that the water situation was unsustainable and increased the water tariff ten-fold. A stakeholder group was established to adopt best practices associated with the International Drinking Water Supply and Sanitation Decade (1981-1990). The result was a draft sector strategy, which was discussed and refined with line ministries, local government, and private sector. Once the national policy for rural water supply, sanitation and hygiene education was finalized, it was implemented as a pilot project in the Volta region, supported by the UNDP and the Dutch Government. It was then scaled up as the First Community Water and Sanitation Project (CWSP-1), a US\$20 million World Bank-supported programme. The Community Water and Sanitation Agency (CWSA) was created in stages. First, the functions related to rural community water supply were placed in a separate division, facilitating better monitoring of donors' grants. Later in 1998, the division was made into an independent agency, whose main tasks were coordination and facilitation (not implementation) of community-managed water supplies.

53. At the same time that CWSA was created, the Government devolved certain responsibilities from the national level to districts and communities. The district assemblies became responsible for processing and prioritizing community applications for water supply, awarding contracts for hand-dug wells and latrine construction, and running a latrine subsidy programme. In order to be eligible for assistance, communities had to establish gender-balanced water and sanitation committees, complete plans detailing how they would manage their system, contribute 5 per cent of capital costs in cash, and pay all operational and maintenance costs. The final element of the strategy was an unprecedented private sector provision of goods and services, covering borehole drilling, operations and maintenance, latrine construction and community mobilization.

54. By 2000, the reforms were complete and CWSA had settled into its role of helping the district assemblies implement a national community water and sanitation programme. CWSA formulates strategies, standards and guidelines for the sector, coordinates the work of NGOs and donors, and encourages private sector participation in water and sanitation activities. The communities have primary responsibilities for managing their water and sanitation services, while small-scale private sector firms take care of repairs and spare parts.

55. The national Government of Ghana played a crucial role in developing policy but was not involved in implementation. The Ministry of Works and Housing (the parent ministry of CWSA) sets the overall policy for the sector, while the Ministry of Local Government and Rural Development supports district assemblies and tries to mediate between district assemblies and line Ministries. The Ministry of Finance does not yet accord water and

sanitation sufficient priority, as indicated by the low percentage of funds allocated in the PRSP.

Main outcomes

56. Coverage in rural water and sanitation is now being extended at a rate of 200,000 people (over 1 per cent of the population) per year and accelerating. Good progress has been made: CWSA is fully established and functioning, with the active support of several bilateral and multilateral agencies. Attaining the MDG of 68 per cent of rural water coverage in 2015 now looks feasible, as the percentage of coverage of rural water was 30 per cent in 1980, 35 per cent in 1990, and increased to 41 per cent in 2000.

57. In terms of cost recovery, the Ghanaian case is typical of poor countries where communities and local government must pay 5 per cent of capital costs. Of the balance, 90 per cent comes from the largely donor-funded CWSA budget. In practice, however, this policy is flexible: poor people are often identified at community level and exempted from paying, as a form of a community-managed cross-subsidy.

Key factors for successful implementation

58. Strong political leadership was evident. The national mood in Ghana in the 1980s was one of general support for reform and innovation. Rural water had been neglected and the sector as a whole was stuck in a downward spiral of inadequate cost recovery and poor service. Politicians made a decision to reverse that trend by increasing tariffs, seeking grants and loans, and separating the urban from the rural sector. Successive governments from different parties have all prioritized water and sanitation as important contributors to economic and social development; therefore, reform of the sector has not been used as a political issue.

59. Clear legislation was critical, specifically the Acts of Parliament from 1998 that defined the policies and roles of most sector agencies.

60. CWSA demonstrated strong commitment and leadership in supporting devolution of decision-making to local governments to implement their mandate.

Bottlenecks to smooth implementation

61. The role of the World Bank in making loans available and supporting sector reforms and decentralization has been crucial. However, certain players regarded the imposition of certain conditionalities to access grants (e.g. fixed percentage contributions to capital costs, minimum proportion of people demanding latrines in a community, and private sector involvement) as too rigid.

62. Ghanaian NGOs were initially helpful and constructive in their contributions to the policy debate. However, they later demonstrated some antagonism towards private sector involvement, apparently backed by international anti-globalization movements.

Lessons learnt

63. Demand-driven approaches work since communities are capable of making decisions, maintaining services, and making their contributions to capital costs, operations and maintenance. A strong and well-structured information campaign is necessary to empower communities to make an informed choice.

64. Support to communities is needed, particularly in the form of financial management training, in order for the elected boards to continue overseeing facilities on behalf of communities. CWSA and the districts should provide guidance on such things as tariff setting, service upgrading to house connections, additional point source facilities -- tasks in which private sector involvement is fundamental.

3.2.3 Lesotho: Expansion of sanitation services in rural areas

65. With a population of only 2 million people, 90 per cent of which live in rural areas, Lesotho is one of the smallest countries in Africa. In the 1980s, Lesotho faced serious water and sanitation problems, with a high incidence of waterborne disease. The water supply challenge had been addressed in rural areas, but work on sanitation had barely begun. Increasing population density led to high demands for latrines, and professionals working in the already developed water sector identified the need for reform. After a series of technical studies by international organizations, in the early 1980s, the Government initiated a two-part national sanitation improvement programme covering the urban and rural sectors.

66. From the beginning, the sanitation programme was carried out by government organizations, specifically by the Urban and Rural Sanitation Improvement Teams, which acted within the Government's regular programme of public sector development. The two teams were designed in a sustainable manner, gradually phasing out donor support, relying on local private sector organizations. In both urban and rural work, pilot projects were launched before scaling up to the full national programme.

67. The rural sanitation programme was based on the following principles:

- Proper institutional arrangements were ensured at national and district levels;
- Communities were involved in planning and management;
- The Government's efforts on education and promotion were prioritized;
- Full cost recovery was required from users and no government subsidies were applied; and
- Small-scale private sector firms prioritized the construction of latrines and training for latrine builders.

68. The Lesotho programme was also unique in that it adopted from the very beginning the ventilated improved pit latrine. Rather than spending time in testing a wide range of different technologies, it concentrated more on broader social issues, such as community participation, health, hygiene promotion and access to finance.

69. The Government put most of its own efforts in promoting sanitation and training sanitation professionals. The media promoted latrine use through printed matter, radio, slide presentations and videos. The use of key messages (improved health and improved status) in the promotion programme appears to have increased impact. The private sector, in the form of small contractors who build latrines, has been involved in the programme since the very beginning. Trained by the rural sanitation improvement teams, contractors make a living building unsubsidized latrines for households -- a benchmark of sustainability towards which many sanitation programmes strive.

Main outcomes

70. Tens of thousands of new ventilated, improved pit latrines have been built in rural areas, and a similar number of pit latrines have been upgraded. Sanitation coverage has risen from 15 per cent to more than 50 per cent in rural areas in 20 years. The rural sanitation programme remains active within the Ministry of Health. Lesotho is reaping the benefits of its long engagement in sanitation development, and is on track to achieve the MDG for sanitation, as it has already achieved the one for water.

Key factors for successful implementation

71. Even though the original impetus came from sector professionals and external agencies, which stressed the importance of mainstreaming their work into government structures, politicians played a leadership role in the promotion and allocation of significant funds in the government budget.

72. An evolving legal framework gave legitimacy to the sanitation programme's position as a regular part of the public sector's work. It became more developed as the sanitation programme progressed from the pilot stage to a nationwide operation, notably through the National Rural Sanitation Programme in 1987.

73. Decentralization to local government took place from the very beginning of the programme with district sanitation teams taking the main role in its implementation, supported by the Rural Sanitation Improvement Team.

74. Active support from donors and close collaboration with the Government in starting the programme helped to secure adequate funds.

Bottlenecks to smooth implementation

75. NGOs and the media did not have significant roles, but can add value for both promotion and training activities and this should be reinforced. Moreover, there were technical and financial problems in emptying latrine pits.

Lessons learnt

76. Lesotho is one of the few countries that have put sound principles for sanitation into practice at a national scale with a programme dating back 20 years. It is a permanent and budgeted part of the Government's work independent of external support agencies. Households employ private sector latrine builders, while the Government concentrates on promoting and training. The Lesotho programme has been successful in addressing sanitation holistically at the national level both in rural and urban areas. Rural sanitation

coverage has increased significantly and should easily exceed the sanitation MDG. Sanitation coverage has increased from 10 per cent to 50 per cent in 20 years, which has led to a significant reduction of sanitation-related diseases. The main problems ahead are targeting the poorest people and solving the problem of emptying filled latrine pits.

3.2.4 Uganda: Public -private partnership for the poor-small towns

77. For a long period, the National Water and Sewerage Corporation (NWSC) was responsible for the delivery of water and sewerage in 15 large towns in Uganda. The NWSC is a centralized government-owned entity. Water and sewerage in other towns is under the responsibility of municipal/town authorities, which have in the past been managed directly by municipal water departments, or through water users' associations.

78. In 1997, a Water Sector Reform programme was initiated aiming at universal coverage by 2015 through an accelerated investment coupled with service provision in a cost-effective, efficient and equitable manner. In order to attain this target, the water sector reform sought to establish an institutional framework that would increase PPPs in service provision and limit the role of government to that of policy maker, facilitator and regulator.

79. A two-year reform study recommended a single enhanced lease contract for service provision in the larger 33 towns and the remaining smaller ones to be managed by private operators and water users' associations through management contracts. The major criterion for classifying an urban service area as small town was the diseconomies of scale prevailing in that town. The reform study recommended that such town subsidies should flow from the central government on a sliding scale, until the towns could reach a point of financial breakeven. Subsequently, the Government of Uganda sourced funds from international agencies to finance a Small Towns Water and Sanitation Project (STWSP), during which the infrastructure was rehabilitated to provide reasonable level of service. Reform proposals for the management of water supply for 46 small towns were already piloted in 11 small towns as of March 2003.

Framework

80. The Ministry of Water, Lands and Environment (MWLE) is represented by the Directorate of Water Development, a technical arm that is responsible for policy issues concerned with water resources management in the country.

81. Town Council Water Authorities were formed involving several stakeholders; board members were composed of the following officials of the council:

- The town clerk;
- The chair person of Social Services Committees in the Town Council;
- A representative from domestic consumers;
- One member from institutional consumers; and
- One member from the former Water Users Association that was managing the water services in town.

82. Under this framework, the MWLE appointed the town councils as urban water and sewerage authority through a three-year performance contracts. The town council in turn appointed a water board, which owns the assets, set the tariff and oversees the operation of services. The water authority entered into two-year management contracts with local private operators, who were given the mandate to manage the technical commercial and financial operations of the water and sewerage services.

Main outcomes

1. The project achieved more than had been targeted in the components and provided improved water services to more people than originally planned. New water supply service was provided to 161,000 people in excess of the targeted 126,000. It improved service conditions for the estimated 30,000 people targeted.
2. The project completed the construction of piped water supply systems in 10 small towns. Core area populations were served through 2,570 connections and 100 kiosks; populations in the fringe areas through 171 point sources.
3. Town residents now have better quality and a higher quantity of water supply and there has been a significant shift from point sources towards piped water usage. Only an estimated 3 per cent, compared to 68 per cent at the start of the project, were using unimproved point sources.
4. Twenty-four hour water supply is now available due to: (a) development of good quality water supply infrastructure; (b) a customer-friendly commercial and financial policy that has subsidized the installation of connections, (c) a flexible approach that permits a range of options to serve various types of users and responding to demand for connections; and (d) implementation of a model that ensures sustainable management of the water supply systems - operations have been contracted out to local private operators since July 2001.
5. Financially, almost all the towns have either reached or surpassed the break-even point for sustainable operations. Kampala, which constitutes 70 per cent of NWSC's operations, is already managed by a Private Operator (PO) under an enhanced management contract while all the other operational areas of NWSC are under Area Performance contracts and service contracts with existing NWSC staff.
6. NWSC is able to meet 21 per cent of its capital investment programme from revenues and is expected to achieve an operating profit that will fully cover asset depreciation.
7. The project has contributed significantly to the development of a harmonized and replicable model for small town development and management. It is also credited with contributing to the development of local private sector capacity in the management of small town water supply systems.

Lessons learnt

83. The core competences of most private operators appointed to deliver services to small towns is in the engineering field, which is vital for technical operations in the water treatment and distribution systems. However, bearing in mind that the urban poor form the majority of the unserved in Uganda's small towns, partnership with intermediary organizations with social skills will ensure that software issues of service provision and expansion are handled efficiently and effectively. Examples of such intermediary organizations are NGOs and CBOs who have vast experience in dealing and serving the urban poor. As a transitional measure to accelerate services to the unserved, partnerships with small scale independent service providers should be formalized, so that they supply services to the fringe areas. The partnership could deal with issues such as organization, financing, empowerment and regulation of small-scale independent service providers. The Government should incorporate service extension to the urban poor as a major strategy and carry out the following:

- Revise management contracts to include in clauses that emphasize services to the urban poor;
- Provide incentives to the local water boards and private operators for accelerating services to the urban poor;
- Streamline the mechanism for provision of subsidies to small towns, with an earmarked proportion to fund expansion to the low-income communities in small towns. These subsidies should however be on a sliding scale, in line with recommendations of the sector reform study;
- Reinforce the regulatory framework to emphasize provision of services to the urban poor; and
- Service providers in small towns could take advantage of the few numbers of customers to provide differentiated, and almost personalized services, inclusive of the urban poor.

3.2.5 South Africa: Dolphin Coast Concession Contract

84. After the 1994 elections, the newly democratically elected Government of South Africa inherited an enormous challenge from the Apartheid regime in many parts of the country due to consistent under funding of water service provisions both in quantity and quality. While it has always been the function of the public sector to provide water services, the investments, operation and maintenance of water services were systematically neglected in areas where the majority of black South Africans live. As such, it was estimated that some 100 billion rands (Jackson and Hlahla, 1999) will be needed to eliminate the backlogs in services in a period of 10 years. In addition, the limited human and financial resources have increasingly made it more difficult for the new government to realize its commitment to redress the inequities of the past, and deliver better services.

85. In 1995, out of the 52 per cent of the urban population only 18 per cent of them (4 million) have nil or nominal water supply, while in rural areas 40-60 per cent of the population (8-12 million) remain without adequate water supply (Jackson, 1997). Consequently, the new Government in its endeavour to extend efficient and professional

water services provision to disadvantaged and under serviced areas identified a new style of governance of an embracing an integrated approach. The integrated approach featured greater civil society participation and the promotion of public and private sector partnerships and cooperation as indispensable to the development and prosperity of the South African society.

86. Water and sanitation, were given special attention as they were seen to be core to the basic needs package. In this regard, the promulgation of the Water Service Act No 108 of 1997 was to define specific rules and regulations associated with the process of providing adequate water service delivery. The Borough of the Dolphin Coast (BODC) on the other hand initiated a research in November 1996 aimed at seeking better modalities of private sector involvement in the provision of water and sanitation services. After the research, the town council of the BODC adopted a policy based on efficiency, participation, equity and cost effectiveness but found the town lacking in technical skills, had poor revenue performance, huge infrastructure investment requirements and diminishing capacity to borrow. This situation made the exercise difficult to implement without external assistance.

87. BODC then became the first municipality in South Africa to go PPP route. The Water Committee, the principal driving force of the BODC partnership, after considering other options proposed a concession contract as the best option towards improved management and for unlocking investment. (Hemson and Batidzirai, 2002)

88. By 1999, the BODC signed a 30-year concession contract with Siza Water Company (Siza). Thereafter BODC was incorporated into KwaDukuza local Municipality and Illembe District Municipality (IDM). Today, IDM is the regional coordinating municipal body responsible for oversight matters and for the BODC concession. It is worth noting that the private partner, Siza, is a local company especially created by SAUR Services and a consortium of five South African empowerment partners. SAUR Services parent firm, SAUR International, is a large international firm. Table 4 below provides an illustration of other water privatization schemes in South Africa.

Table 4: Major water privatization in South Africa

Region	Date	Sector	Contract Type	Lead Investor
Johannesburg Water	2001	Water	5-year Management Contract	Suez-Onedeo WSSA (Northumbrian Water)
Dolphin Coast	1999	Water	30 year concession	SAUR
Nelspruit	1999	Water	30-year service contract	Biwater Nuon
Queenstown	1995	Water	25 year	Suez-Onedeo WSSA (Northumbrian Water)
Stutterheim	1993	Water	10 years	Suez-Onedeo WSSA (Northumbrian Water)

Source: David Hall, Kate Bayliss and Emanuele Lobina; water Privatization in Africa; Public Services International Research Unit (PSIRU), University of Greenwich, June 2002.

Main outcomes

89. The Concession is officially regarded as successful particularly in government circles and, in the water companies. However, there are complaints from the communities at large with respect to the increase in tariffs, particularly amongst the extreme poor communities. Despite these criticisms, the project has been on track, problems are managed and resolved by management, and quality of water management has improved especially in relation to water loss and purity and the number of faulty metres. Similarly, the numbers of maintenance and investment actions by Siza have increased, unlike the municipality that focused only on extending services. Major outcomes are as follows:

- The municipality has been freed from debt and as a result of the strengthened balance sheets - the town has the ability to borrow once again;
- Water loss was reduced from 30 per cent to 16 per cent in the first year alone;
- Customer service centres have been established, making payments more easy;
- Response to customer complaints are more efficient (IMIESA, August 2000);
- Improved Infrastructure; and
- Service delivery has improved.

Effects on tariffs

90. Since the reform began, there are two levels of services, Levels 2 and 4. For level 4 customers, the prices have increased by 119 per cent from the pre-concession prices and for level 2 customers the prices have increased by 80 per cent from the pre-concession prices (Robbins, G). In 2001, the national government amended its policy and sanctioned the first 6,000 litres of water free for each family. This was to alleviate the burden of those requiring assistance. However, this measure did not eliminate the basic monthly connection fee for level 4 customers and excluded level 2 customers who usually use prepaid water cards (Robbins, 2003).

Key factors for successful implementation

91. Although PPPs are widely promoted, privatization is difficult and costly to achieve in practice and the results may be modest. For the Dolphin Coast many factors have assisted the concession to prevail. Beyond the dispensation of the Dolphin Coast, manageable size of the municipality and structure of the council, there have been several programmes to improve previously disadvantaged areas. For instance over R65 million has been invested into housing which directly improves the living conditions of the community at large (Hemson and Batidzirai, 2002). This project has introduced new aspects in the management of the water resources that include, the following:

- An empowerment component, social development, investment unit, etc. have been established;
- There is better coordination between the national government and other stakeholders including local communities and trade unions;

- The contract is a real partnership as both the council and the private stakeholders have responsibilities;
- For employees, Siza created new provident funds. Employees are entitled to receive benefits such as death and funeral benefits, medical aid and training totalling up to 3 per cent of the value of their salary. Similarly, an employee trust was created which now holds some 4 per cent of shares (Interview, Dr. Leighland);
- No asset can be sold without the council's permission and no tariffs can be increased without the councils permission; and
- All existing employees under the water and sanitation provisions were recruited under Siza, usually under better conditions.

Challenges to implementation

- The complexity of PPPs requires a careful approach. However, for most African countries at the preliminary stages of the process, challenges are inevitable. One of the main challenges with the concession of the Dolphin Coast was that the initial contract did not anticipate changes in the boundary of the BODC (Maharaj, 2003 as cited in Robbins).
- Almost two years after the concession, Siza found itself unable to pay its concession fees. This would have collapsed the deal, but the municipality made modifications to the contract including substantially reducing the annual concession fees to be paid for the period up to 2006, allowing for a reduced investment commitment and increasing cost of water (Farlam, 2005).

Lessons learnt

92. A summary of the lessons learnt from the study by Robbins found, *inter alia*, that greater efforts must be made to engage all stakeholders at all levels of the process including capacity-building. Thus, capacity-building for all stakeholders is essential as capacities are especially required to handle crisis periods. Other aspects worth mentioning include the following:

- An effective and efficient monitoring and evaluations system must be in place;
- Clear policies are required on pertinent issues such as free basic water, allocation of resources and to ensure risk reduction;
- Constant dialogue is imperative among and between councillors and stakeholders;
- The presence of a trusted broker is essential from all perspectives including those of the concessionaire and the municipality;
- Preconcession stakeholders must be fully engaged in the process;

- A transparent and accountable contract process must be ensured;
- Perhaps, the role of international companies can be fulfilled by a local company, as in the BODC concession the international company makes huge profits while the local companies sometimes make little or no profit;
- Citizens remain on the outskirts of decision-making processes;
- The rights of existing employees must be protected and, their involvement in shareholding;
- Dealings of by-laws remain an ongoing challenge and impacts concessions directly, making it imperative to accord these some priority; and
- Concessions must have a pro-poor policy, especially when prices increase.

PART IV

STRATEGIES FOR PROMOTING PUBLIC-PRIVATE PARTNERSHIPS

93. Successful PPPs require creating an enabling environment in which key roles and responsibilities are institutionally separated, clearly defined and allocated among all actors. Appropriate regulatory frameworks and institutions at national level to oversee the process are essential to operationalize national policies, protect property rights, and generate equitable returns on private investments.

4.1 Conducive regulatory framework

94. Public-private partnerships imply the participation of a wide range of actors and stakeholders, which are involved as contracting parties. These include consumers/users, regulators, NGOs, trade unions, environmental groups, and independent operators. Because of the complexity and quality of relationships among the contracting parties, an appropriate distribution of roles between national and local authorities and the private partner is essential and should be clearly defined.

95. The effectiveness of regulatory frameworks is a critical factor in any arrangement for PPPs. Government capacity to set up appropriate regulatory systems and consequently make appropriate decisions about private sector participation can determine which partnership options are most suitable for a project. Also, the regulatory system selected by government can considerably affect the business environment. This determines the competitiveness and ability of private operators to conduct business efficiently.

96. Although, liberalization policies for improving business environments have made significant progress in many African countries (i.e. reduction of State monopolies and intervention in pricing and distribution processes), private small and medium enterprises (SMEs) continue to face a series of obstacles, such as corruption, poor tax regulation high tax rates and inadequate infrastructure support. In some instances, local private operators also face increased competition from multinational companies and still consider taxation levels too high relative to profits.

97. In designing the broad regulatory framework that will support a conducive environment for private sector participation, governments could consider a wide range of specific laws, constitutional rules and measures from central and local bodies. These include:

- Constitutional and legislative separation of responsibilities for public service delivery among national, regional and local governments;
- General legislation that regulates different types of PPP arrangements with private sector, including foreign companies;
- Specific measures that allow close oversight of social services delivery and management by applying service standards and penalties for default;
- Equitable rules to ensure fair competition in subcontracting and procurement procedures, and tax liability systems; and

- Social policy measures aimed at protecting the rights of vulnerable groups of consumers, such as tariff adjustment rules, government subsidy policies, disconnection procedures for delayed or unpaid bills, and dispute resolution mechanisms.

98. Although, options to develop robust regulatory frameworks and strong institutions to implement the above measures may vary from one country to another, experiences suggest that the regulatory system should provide enough guidelines for setting out the key parameters, including: (i) clear and independent principles in legislation to ensure effectiveness in the monitoring and implementation process; (ii) accountability of regulators by establishing a credible and timely scrutiny of regulatory decisions; (iii) transparency by placing, for example, contract awards and regulatory instruments in the public domain; and (iv) professionalism and technical expertise in concluding partnership agreements, especially when international investment is involved.

4.2 Enhance performance of service providers

99. Efficient and professional management of the social services delivery is vital in achieving financial sustainability, customer responsiveness and optimal use of resources. Most public utilities owned and run by government entities in Africa have been singularly unsuccessful in providing reliable services, particularly water supply and sanitation. Government monopoly over the provision of those services has resulted in lack of accountability and community ownership in the planning, implementation and management of water supply and sanitation projects, poor management and sustainability, low quality of services, and limited service alternatives. Where successful reforms have been undertaken, the government has sought professional management from private operators, NGOs and water consumer associations, and other stakeholders, which operate under a delegated management mechanism.

100. However, there are often fears that private sector involvement in service provision will result in higher tariffs that private providers will favour only high-income consumers, and major social goals will not be met. The reality is that the private sector, operating in the context of a better regulatory environment and greater autonomy of service provider authorities and utilities, is more effective in servicing low-income consumers.

101. Major policy reforms for enhancing the performance of service providers should emphasize:

- Defining a clear legal framework that reduces the risks of regulatory uncertainty for private investors, thereby leading to optimal project costs and lower tariffs;
- Adopting transparent procurement rules and legislation that allow fair competition, and removing exclusivity rights in order to allow SMEs to compete with the main operators;
- Establishing an autonomous statutory governing body applying commercial management techniques and expertise, clear financial and operation targets and accounting systems, greater management autonomy, and a demand-driven orientation;

- Promoting government-owned enterprises and public limited companies (e.g. share companies owned by local, national or regional government authorities); and
- Designing performance incentives, such as ensuring minimal government oversight in day-to-day management of the services.

102. The implementation by governments of sound capacity-building programmes, especially at local level, also remains a key policy factor to promote a demand-responsive approach aimed at enhancing the performance of services providers and community outreach. Capacity-building measures that enable all stakeholders to function and build successful partnerships should include:

- Carrying out targeted training to communities, private sector, NGOs, and local/national governments in order to familiarize them with new innovative tools and methodologies and especially, to encourage training-by-doing at all levels;
- Developing training programmes that are time-bound, output- and impact-oriented, with performance monitoring and targets to measure capacity and achieve goals;
- Providing opportunities for local stakeholders, including private sector, local governments, and NGOs, to participate in workshops, conferences, and forums to assist in building their own capacities.

4.3 Promote good corporate governance practices

103. In most African countries, there is a need to define the options and undertake necessary reforms *vis-à-vis* PPPs for the provision of basic services. Political commitment and long-term engagement from government, supported by an appropriate legal framework, are essential to create favorable conditions for PPPs. Governments should clearly articulate and promote a series of policy measures, including:

- Institutional reforms aimed at decentralizing responsibility for service provision to local governments and community-based entities, and promoting cross-sectoral linkages, such as education, health and sanitation, rural development, and energy;
- Improved communication, transparency and advocacy channels based on a demand-responsive approach that allow communities to make informed choices about their participation, service standards and levels, and service delivery mechanisms;
- Strengthened regulatory capacity to oversee service delivery, the setting of mutually agreed tariffs, monitoring environmental quality, and ensuring ownership and appropriate management of social services and assets;
- Clearly defined roles for key stakeholders where user communities own and manage their facilities; governments facilitate the process through encouraging stakeholders participation and setting policies and standards; private sector and NGOs provide consumer goods and services; and CSOs provide policy guidelines and implementation support; and

- Capacity-building initiatives and opportunities for service provider entities in public, private enterprises and community-based organizations.

4.4 Ensure financial sustainability

104. Financial viability of service providers is essential to ensure improved sustainable social services delivery, particularly water supply and sanitation, and to meet a growing demand for those services in Africa. The expansion of water services, for example, has been mainly hindered by insufficient resource allocation from the public sector and a weak capacity to mobilize resources from stakeholders, especially the private sector. Operators in both sectors must generate sufficient revenues from user charges, transfers and subsidies to cover the operation and maintenance costs and related investments of water utilities. Key measures for this include:

- An adequate tariff policy that promotes effective cost recovery of capital resources and preserves the social objectives of providing equity of access and free basic social services provision for the poorer consumer groups;
- Effective recovery of operation and maintenance costs from users and commitment from the latter – based on their willingness – to make upfront contributions as a gauge of the social services sustainability and the capacity of the community to administer funds and tariffs; and
- Enhanced financing schemes -- for both public and private actors -- that promote financial risk mitigation and guarantee instruments, explore financial intermediation options in order to catalyze domestic resource mobilization, and encourage mobilization of both domestic and foreign investments for creation of PPP enterprises.

4.5 Promote greater participation

105. Efficient provision of social services requires a participatory approach that aims at strengthening collaboration among the three key stakeholders, namely: governments (national government, local governments and municipalities), private sector (national and transnational businesses, formal and informal enterprises), and CSOs (communities, NGOs, research centres and professional associations). PPPs are seen in this context as an effective means to establish cooperation between public and private actors and to bundle their financial resources, know-how and expertise to meet the challenges facing service provision. While this approach promises several benefits, experience shows that involving private actors in the provision of basic services needs to be carefully planned and monitored if the benefits of such a model are to be fully realized and the numerous potential drawbacks avoided.

106. One of the most challenging aspects facing PPPs remains the need to reconcile two competing aspects: government's need to find ways to fulfill their socioeconomic responsibilities for ensuring services to all citizens, on the one hand, while striving to preserve the interests of private investors on the other. Also, an important factor is that private companies operating in the sector need to be convinced that investing in any particular social service delivery project offers more attractive returns than other available investment opportunities in the country. In order to support the principles of good corporate governance and fulfill their responsibilities, private operators and other stakeholders should consider the following policy actions:

- Create the right conditions and mechanisms for multiple accountability, and efficiency of service providers (public or private, international or local);
- Develop flexible service options and standards in order to meet the needs of consumers;
- Promote private sector participation as a means for increasing investment in service provider infrastructure as well as for enhancing the efficiency and performance of service delivery;
- Ensure that options for private participation are based on realistic investment and service targets with appropriate share of risks and responsibilities between public and private groups of partners;
- Promote dialogue with target consumers to ensure that contracts and programmes address their specific needs and ensure that channels for communication are available;
- Extend services to vulnerable populations in urban and rural areas; and
- Encourage service providers, and SMEs in particular, to engage in business by providing the right incentives, such as tax exoneration systems, equitable profit levels, adequate access to information, flexible procurement systems for goods and services, subsidy packages, etc.

107. Because of many difficulties related to the cost-recovery levels and priority given to meeting the social objectives, PPPs in most African countries continue to require public funding -- in the form of financial allocation or direct subsidies -- to augment the private sources of funds in all types of partnerships.

4.6 Recommendations

108. Despite the substantial progress mentioned above in some countries, large backlogs remain and the participation of private sector in the provision of social services and infrastructure continues to face serious difficulties in SSA. The coverage of water supply and sanitation, for example, remains on average very low in the region, particularly for the rural population. To address those challenges, the following are recommended:

109. **Political commitment:** Strong political commitment from government to promote PPPs, sustained consistently over a long period of time, is critically important to the success of social services delivery.

110. **Regulatory and legal framework:** Government should formulate clear legislation and regulatory systems that will give guidance and confidence to all partners, especially to private operators working in the sector, to determine their own policies and plans and to protect their financial interests and property rights.

111. **Institutional reforms:** Devolution of authority over social services, especially water and sanitation supply services and operational responsibilities from national to local governments and communities, should be encouraged as an efficient means to improve the

service standards and accountability. Local governments and communities need professional support from strong PPPs in order to implement their social services delivery and supply programmes effectively.

112. Contracting out with private sector: Qualified local, national and regional enterprises should be given the opportunity to compete for PPPs. Governments should consider involving small-scale providers, especially CBOs and private local SMEs, which hold a comparative advantage and can play a key role in reaching unserved groups of households in both rural and urban areas. In partnering with private sector operators, governments should select appropriate contractual arrangements that are compatible with their socioeconomic constraints and objectives and address the specific needs of poor consumers. PPP contracts should clearly define pro-poor arrangements through establishment of adequate tariff systems and policies for service charges, making them affordable and equitable for low-income citizens. When selected as options in the context of a higher-autonomy partnership, lease agreements, *affermage* contracts, and concessions should be used as efficient contract arrangements to improve responsiveness, foster innovation, and, in the case of concessions, to attract private investment.

113. Tariffs and subsidies: Governments should ensure that tariff levels and structures benefit all consumers, including low-income ones, by selecting appropriate pricing systems, such as the increasing block tariff (IBT) and uniform volumetric charge. When governments decide to provide full or partial subsidies, this should be restricted to providing one-time assistance for household connections and stand posts, especially in poor areas, so that consumption will remain equitable for all consumer categories. Government should provide direct subsidies when its funds are certain to be available for this purpose, and ensure that subsidy mechanisms remain targeted and transparent.

PART V

PARTICIPATORY APPROACH TO NATIONAL BUDGETING

“ (There is a) Need to engage fully with our people. (we need to) Do more listening than talking. The attack on poverty requires that we set money aside: the PRSP provides us opportunities to talk to our people and for them to participate in defining their needs and the associated resources required to meet these needs. You want to manage the economy like you manage a corporation. They consult with their Boards and shareholders.”

Mr. Hage G. Geingob
Former Prime Minister
Republic of Namibia

5.1 Overview

114. There is a growing global appreciation and understanding of participation as a critical element in development. The paradigm shift to participatory development underscores the involvement of a wider range of stakeholders at every stage of the policy from planning to implementation, monitoring and evaluation. Participatory approaches are being applied in various spheres for the allocation of resources in general, and for the management of common property resources in particular. Indeed, people cooperate and follow the rules set down by the community only if they are part of their establishment and the resources to be managed satisfy their needs (Chopra 1996).

115. The core of economic management includes the efficiency of the system of revenue generation and distribution, fiscal discipline, equity and fairness of the taxation system, transparent and accountable procurement system. It also includes the extent to which budgetary allocation is disaggregated by gender and the effectiveness and credibility of regulatory and oversight bodies. Today, it is widely accepted that the full participation of all citizens, both men and women, in policy-making and implementation is the best way to build and sustain democracies, reduce conflict and achieve sustainable human development. In this respect, greater transparency and accountability of budgetary processes are vital components of participation and distributive justice.

116. Recent studies by ECA (2004) indicate that progressive sustainable development can only be achieved with a vibrant and active citizenry that engages in decision-making forums and processes, collectively and individually, irrespective of their gender, ethnicity or wealth. It is, therefore, essential to develop an effective channel of accountability between public service providers and their clients, the citizens. Options for implementing this include decentralization of the provision of public services as well as encouragement of greater choice and competition. This requires various means of incorporating the private sector, non-governmental organizations and civil society into the field of public service provision and infrastructure.

117. Good regulatory oversight is essential to ensure adequate levels of quality and service provision. In addition, the Consensus Statements emerging from the African Development Forums (ADF III and IV) are very explicit on the need to engage civil society, especially in the pursuit of Africa's key development and governance agendas. They stressed the value of private sector and civil society participation both on the input side of

large-scale initiatives, in consultations and forums at all levels, and also in the effective pursuit of goals such as achieving targets for representation, women equity, promoting regional integration and international cooperation, and maintaining or restoring respect for human rights.¹³

118. One of the most important issues for good governance is the proximity and participation of citizens. If institutions and governments are to become more responsive and supportive of the needs of society and the development challenge, the demand for change must come from an organized and vocal civil society. An empowering environment has to be created in order for people to take responsibility and share authority in public management. It has to strengthen the participation of citizens in public affairs, and strengthen administrative and financial capabilities at all levels.

119. Much has been written about the characteristics of efficient government, successful businesses and effective CSOs, but the characteristics of good governance defined in societal terms remain elusive. Good governance is, among other things, participatory, transparent and accountable. UNDP distinguishes the following core characteristics of sound governance: (UNDP 1997).

- **Participation:** All men and women should have a voice in decision-making, either directly or through legitimate intermediate institutions that represent their interests. Such broad participation is built on freedom of association and speech, as well as capacities to participate constructively;
- **Rule of law:** Legal frameworks should be fair and enforced impartially, particularly the laws on human rights;
- **Transparency:** Transparency is built on the free flow of information. Processes, institutions and information are directly accessible to those concerned with them, and enough information is provided to understand and monitor them;
- **Responsiveness:** Institutions and processes try to serve all stakeholders;
- **Consensus orientation:** Good governance mediates differing interests to reach a broad consensus on what is in the best interests of the group and, where possible, on policies and procedures;
- **Equity:** All men and women have opportunities to improve or maintain their well being;
- **Effectiveness and efficiency:** Processes and institutions produce results that meet the needs while making the best use of resources;
- **Accountability:** Decision makers in government, the private sector and civil society organizations are accountable to the public, as well as to institutional stakeholders. This accountability changes depending on the organization and whether the decision is internal or external to an organization; and

¹³ ECA, ADF III and IV, Addis Ababa, Ethiopia.

- **Strategic vision:** Leaders and the public have a broad and long-term perspective on good governance and sustainable development, along with a sense of what is needed for such development. There is also an understanding of the historical, cultural, and social complexities in which that perspective is grounded.

120. In Africa many governments, NGOs, CSOs and donors are increasingly adopting participatory approaches in assessing needs, implementing programmes, the delivery of public services and evaluating government policy impacts on development. As an alternative to top-down approaches, beneficiary inputs at large offer an opportunity to get firsthand analyses of their priorities, constraints and opportunities.

121. Increasingly, many countries have pursued new mechanisms to promote more direct citizen engagement in the process of governance, ranging from the creation of decentralized institutions to a wide variety of participatory and consultative processes in national and global policy deliberations. Major initiatives such as HIPC, the PRSPs, and the MDGs have provided opportunities for partnerships that encourage greater stakeholder involvement in defining poverty reduction goals. Moreover, the ongoing debate on the need to engage stakeholders, in decision-making processes has naturally raised the need to mainstream gender¹⁴ in economic policies and planning tools, contributing to a new emphasis on strengthening an understanding of macroeconomics from a gender perspective and promoting women's participation in economic policy and decision-making processes (UNIFEM 2004).

122. Thus, greater participation in pro-poor decisions requires that governments move away from traditional centrally managed, closed budgetary processes or poverty reduction frameworks, which may concentrate on fiscal restraint, toward more equitable policy choices and ways to raise resources effectively and use them in a transparent manner. Participatory budgeting processes help promote effective use of public resources, deter corrupt practices and achieve more sustainable outcomes.

5.2 Scope and objectives

123. The main objective of this section is to identify elements of citizen participation in the process of formulation, implementation and assessment of public policies at national and local levels, with particular emphasis on the national budgeting process. This brief review does not attempt to exhaust the topic of participatory development nor the participatory approach to national budgeting, but instead aims at reinvigorating debates on ways to enhance participation in budgeting, particularly by the poor direct or through a representative voice.

124. This section emphasizes the need for the adoption of inclusive and broad-based participatory approaches to national budgeting processes in ways that encourages ownership and influence the budgeting process through information sharing, dialogue, consultation, collaboration in implementing programmes and participating in monitoring and evaluation. To this end, this section adopts a broad definition of CBOs that includes non-profit NGOs and private sector lobby groups. However, since the formal private sector tends to be

¹⁴ Social relations between men and women define 'gender', taking into account different burdens borne and advantages enjoyed by women and men and try to balance these.

powerful and vocal and because governments tend to take this interest group's views on board in the budget formulation processes, the emphasis of this paper is on CSOs representing the poor. Ultimately, the goal of these groups is to advocate policies that enhance public transparency, strengthen checks and balances on government and improve efficiency in public service delivery. Such a goal can be achieved if both actors, i.e. the traditional actors (the State and its organs) and newer social actors (i.e. national, regional and global CSOs representing poor women, rural communities, the disabled, and other marginalized interest groups) play their roles effectively. The national budgeting process provides opportunities for countries to translate policies related to health and education challenges, both rural and urban productivity and sustainability, and commitments to women and ethnic minorities into action programmes.

5.3 A review of principles on participation

125. Development literature indicates that the idea of participation as a development concept has been around since the 1950s. The application of the concept started as a grass-root development model that sought to get local people or the beneficiaries involved. While this approach succeeded in involving the communities, it was not, however, designed to empower them. Communities were viewed as contributing to and supporting national development programmes but not as being instrumental in determining the content or direction of those programmes. The lack of significant progress in this area forced development analysts to re-examine the modalities of administering development programs. Among the areas identified as major drawbacks to their effective implementation was the exclusion and marginalization of the poor people, both from broader societal participation and from direct involvement in development initiatives.

126. Indeed, since their inception after World War II, most national and international initiatives to bring about development, particularly in less developed countries, have consistently tended to make the process participatory. However, what was meant by participation, while somehow positive in meaning, was often vague. Even when the concept of participation was precise, it frequently differed with respect to setting the goals, processes, agents, effects and the value of participation itself.¹⁵

127. In a search for adopting a broad-based participatory approach to development, the traditional distinction between community participation (usually in the form of projects) and political participation (conventionally through voting, political parties and lobbying) is now beginning to dissolve. As participatory approaches are scaled up from projects to policies, there is a gradual convergence of concern with the citizen's engagement in policy formulation and implementation with good governance broadening political participation to search for new, innovative, and more direct ways through which citizens may influence their governments and hold them accountable.

128. The basic values for promoting participatory development at global level are articulated in most declarations and instruments to which most governments have agreed upon and are signatory to. These include, among others, the following:

- (a) The International Covenant on Civil and Political Rights (ICCPR);

¹⁵ David A. Crocker, *Participatory Development: The Capabilities Approach and Deliberative Democracy*, University of Maryland, 2003.

- (b) The International Covenant on Economic, Social and Cultural Rights (ICESCR);
- (c) The Convention on Elimination of all forms of Discrimination Against Women (CEDAW), and
- (d) The United Nations Declaration on the Right to Development, adopted by General Assembly resolution 41/128 of 4 December 1986.

129. The case for bringing people in the centre of Africa's development process has even been made stronger by the United Nations Secretary-General in a number of areas. In his report on arrangements and practices for the interaction of NGOs in all activities of the United Nations system, he highlighted measures for enhancing close collaboration and dialogue between the United Nations and civil society and on how to improve civil society's access to information and increased participation. The Secretary-General in his comprehensive initiative for Africa. The UN System-wide Special Initiative for Africa made the strengthening of civil society and the promotion of popular participation core priorities. He also requested United Nations system organizations to build alliances with organizations of civil society, promoting development, democracy and peace building. Furthermore, member countries at the United Nations Millennium Summit, through the adoption of the MDGs declared their commitment to make the organization a people's organization, improve its relationship with them and, finally, resolved to give full opportunities to NGOs and other non-state actors to make their indispensable contribution to the Organization's work.

130. In Africa, the move toward conceptualizing participation in the broader developmental context started in the mid-1980s with the United Nations Programme of Action for African Economic Recovery and Development (1986-1990) as one of the major landmarks in this endeavours. This was followed by the organization of major international conferences between the United Nations, NGOs and African governments, namely, the Abuja International Conference on Africa: The Challenge of Economic Recovery and Accelerated Development (1987); the Khartoum International Conference on the Human Dimension of Africa's Recovery and Development (1988); and the International Conference on Popular Participation, in Arusha (1990), which culminated with the adoption of the African Charter for Popular Participation in Development. The Charter stress the importance of popular participation for the consolidation of democracy, good governance, and sustainable economic growth.¹⁶

131. Most recently, the pursuit of good governance throughout the continent affords a prime example of the type of development initiative for which participation is profoundly important. The recent wave of democratization has opened up not only the political and market spaces but also the policy arena, and it has led to the reform of the government bureaucracy in many countries. This political and development discourse has come to give great prominence to participatory development and the continent has now generally recognized that collaboration and participation of communities in policy and decision-making processes is a crucial factor in the success of development initiatives. In this regard, two regional initiatives – The African Union (AU) and the New Partnership for Africa's Development (NEPAD) – underscore the centrality of participation, democracy and good

¹⁶ International Conference on Popular Participation in The Recovery and Development Process in Africa, *African Charter for Popular Participation in Development and Transformation*, Arusha, United Republic of Tanzania, 1990

governance to sustainable development in Africa. Unlike former, essentially state-centered approaches to government-citizens interaction, today, public accountability and participation of people in governance and development are considered essential ingredients for economic and social development. The Democracy and Political Governance Principle of NEPAD, for example, recognizes that one of the fundamental requirements of good governance is that government moves closer to the people.

132. In addition, the African Peer Review Mechanism (APRM) as a NEPAD process provides a platform for African governments, civil society, NGOs and their external partners to discuss and build consensus on the state of governance and all socio economic development programmes, thereby increasing transparency of the decision-making process and building trust in the pursuit of national development goals.

133. Capable, democratic States remain critical to overcoming most development challenges in Africa, especially with respect to meeting the MDGs. A key factor to the creation of a capable State is how it leverages knowledge and practices from non-State actors to expand the government's capacity to promote and deliver sustainable development. The evidence from studies shows that a State can address its capacity gaps by engaging with non-State actors.

134. The rationale for participatory approaches to national budget stems from the vested interests of different stakeholders (provincial, district, municipal and local governments, the business community, NGOs and citizens at large) in cooperating or building consensus on the development priorities of their societies. According to Whaites (2002), participation is a process, not an event, by which stakeholders' influence and share control over priority setting, policymaking, resource allocations, and/or programme implementation. It may also be defined according to the stage of involvement in the decision-making process. An all-encompassing characterization of participation would be a combination of such approaches as methods and behaviours that enable people to express and analyse the realities of their lives and conditions, to plan themselves what action to take, and to monitor and evaluate the results (IDS 1996). The effective involvement of all actors presents a challenge in terms of rethinking the roles, functions and jurisdiction of the different actors.

135. This paper stresses the need for the adoption of an inclusive and broad-based participatory approach to development processes in a way that encourages ownership and influences the development process through information sharing, dialogue, consultation, collaboration in implementing programmes and participating in monitoring and evaluation. In this respect, section 2 reviews Africa's efforts and experiences in promoting participatory development. Section 3 explores some of the key aspects of involving communities in the process of preparation, execution and evaluation of national budget; whereas section 4 draws conclusion and presents some recommendations on how to ensure the success of participatory development.

5.4 Modalities for participation in budgeting process

136. While there is no one model of participatory budgeting that is applicable to all communities, nevertheless, there are some guideposts. The types of participatory interactions that may occur during the formulation and implementation of a national budget are categorized in the following paragraphs (IDS 2000).

- **Consultation.** This applies to development of analysis and strategies. The boundaries between joint formulation and consultation in these processes are “fuzzy” rather than absolute. It implies no commitments to incorporate conflicting views and perspectives into the final document;
- **Information sharing.** This applies at all points of the budgeting process and implies a broader process than disseminating the headlines of policy formulation. Enhancing public understanding of policy and budget formulation processes is critical to this;
- **Joint formulation.** This applies to the formulation and development of analysis and strategies. Within this category, different actors have different levels of centrality and control;
- **Formal approval.** This implies a low level of creative input in the formulation and development of a national budget, but a high level of authority.
- **Shared responsibility.** This applies to the implementation phase of the budget, where roles, rights and responsibilities are complex, multi-faceted and may be subject to continual negotiations.

5.5 Actors and institutions in participatory budgeting

137. Participatory approaches to national budgeting require the coordination and cooperation of the State, and civil society, within the context of the international financial markets and multilateral organizations, through efficient and effective mechanisms and institutions (Box 3). Coordination and cooperation widen the vision, provide opportunities to reflect on certain issues and bring greater focus on them, while creating an environment for partnership in the formulation of the budget.

138. **The State:** The State creates the enabling environment for the citizens’ voice and, to a great extent, determines the effectiveness of participation by virtue of the rights and access it extends to citizens. In most countries, however, national budget preparation, execution and evaluation are mainly the responsibility of national or sub-national governments. An effective broad-based participation requires mobilization of the citizenry by the State. The desire to make the national budget more participatory and transparent is part of a larger agenda to:

- Democratize the formulation of macroeconomic policy frameworks;
- Build up the capacity and knowledge base of the citizenry on issues related to budgets;
- Create a broad-based social dialogue around equity issues; and
- Institutionalize regular access for certain social groups in decision-making.

139. In addition, representative institutions such as Parliaments or district assemblies also have a role in the budgetary processes through parliamentary debates and their votes on budget. However, sometimes the role of such representative institutions can be limited because of the type of governance framework of a country. Recent efforts towards devolution and fiscal decentralization mark a change towards more broad-based participation in the budget-making processes.

140. **Private sector:** The relationship between the private sector and budgeting processes, although well-studied, remains a complex one. On the one hand, in many countries, the private sector is the main contributor to the fiscus through various types of taxes. A less robust private sector activity has meant a smaller resource envelope for States to carry out

their duties. On the other hand, for ill or good, the budgeting policies impact the private sector in major ways including through tax measures and other macroeconomic policy choices. For example, a government decision to run huge budget deficits continuously inevitably leads to rising interest rates, inflation and generate macroeconomic instability – phenomena that adversely affect the private sector. This mutual dependability means that the private sector has always been a direct or an indirect government ally in budget formulation exercises. Indeed, governments have long been more sensitive to private sector concerns relating to fiscal policy than those of other constituencies.

Box 3: Budget preparation and implementation: The role of national players

The role of the Cabinet

- Choosing objectives;
- Ranking goals and desired outcomes for the medium-term;
- Selecting short-term goals;
- Revising the medium-term goals annually;
- Publicizing and championing the delivery agenda;
- Monitoring and managing the socio-political implications of service delivery flows; and
- Exercising political oversight of departmental management with respect to 'output' delivery.

The role of the Departments/Ministries

- Formulation of programmes, subprogrammes, activities, and definition of outputs;
- Estimation of costing and budget preparation;
- Inter-departmental coordination;
- Ensuring delivery efficiency;
- Setting of performance measures and performance indicators;
- Monitoring and evaluation of service delivery; and
- Publication and communication of service delivery data.

The role of the Legislature/Parliament

In a parliamentary democracy, the Parliament is the ultimate custodian of the public purse. It exercises influence at two levels:

- Resource-allocation phase: Parliament ratifies and legislates the pattern of public-resource allocation. Second, it is a conduit for public participation in policy-making. NGOs, CBOs, and civil society at large influence policy processes via the legislature; and
- Monitoring phase: the Auditor General's Office is the mechanism for effecting Parliament's oversight role. The Parliamentary Subcommittee on Finance is the main institution for effecting the legislature's oversight function.

The role of the Auditor-General

- Adequacy of an internal control system;
- Compliance with statutory, regulatory, or contractual requirements;
- Economy, efficiency, and effectiveness in resource use (value for money auditing); and
- Environmental practices.

The role of civil society

- Serves as key agent of deepening democracy and promoting socio-political accountability for fiscal-resource allocation;
- Provides mechanisms for public participation in policy-making processes;
- Accesses to and monitors budgetary and service delivery performance. To this end, the provision of accessible, accurate, and timely information is the most critical catalyst for public participation;
- Details and accesses data on 'planned' and 'actual' service delivery, enabling an assessment of budgetary implications and what actions to take; and
- Promotes good governance and achievement of value for money in service delivery.

Source: Abedian and Biggs 1998

141. With the increasing role of the private sector in the development process, its participation in the national budgeting process has assumed an additional dimension. From this new angle, its participation stems from two fronts. First, as a development partner it is involved in accelerating economic growth. To succeed in this role, the private sector needs an enabling environment for its own growth. In this regard, a government can use budget allocations to, *inter alia*, provide infrastructure and upgrade human resources through education and training.

142. Second, the private sector has become an agent in the budget expenditure chain through government procurement systems. In this case, the private sector has a vested interest in a participatory, accountable and transparent budgeting process – whose spin-off is effectiveness and efficiency in the provision of public services. Transparent budget processes have also enabled the private sector to carry out an analysis of budgets and thus helped close capacity gaps within governments in this area. In brief, the private sector's analytical role in the budgeting process has included:

- Budget analysis to monitor and establish the impact of the budget on the activities of the private sector;
- A review of the tax system, especially with respect to consumption tax and import tariffs, in order to facilitate private sector production planning and investment; and
- Mobilization of the qualitative involvement and input of the private sector.

143. **Civil society organizations:** Ordinary citizens, NGOs and CBOs have a right to know and determine how public revenues are collected and spent. However, in many countries, budgetary policy debates occur within relative exclusivity, leaving the majority of ordinary citizens without a direct or even a representative voice. Thus, participation in decisions regarding budget allocation, spending patterns, and public service delivery is a key entry point for civil society and donor engagement in choosing public actions. In many cases, the involvement of citizen's movements around budget formulation and analysis are made within a larger political and social movements, coalitions, and processes.

144. The media's involvement in covering national budgeting processes and potential corruption also results in important avenues for citizen access to information. Although many reporters cannot make an informed analysis of budgetary policies, the media can be an effective ally in sparking debate among the general public and eliciting responses from the government.

145. The implementation of participatory budgeting processes goes beyond the capacities of various actors and institutions and the necessary duties outlined in Box 3; it requires a supportive and conducive legal and policy environment. The process demands responsibility from all concerned, capitalizing on what each party can contribute to complement others.

146. **International financial institutions and donors:** Actors in the budget-making processes often include international actors as a result of both the revenues and the expenditures being influenced by linkages of economies to others through capital and trade flows, debt and ODA. Furthermore, through loan conditionalities, multilateral institutions, such as the World Bank and the IMF, can have more influence than governments about the way that budgets are formulated. This is the case with highly indebted poor countries.

147. External actors are not homogenous in their approaches to development or the ways in which they make external resources available. While some have focused on financial criteria for making external resources available, others have viewed their role as partners with governments and CSOs, supporting the reprioritization of expenditures towards socially equitable budgeting. They are clearly engaging with a much wider variety of stakeholder groups and the nature of engagement is also changing to the policy dimensions. The 20/20 initiative on shared responsibility among governments in developing and developed countries, multilateral and NGOs, that was adopted at the 1995 World Summit on Social Development, is an example of such an international partnership.¹⁷

5.6 Prerequisites for effective inclusive budgeting processes

148. There are several options for participation that lead to more inclusive and equitable processes for formulating, implementing and monitoring the national budget. Over time, those with the following characteristics have been found to lead to effective participation:

- A democratic political dispensation;
- Demystification of budgets through simple summaries and presentations that can be understood by non-technical ordinary citizens;
- Public information strategies through national, regional or local workshops, focus groups and interviews, sector working groups, etc;
- Transparency of participation and its outcomes at national and local government levels that could build trust, ownership, and support among all stakeholders;
- A participatory process built as much as possible on existing governance and political systems so that it can easily be institutionalized and sustained over time; and
- A Parliament that is able to influence the drafting of the budget more proactively and make sure that the balance of appropriations is inclusive (i.e., horizontally correct between the various sectors and groups of the population and vertically correct between the various levels of government: national, provincial and local).

¹⁷ In 1994, five UN agencies, namely, the UN Development Programme (UNDP), the UN Educational, scientific and Cultural Organization (UNESCO), the UN Population Fund (UNFPA), the UN Children's Fund (UNICEF) and the World Health Organization (WHO), proposed the 20/20 Initiative as a means of accelerating the mobilization of adequate financial resources from domestic and external sources to meet human development needs, by agreeing with partners on a mutual commitment to allocate, on average, 20 per cent of ODA and 20 per cent of the national budget, respectively, to basic social programmes.

5.7 Stages of participatory budgeting

149. Several levels of participation in budgeting processes can be aggregated into three main stages discussed below (Crocker 2003).¹⁸ They point to a range of lessons regarding the timing of interventions to influence the budget.

150. **Participation at the budget formulation stage:** The most effective time to influence the budget is during the policy formulation stage, when policies are translated into programmes, prioritization takes place, and indicative resource figures established. Parliament is critical at this stage and Members of Parliament should seek ways to engage with their constituencies to define priorities and needs of the community. CSOs can undertake impact analyses of previous budgets and distribute them to MPs. Furthermore, the media should expose relevant issues before the budget is released to create public awareness and spotlight the budget immediately upon its release in order to prompt timely analysis.

151. **Participation at the budget implementation stage:** This stage provides the linkages between the formulation of a government's policy agenda and the budget to ensure that it is fully affordable and representative within a general programme expenditure framework. Effective parliaments are critical at this stage because they can push for government financial accountability through their oversight of the reading and adoption of the budgets. As representatives of the people, and to effectively partake in the budget debates, MPs should have disaggregated budgets to enable them to access relevant information, including ability to assess potential impact of the budget to the most vulnerable groups of society. This is the stage also where government and civil society cooperate in public service delivery as highlighted in previous sections.

152. **Participation at monitoring and evaluation stage:** As institutions become more inclusive in the 'front-end' of project development – that is, in promoting participation in appraisal and implementation – then questions of 'who measures' results and 'who defines' success become critical (Estrella and Gaventa 1998). Participation in monitoring and evaluation is diverse and used in different contexts and involves a myriad of stakeholders – NGOs, donors, research institutions, government, people's organizations and communities, depending on the sector (i.e. agriculture, health, enterprises/livelihoods or public services). Facilitators of this process could be MPs or government officials as part of the ir constituency work.

153. Expenditure monitoring and tracking systems are a particular institutional framework used in tracing the flow of resources through the various layers of government bureaucracy and providing local communities with information about funds allocated to particular services in their area. This process aims at, first, ensuring that the government spends public monies according to budget allocations and, second, tracking how the monies spent are being used and whether they reach their intended destination (Robb 2000). This is gaining popularity and already adopted in a number of countries including Chad, Ghana, Rwanda, Senegal, Sierra Leone, Tanzania and Uganda.

¹⁸ According to Crocker (2003), citizen participation takes the form that includes voting for candidates, legislative initiatives, and referenda on office holders; communication with elected representatives; expression of opinion in public hearings, focus groups, and public opinion polling, lobbying, protests, the media, publications, and public events.

154. The tasks carried out as part of a participatory monitoring and evaluation process, *inter alia*, are:

- Assessing the budget impact on poverty and conducting a social impact analysis, tasks carried out by grassroots organizations, NGOs and funding agencies;
- Enhancing organizational strengthening and institutional learning to enable people to keep track of their progress by identifying and solving problems themselves and by building on and expanding areas of activity where success is recognized; and
- Holding governments accountable (by local citizens/CSOs) and assessing the extent to which budget interventions meet the needs of interest groups [e.g. The Children's Budget addresses the needs of children in South Africa (see Table 5)].

Table 5: Cases illustrating participatory monitoring and evaluation experiences

Features Case Study	Country/Region	Sector	Primary Functions/Purposes	Key Actors/Participants	Tools/Methods Used
Family Life Training Programme	Kenya	Health/Nutrition Childcare	Stakeholder perspective	External evaluation team; Provincial and divisional govt. authorities; Project Management Staff; community organizations and villagers	<ul style="list-style-type: none"> • Timeliness/trends • Venn diagrams; • Key informant interviews • Focus group discussions • Ranking • Card sorting exercises
Northern Regional Rural Integrated Programme (NORRIP)	Ghana	Rural development (water supply and sanitation improvement)	Impact assessment	External evaluation team; CIDA: govt. line agencies; NORRIP staff; Village leaders and residents	<ul style="list-style-type: none"> • Household quantitative surveys • Focus group discussions/village meetings/workshop • Village Development Capacity Index tool.
Agency for Cooperation in Research and Development (ACORD)'s auto-evaluation	Mali	Agriculture/natural resource management	Organizational/institutional learning Impact assessment	ACORD project staff; Local agro-pastoralists and other community members. At the end of the 3-year programme will also involve external evaluators, State local development committees	<ul style="list-style-type: none"> • Village meetings and workshops • Individual group and activity files • Animation techniques
Siavonga Agricultural Development Project (SADP)	Zambia	Agriculture	Programme management and planning	Field extensionists; Village extension groups; Local farmers	<ul style="list-style-type: none"> • Farmers' own records • Recording sheets & booklets • Extension agents' work diaries • Extension preference ranking
World Bank programmes	Global	Multi-sectoral	Public accountability	World Bank staff; Governments; NGO Working Group (from Africa, Asia, Latin America); Communities	<ul style="list-style-type: none"> • Workshops on participatory monitoring • Regional meetings; • Global participation conference; • Data should reflect qualitative and quantitative aspects of participants

Source: Estrella and Gaventa 1998.

5.8 Institutionalizing participatory budgeting

155. Government's facilitation of stakeholder involvement is a demonstration of commitment to institutionalize participation in national budgeting. In addition to governance and political structures that extend from the local government to national Parliaments, a number of governments have created an enabling environment for the establishment and operation of civil society structures such as NGOs, trade unions, cooperatives and interest groups at the local, district, provincial, regional, national, subregional and even international levels. However, the extent of participation by CSOs in the discussion and debate about national development strategies and plans, including the national budget, varies considerably across countries.

156. Carrying out an effective participatory process that actually achieves the principles of increasing information sharing, transparency, and accountability requires adequate planning and sufficient time to implement the processes. Some governments argue that because they are democratically elected, they do not need to institute participatory processes for economic and social development policy formulation. However, by sharing information about national-level policymaking before the policies are finalized, before the budgets are formulated and before public action choices have been made, governments' decision-making processes become more transparent. Traditional democratic processes usually only allow citizens to make one input in four or five years (during the elections). Participatory processes, however, allow citizens to actively participate in the governance of their country and their resources between election cycles, on a more regular basis. This not only empowers the public but also increases the overall ownership for development policies, thereby increasing their sustainability.

157. Government's commitment should include, among others, creating an enabling legal and policy environment for participation, especially to ensure the equitable distribution of natural resources. In the prevailing situations, within the political process, where needs and priorities compete for scarce resources, establishing dialogue between the legislature, executive branches and the society at large is a fundamental sound state budgeting practice, especially for conflict prevention (Box 4).

Box 4: Address at the 41st Annual Dinner of the Sierra Leone Chamber of Commerce, Industry and Agriculture, 20 December 2002

"I would like to see a situation where in the budgeting process, for example, there is a strong consultative and collaborative effort with the Chamber of Commerce, in addition to the contribution of civil society. The merits of such a consultative and collaborative efforts in preparing the national budget are enormous: first, it provides a medium whereby all stakeholders would participate in the processes of identifying national resources as well as in the allocation of these resources among government programs. Second, and more importantly, it creates mutual understanding and trust. Once that understanding is achieved the process of legislative debate and the subsequent approval is greatly facilitated. That process also reduces the massive resource leakage in the budget implementation process; in other words, corruption! The public would then be aware of the mechanisms of the resources allocation process. And third, the consultative and collaborative process leads to consistency, transparency and confidence in the management of the economy. Stakeholders would be fully aware of not only the quantum of resources allocated for programs but also the service delivery mechanisms."

Source: His Excellency Alhaji. Dr. Ahmad Tejan Kabbah, the President of Sierra Leone

158. South Africa also represents a good example of a country that has institutionalized participation in its budgeting process. The first step in this direction was to make transparency in budgeting and financial management entrenched in the South African Constitution. Another important action was the initiative by the Institute for Democracy in South Africa (IDASA) to provide timely information on the budget and analysis of the impact on low-income people to CSOs to enhance their participation in the budget process through its Budget Information Services (BIS). In order to target marginalized groups, BIS works with CSOs already engaged in public policy and those who work directly with poor communities. Recently, the National Finance Minister of South Africa, Mr. Trevor Manuel in his 2004 statement unveiling the Medium-Term Budget Policy, advocated that the budget process not remain peripheral to the lives of the poor majority of South Africans who, after all, give democracy meaning. He insisted on a shift to a truly participatory budgeting in which citizens have the right to define the content of the budget.

159. Other examples of practical and effective participatory budgeting exist in other countries as well. For instance, in Uganda, citizens' participation in the planning process is also guaranteed by the Constitution. Though no formal mechanism is in place for consulting with the public on the national budget, the Budget Reference Group set up by the Ministry of Finance and Planning and Economic Development in 2000 aims to demystify the budgetary process and involve the public in PRSP formulation. Recently, by forging strong and sustainable alliances with civil society, the Government of Uganda has strengthened CSO involvement in some of the country's major policy processes. However, these efforts need to be consolidating by building the capacities of civil society and strengthening viable coalition to enhance the quality of participation.

160. The budget work of civil society varies in nature and scope and their participation aims at addressing different budgetary concerns. Table 6 is an illustrative view of the nature and scope of participatory budgeting in selected countries within and outside of the Africa region.

Table 6: Examples of participatory budgeting with a focus on budget formulation and review

Country	Main features of participation	Key Actors
Brazil	Participatory budget processes initiated by government particularly the participatory municipal budget of Porto Alegre.	Government
Canada	- The Government of Canada in its review of 2003 budget measures for persons with disabilities responded to recommendations in the report from the Standing Committees on Human Development and the Status of Persons with Disabilities. - The Alternative Federal Budget (AFB) is an alternative budget through a participatory process, which is then presented to government.	Legislatures The Canadian Centre on Policy Alternatives and CHOICES--CSOs
India	Undertake budget analysis with pro-poor emphasis. Studies focus on the pattern of spending and challenges the anti-poor actions of the government as expressed by its financial allocation. Provide training programmes to help other organizations develop the interest and capacity for budget analysis.	Development Initiative for Social and Human Action (DISHA)--CSO
Kenya	The Budget Information program through its work assists members of Parliament with analysis of the budget in preparation for the debate.	Institute of Economic Affairs--CSO
Malawi	Civil society groups worked with the Parliamentary Budget and Finance Committee to identify key Priority Poverty Expenditures (PPEs) in the 2001-2002 budgets and lobbied for the government commitment to these areas.	CSOs and Parliamentary Budget Committee
Mexico	Building organizational capacity and networks to enhance public debates about the budget through training and budget education.	El Centro de Investigacion y Docencia Economicas (CIDE)—CSO
South Africa	The Children's Budget project is a sub-project of the Budget Information Service (BIS). Through analysis, it investigates the link between government policy commitments to children and budget allocations.	Idasa—CSO
Tanzania	The Gender Budget Initiative work towards influencing budgeting processes and allocation in relation to objectives of gender equality. It has a strong capacity building and research focus to increase lobby and advocacy for mainstreaming gender in national planning and budgeting processes.	CSOs
Uganda	Participatory budget analysis for supporting the preparation of evidence-based PRSs and national budgets.	Government and CSOs

Source: International Budget Project 2000

161. Recent trends towards devolution and fiscal decentralization reflect a political evolution toward more democratic processes and provide a framework for institutionalizing participation, especially targeted to rural communities and the grassroots. In addition, the trend is being supported by many donor agencies. Decentralization encompasses three related processes of devolution, delegation and deconcentration (Meloche, et al, 2004).¹⁹

¹⁹ “Devolution” is a process by which a central government transfers some authority to subnational governments, including the ability to raise taxes and formulate expenditure budgets. “Delegation” is a process by which a central government transfers a responsibility to subnational governments, remaining responsible for the service and keeping the authority to revoke this transfer at any time, while “deconcentration” is where the central government gives responsibilities for certain services to regional branch offices. In this case, central government does not require any participation of subnational government. Each process involves a different level of fiscal autonomy.

162. In environments with weak traditions of popular participation, decentralization is perceived to be an important first step in creating regular, predictable opportunities for citizen–State interaction. The aims are greater participation by the people and better informed management of local resources to meet local needs. Decentralization is also advised for the sake of facilitating accessible and responsive governance, engendering better service delivery, and permitting more effective poverty reduction. There are sufficient reasons to believe that service delivery by local authorities and their community-level partners can be more flexible and responsive to the local needs and conditions than delivery by central government. However, one important aspect of decentralization concerns the degree to which there is effective coordination of service delivery programmes and resources among all stakeholders (local governments, central government, civil society and the private sector) at community, national, regional and international levels.

163. Decentralization of budgetary powers to the municipal or village levels has been used and proven to be effective in many countries, including India and Brazil. However, while offering opportunities for redistribution and more direct accountability, decentralization *per se* does not necessarily involve changes towards pro-poor investment planning, spending decisions or taxation. In fact, decentralization of budgetary decisions without a process of mobilization of poor people and their participation in budgetary decisions may actually help reinforce the power of local elites.

164. To guard against this possibility, political decentralization would strengthen participation if certain conditions were in place. These include:

- Sufficient powers to exercise substantial influence within the political system and over significant development activities;
- Sufficient financial resources to accomplish important tasks;
- Adequate administrative capacity to accomplish those tasks; and
- Reliable accountability mechanisms, to ensure both the accountability of elected politicians to citizens, and the accountability of bureaucrats to elected politicians.

165. These conditions by themselves do not ensure participation by the poor or those who represent them. For more inclusiveness:

- Community groups could hold elected officials accountable, inducing them to serve the immediate needs of the poor;
- Central government may provide incentives to local government to support investments and services for the poor segment; and
- Pro-poor interests could be taken care of in other ways that include: (i) active participation in formal local government bodies (normally council assemblies), something that would require active campaigning in local government elections; (ii) quotas for underprivileged groups; and (iii) by way of sympathetic elites, often members of pro-poor CBOs and NGOs.

166. Other shortcomings of fiscal decentralization²⁰ are usually overcome through clear guidelines from central government, well articulated national development objectives, clear regulatory or legislative measures and strong capacity-building interventions.

5.9 Strategic roles of actors in the participatory budgeting processes

167. The next logical question to pose is how players in the budgeting process can position or conduct themselves to fully benefit from people-centered budgeting experiences and improve the well-being of the entire society. Certain political/policy and civil society traits that ensure participatory budget processes are addressed in the next sections.

The potential roles of States

168. **Political and policy roles:** Good examples of participatory budgeting processes point to the need for government to provide a political space to CSOs, and sometimes take positive steps to ensure their formation. The following are key behavioural traits that indicate governments' seriousness in encouraging citizen participation in the budgetary processes.

169. **Providing strong political support to citizen participation:** Broad-based participation requires mobilization of the *citizenry*. Furthermore, political support to a participatory approach to national budgeting reflects a larger goal of good political governance that entails predictable, open, and enlightened policy-making, a bureaucracy imbued with a professional ethos, a strong civil society participating in public affairs, and commitment to address fundamental development interests of the people, among others (ECA 2002). Encouraging citizen participation in budget processes and creating an environment conducive to that process through CSOs helps create and reinforce good political and economic governance.

170. **Entrenching budget transparency and accountability:** The adoption of the principles of participatory budgeting reflects governments' commitment to greater transparency and accountability in public finance management. Transparency and accountability are important, not only in terms of ensuring that resources are channeled into socially equitable ends, but they are also important for the ability of the governments to raise revenues. Indeed, citizens are more likely to be willing to increase their tax contributions and external actors are more likely to provide financial support when governments become more transparent, accountable and use their resources effectively.

171. **Allowing for political and fiscal decentralization:** Good examples point to political will to entrench democracy through decentralization of fiscal powers. As a prerequisite for this process, governments should ensure that capacity issues are addressed and that the systems to ensure transparency and accountability are in place.

172. **Greater willingness to collaborate in public service delivery:** Leadership from government and active and effective involvement of CSOs are necessary to ensure effective implementation and sustainability of pro-poor budgets. Such dialogue ensures that a synergy occurs between the aims, expertise and capabilities of each side. Furthermore, public consultations on service delivery and policy priorities offers a way of opening up space and

²⁰ These include conflicts with distributional and macroeconomic management objectives, varying regional/provincial capacity constraints and regional disparities in the distribution of productive resources and incomes due to political or historical reasons.

measuring public opinion over a wide range of service-related issues, from the quality of service delivery to policy priorities.

The potential roles of CSOs

173. **Advocacy and information analysis:** Effective CSOs representing the citizenry tend to play the roles highlighted below.

174. **Promoting awareness and voice:** CSOs serve to improve the *knowledge and awareness* of all the participants in the budget process. To exercise their voice, citizens need awareness of their rights and chances to speak out about social realities and of their visions and perspectives for development outcomes. It is this type of awareness that creates conditions conducive for change and action, including uniting with others to express or act upon that voice in an organized fashion. Spreading awareness should also aim at improving the skills of government actors to enable them use a ‘poverty lens’ to link pro-poor issues to budgeting and macroeconomics.

175. **Ensuring advocacy efforts, influence, planning and policy formulation proactively:** Early involvement can maximize a CSO’s position in the budget debate by getting involved when the budget is at a preparatory stage, and increasingly before it is finalized so as to build momentum and generate proactive interest in the budget issues within civil society. For example, when government officials are proposing cuts to social spending, a CSO may object by publishing a report that makes a case for protecting social services in the budget. Advocacy work tends to assume the dimensions discussed below:

- Holding *public forums* before the budget is complete, so the Executive can take the views of the participants into consideration;
- Preparing a *budget guide* for MPs at the initial stage of the budget debate, in order to help inform the debate of the needs and concerns of the poor;
- Using the *media* both before the budget is released, in order to brief civil society on the upcoming issues, and immediately after its release, in order to provide timely analysis; and
- Influencing the transformation processes introduced by the *multilateral organizations*. With a dominant position taken by these organizations in shaping poor countries’ budgets, challenging these organizations on economic frameworks like structural adjustment programmes and the PRSPs has become essential.

176. **Carrying out research that enhances constructive engagement:** Systematic and detailed research and analysis on the resource implications of various policy options play a critical role in informing and influencing policy makers. Indeed, effectively raising awareness, boosting capacity, lobbying and raising credibility of CSOs requires systematic, targeted and accessible research with recommendations to guide policy makers. Benefits of such research include:

- Ensuring governments’ *accountability to women and the poor*, and forcing them to fulfill commitments made at international conferences and in policy statements. For example, in gender-sensitive budgeting, an analysis has to be done of actual budgets

to examine whether public expenditure is carried out in ways that promote or hinder gender equality with a view towards reprioritizing public resources towards gender-equitable patterns of revenue collection and resource use;

- Forming *partnerships* with governments in the delivery of public services – a partnership that could lead to the delivery of services and infrastructure in an equitable and efficient manner;
- Exposing lack of transparency or potential corruption, particularly where some budget items (e.g. defense or covert operations) are kept secret because they are of ‘strategic nature’. Through successful publicity campaigns, CSOs can help enhance *transparency and accountability* in public affairs; and
- Offering the government *practical solutions* to the problems it faces and a clear plan for implementing them. Particularly in countries in which there is limited civil service capacity, taking the step from identifying problems to articulating solutions can be critical in influencing and guiding the actions of policy makers.

177. **Building strategic coalitions and effective networks:** Building strategic coalitions within the CSO community and with government can prove very effective in promoting the cause of the poor. The following are some of the ways that have proved successful:

- Some CSOs just starting out and working to develop their own expertise share their expanding knowledge base with those who would most benefit from it, including government officials. Moreover, they also benefit from open communication with others in the field, drawing on the work they had done and learning from their experiences;
- To enhance credibility and effectiveness, some CSOs cooperate with a broad spectrum of organizations whose constituencies would be affected by the budget decisions. Through meetings and information sessions, they work to increase awareness within the NGO community, establish a common agenda, and present a united voice to the government;
- Political credibility and broad-based ownership of research and analysis is also largely influenced by the extent of stakeholder involvement and successful consensus building. Moreover, institutional factors and constraints may necessitate the formation of a research and information partnership that draws on information, capacity, and expertise from government, universities, think tanks, and civil society;
- By partnering in research and capacity-building, CSOs and governments can learn from each other and capitalize on each other’s strengths. Close cooperation also gives NGOs insights into the constraints of government, while alleviating some of the bureaucratic red tape that can often hinder certain projects; and
- The personal contacts developed by some CSOs makes it possible for the organization to receive information in a timely manner and therefore produce analysis that could be used while the budget debates are actually occurring.

178. **Training for building capacity:** Training NGOs to engage in budget work is deemed important because of the role they can play in increasing government transparency and accountability to the electorate. In this regard:

- Some NGOs' mandates are to provide training to other NGOs. As a result of such training, a group of people engaged in professional analysis and monitoring of budget has been formed, leading to *better budget policies* and reduced government malfeasance through rigorous public monitoring;
- Strengthening CSO capacity to engage in public policy and resource allocation debates provides *checks and balances* to ensure that government makes the right interventions in the most cost-effective manner. The political credibility of civil society is largely dependent on increased capacity to understand the issues and engage in public debate and the ability to present government with policy critiques and alternatives proposals; and
- Capacity-building is a *slow process* that requires working with government and sharing information with other stakeholders. Over time, effective organizations have capitalized on the relations established with the government and civil society by moving to new areas in which the same issues were at stake.

179. **Ensuring internal integrity, legitimacy and non-partisanship:** Establishing and maintaining credibility are essential for a CSO to have an impact on the budget debate. This could be accomplished by:

- Ensuring that they are able to respond to questions from those with different views before taking a public position;
- Substituting party politics with clear, evidence-based arguments on budget policy. CSOs must take pains to serve all legislators regardless of party affiliation, refusing to ally the organization with partisan interests;
- Adhering to principles of good governance, including transparency and accountability in their financial affairs, good labour practices, democratic principles and others; and
- Listening to the people by going out and gathering information about what they are really interested in, what they do or do not understand, and help them to better perform their duties (as voters, representatives of voters, public officials, etc.).

180. **Selecting and focusing on a niche area:** The wide range of tasks associated with the implementation of pro-poor budgeting approaches (training, coordination structures, implementation processes, research, monitoring, information sharing, etc.) requires a significant commitment of time, resources and expertise that may not necessarily be available. Thus, attempts to tackle all pro-poor issues, and bringing these to the attention of a government official or group of officials, especially without a sense of priority, may prove ineffectual. Successful CSOs strategically select one *high profile area* to capture the public interest and generate momentum, to avoid *duplicating work* that is already being carried out by other organizations.

181. **Information access and communication roles:** Being aware of the budget context is important for making valuable contributions. For instance, resource allocation processes are based on political and economic factors that are specific to a nation or region. Research and advocacy strategies should be designed to mobilize resources within the given specific political and economic institutions, processes and factors. Moreover, dealing with a complicated subject matter and people who may understand very little about it requires innovative ways to communicate such information such that it retains its intellectual rigour while being understandable to ordinary citizens. In this regard:

- For CSOs operating at local level, their budget analysis must take the *regional or national context* into account. Although, there is a great deal to be gained from participating in budget analysis at the city level, for example, it is important to take into account the role and influence of regional or national budgets as well. Depending on the political context and tax structure, the interrelationship between the two budgets can be critical to understanding budget policies and the dynamic of the budget process;
- Effective CSOs produce information that is both *timely and useful*, and select their audience well. Longer, more in-depth reports as well as topical newsletters and short, easily digestible issue briefs should be sent to a broad spectrum of NGOs, legislators, ministry officials, and other key players, and reports widely publicized in the media. Electronic communications is increasingly becoming vital to inform interested parties about ‘hot issues’;
- The *means* of disseminating information are also important. Some CSOs employ a number of techniques to reach target audience, including meetings, information sessions, media interviews and testimonies at committee meetings, and a budget debate with government officials and the NGO community;
- For better impact, some CSOs form a coalition to foster greater legitimacy for their position, and to make their *united voice* a lot louder; and
- *Tailoring information to the need* enhances effectiveness. Many CSOs produce concise and clear budget guides, not only because of some MPs’ limited understanding of financial procedures and capacity to analyze budget proposals, but also because of the extremely short time frame in which they can develop arguments in the budget debate.

182. **Monitoring and evaluation roles:** The extent to which external institutions audit the local government accounts, stakeholders and involvement of citizens in the control of the utilizations of funds can be facilitated by the establishment of local government public accounts committees, as is the case in Uganda (albeit at the incipient stage).

5.10 Recommendations

183. Most countries have made significant efforts towards achieving participatory development, particularly with respect to budgetary process. However, deepening participatory budgeting processes should focus on factors that would ensure that the voice of stakeholders is accounted for. For example, which communication mechanisms, legal issues and administrative structures could be considered as most effective in promoting popular

participation in national policy debate process; which factors should be considered to ensure effective stakeholders' participation to meaningfully influence the national budgeting process. The following paragraphs provide some indications of major issues to be addressed for an effective participatory development process.

184. Provide leadership, vision and commitment to participatory budgeting: Leadership, vision and commitment at the political and policy levels are important for creating an enabling environment for establishing wider and more complex relationships involving all stakeholder groups. Leadership should be an expression of government's intent towards greater openness, democracy and participation in the management of national development. Good leadership should promote national dialogue and discussion on people-centered budgeting and explore the opportunities provided by decentralization, whose significance must be based on how shifts in decision making are used to involve the grassroots and communities in the planning and disbursement of national resources. National Human Development Reports, which have become widespread in recent years, provide one venue for initiating discussion of budgets.

185. Define the ground rules for participation: The legal and institutional frameworks for participation, the entry points and the different levels of participation should be clearly defined to eliminate any ambiguities. On the political and policy side, advocacy work around budgets must be inclusive and encourage alliances and dialogue between groups organized around gender, poverty and transparency and accountability issues. In some countries, participation in the budget, for example, is entrenched in the constitution. Governments should also address the socio-economic and political conditions under which civil society can be involved and effectively influence the national development dialogue.

186. Remove information constraints: Policy discussions become sharper and more credible when based on sound analytical work and factual information. One major obstacle to the development of analytical policy tools, assessment of impacts and monitoring of policies is lack of appropriate data. Access to quality information can add value to the policy process by deepening debate and expanding choices. Governments should give special attention to improving data collection and dissemination in general and to gender- and poverty-disaggregated data, in particular. To further conceptualize and explore the formulation of pro-poor policies, decision makers should assess the impacts of alternative expenditure allocations and revenue collection or taxation schemes on poverty and gender inequalities.

187. Enhance capacities of all actors: Capacities need to be strengthened through a mix of options, including forming coalitions to enable active participation. Providing services to enhance the capacity of all actors, especially the legislature and CSOs in the budget process, is crucial to guarantee effective participation. Build capacity of participants on budgetary issues through the development of popular materials on budgets, training workshops or 'budget schools' is valuable. 'Knowledge networking', including via the Internet, is an element of such capacity-building.

188. Introduce participatory approaches to the revenue side of the budget: Existing debates on budget initiatives tend to emphasize the expenditure side. For both political and sound economic management reasons, participatory approaches should also be introduced to the revenue side of the budget. This should include, for example, examining closely the relationship of people-centered budgets to monetary policy to ensure overall macroeconomic stability and to avoid generating macroeconomic imbalances manifested in high inflation.

189. **The Legislature should take more interest and be more involved in the national budgeting process:** Parliamentary committees on budget should undertake more in-depth studies of budget proposals and should include opposition or minority party members. Governments can make budgets more legislature-friendly by releasing them in segments so as to enable MPs to digest issues on which they are expected to vote.

PART VI

CONCLUSION

190. Over the years, concern has grown regarding the balance of power and distribution of functions between national and local governments, and their ability to deliver development programmes to those most in need. This has been associated with a move to democratic rule or a return to democracy. It has also been encouraged by citizen and community pressure for more effective and accountable authorities. As a result, new forms of governance, including partnerships and participatory development, are being adopted and implemented in most countries.

191. Current socio-economic crises have forced governments to reduce spending on infrastructure and social services. As an alternative way for governments to promote sustainable socio-economic development, partnerships between governments, the private sector and community-based organizations are increasingly seen as crucial. By inviting diverse constituencies to participate and collectively define challenges, a shared vision can be formulated and solutions found. The result can be where communities and cities are becoming more economically vibrant, environmentally sustainable, have greater social stability, and a healthier, more engaged citizenry.

192. In Africa, the concepts of private sector and civil society and their potential for contributing to Africa's development are rapidly and progressively achieving prominence in political and developmental discourse. This growing attention to the issues of partnerships and participation is fueled by several global trends of the last decade, including the widely failure of monolithic states to deliver goods and services in an efficient and responsive manner, among others. Participatory development is being widely seen as crucial methods for limiting authoritarian government, strengthening popular empowerment, enforcing political accountability, and improving the quality and inclusiveness of governance.

193. Public-private partnerships have stimulated reconsideration of the limits of state actions and increased the awareness of the potential role of private sector and civic organizations in the provision of public goods and services, separately or in partnership with state institutions. In public-private partnerships each sector has a distinct role to play in the process. Governments could introduce policy initiatives, undertake economic reforms, and liberalize the economy. The private sector has financial, technological, and management resources as well as proven track record of providing lower production costs, delivering services more efficiently, maintaining capital equipment at a higher standard, making decisions faster than public bureaucracies, and offering consumers greater choice. It can also widen economic opportunity, invest in human capital, promote environmental sustainability, and enhance social cohesion. Increasingly, the private sector is becoming an equal partner and contributor in efforts to create sustainable socio-economic development. Non-governmental organizations and community groups understand local needs, therefore, could lend their special expertise in program formulation, implementation and service delivery at the grassroots level.

194. Partnerships between the public and private sectors can improve service delivery. Contractual agreements that allow the private sector to participate in the provision of public services can supplement state capacity, introduce competition, and foster community

ownership. Contracting out, co-management and co-financing are different arrangements for bringing the private sector into service delivery. Where such partnerships are new, they may entail modifications to existing legal and regulatory frameworks as well as the development of standards, regulatory instruments, model contracts and tendering documents. In addition to these formal requirements, private participation in service delivery also requires the involvement of community stakeholders throughout the process of planning and developing projects.

195. Experiences around the world show that in promoting successful partnerships for the provision of social services, particularly water and sanitation services, political commitment alone are not enough. Without effective management and effective institutional frameworks, there is little hope of achieving successful public-private partnerships. Efficient public-private partnerships demand the need to create an enabling environment in which key roles and responsibilities are clearly defined and allocated among all actors in a stable and predictable regulatory regime.

196. Good governance aims at ensuring that major political, social and economic decisions are based on broad consensus in society and that the voices of the poorest and the most vulnerable are heard in decision-making over the allocation of development resources. This process calls for creative participatory modalities for civil society groups, NGOs and CBOs in public policy formulation and implementation.

197. The national budget, as the single most important government policy document, is the best entry point for citizens in decision-making processes. As it is known, it performs several central economic and social functions: it allocates resources, provides basic social services, diminishes income and wealth disparities, stabilizes prices, and generates economic growth and employment. There are a great deal of incentives for adopting a participatory approach to national budgeting, including ensuring equitable distribution of scarce resources, limiting potential conflicts and generating a sense of ownership for development programmes.

198. A participatory approach to national budgeting demonstrates the potential for democratizing decision-making processes and transforming economic frameworks and policies into instruments of people-centered development. This approach contributes to the economic and political empowerment of the people and in many instances, participatory budget initiatives have sparked a process of social dialogue necessary for the reconciliation of competing and sometimes conflicting demands made by different social groups. People-centered budgeting experiences have raised the general awareness of the public on the larger issues of poverty and gender-equity both at national and international levels.

199. People-centered budgeting experiments require the existence of democratic spaces in a society; participatory initiatives themselves are acts of enlarging those spaces towards further democratization not only of political rights, but also in terms of economic rights such as the rights of citizens to have universal access to education or health services. People-centered budgeting has also helped raise the awareness of the public on gender inequality and poverty issues by sparking social dialogue on these social problems. They have demonstrated how public budgets can be made responsive to the needs of women and poor by incorporating their interests and voices into budgetary decisions.

200. In Africa, fundamental constraints still limit the full potential for inclusive, transparent and participatory national budgeting. The strong hold on the budget process by the Executive and weak parliamentary oversight continues to dominate most countries

budgetary processes. Although, the budget formulation stage is the most appropriate time for civil society participation (i.e. when the public sees the budget), weaknesses in legislative processes limit the scope and opportunities for their intervention, while the lack of a mechanism for the legislature to consult with its constituencies limits CSOs potential for influencing the budget.

201. In most African countries, participatory budgeting still tends to attract only the more skilled and urban-based CSOs, and not the larger-scale involvement of the poor and marginalized groups such as the physically challenged. So far, the majority of opportunities are for “cosmetic” involvement. Enhancing the opportunities for effective widespread participation requires resources being set aside to facilitate the process of inclusion. Furthermore, lack of transparency and information flow continues to limit inclusive budgeting processes. The concern is not just about the quantity of available information but more so about its usefulness, timeliness and accessibility. Finally, the competing nature of civil society organizations comes with the risk of the consultation process getting entangled in extensive debate resulting in loss of focus on the key issues and even divert attention from the broader development needs.

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