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The Budgeting Process and the Implications on Social Policies and Poverty Reduction: Alternatives to Traditional Models

Cristina Bloj
National University of Rosario, Argentina

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UNRISD, Palais des Nations
1211 Geneva 10, Switzerland

Tel: (41 22) 9173020
Fax: (41 22) 9170650
E-mail: info@unrisd.org
Web: http://www.unrisd.org

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Address for correspondence:
Cristina Bloj
National University of Rosario, Argentina
E-mail: cbloj@fhumyar.unr.edu.ar

Summary

In the recent decades, and greatly as a consequence of the policies and conditionalities imposed by the international financial institutions (IFIs), developing countries have adopted new public management modalities in concurrence with the change in the State's traditional role. This trend has occurred together with the strengthening of the political and territorial decentralization processes and the distribution of the decision-making power to favour local and regional administrations.

Public budgets are political tools. Public budgets enable governments to manage finances in accordance with political priorities and economic policy priorities. A budget constitutes a type of map that traces the fundamentals for decision making. Since the 1990s, significant changes have occurred in the allocation criteria of national, regional and local public resources, and in the budget approaches implemented by governments. Therefore, the key aspects of the budget process will be analyzed, the conditions and players necessary for its execution, and the different management models that have evolved. This paper addresses two of the alternative forms to traditional budgeting: participatory budgeting and gender-sensitive budgeting. These alternative forms of budgeting have brought local and regional governments closer to the population, responding to a vision of society and rights which stimulates citizens' participation, tolerance, the search for social contracts and basic consensus, the design of integrated and coordinated social policies, and transparency in government management.

These forms of budgeting are also related to new forms of allocation, the search for new funding sources for development and the implementation of normative frameworks of expenditure and strategies to reduce poverty in compliance with the Millennium Development Goals (MDGs). These goals, subscribed to by the United Nations, have since become the "navigation chart" to guide the development agenda and the current debate. Following this re-conceptualization, development assistance has also undergone remarkable changes in terms of principles and practices—at least according to what international discourse manifests—since funds are not only used to promote economic growth but also to encourage pro-poor actions and social programmes. Efforts have been made to encourage the implementation of "good practice" principles not only among recipients, but rather among donors themselves in the framework of aid aligned with national systems. Thus, international agencies and donors contribute to the

redeployment of the national budgetary policies. Here, “budget support” will be described as one of the strategies applied to such aim.

To summarize, this paper aims to give a glance over the core issues outlined below:

- ✓ The debates regarding the budget process and the budgeting approaches, as well as the related rationale, actors, and institutions;
- ✓ The new funding strategies promoted by international institutions, developmental institutions, and donors in relation to the budget process and poverty reduction;
- ✓ The alternatives to traditional budgeting: participatory budgeting and gender-sensitive budgeting, as well as the impact on social expenditure, investment and equality.

Acronyms List

AFDB	African Development Bank
ASAAF	Africa Social Accountability Action Forum
BF	Basket Funding
BFP	Budget Framework Paper
BS	Budget Support
CIDA	Canadian International Development Agency
CIGU	Centro Internacional de Gestión Urbana
CDF	Comprehensive Development Framework
CEDAW	Convention on the Elimination of All Forms of Discrimination against Women
EFR	Economic and Financial Report
ECLAC	Economic Commissions for Latin America and the Caribbean
EU	European Union
FLACSO	The Latin American School of Social Sciences
FOWODE	Forum for Women in Democracy
GEST	Gender Equality Standing Team
GPPS	Global Programme for Parliamentary Strengthening
GRB	Gender-Responsive Budget
GSB	Gender-Sensitive Budgeting
GSI	Gender-Sensitive Initiatives
GSP	Gender-Sensitive Perspective
GTZ	Deutsche Gesellschaft für Technische Zusammenarbeit (German Technical Cooperation –International Service)
HIPC	Highly Indebted Poor Countries
IBP	International Budget Project
ICUM	International Centre for Urban Management
IFIs	International Financial Institutions
IMF	International Monetary Found
MDGs	Millennium Development Goals
MDP-ESA	Municipal Development Partnership for Eastern and Southern Africa
MTEF	Medium-Term Expenditure Frameworks
MTPIP	Medium-Term Public Investment Programme
MOWAC	Ministry of Women's Affairs and Children
NEPAD	New Partnership for Africa's Development
NGOs	Non-governmental Organizations
NGP	National Gender Policy
NPM	New Public Management
RIP	Rolling Public Investment Programmes
OBI	Open Budget Index
OECD	Organization for Economic Co-operation and Development
ODA	Official Development Aid
ODI	Overseas Development Institute
PSP	Parliamentary Strengthening Programme
PB	Participatory Budgeting

PEM	Public Expenditure Management
PFA	Beijing Platform for Action
PPBS	Planning, Programming, and Budgeting System
PRS	Poverty Reduction Strategy
PRSPs	Poverty Reduction Strategy Papers
SSA	Sub-Saharan Africa
SAPs	Structural Adjustment Programmes
SIDA	Swedish International Development Cooperation Agency
UNIFEM	United Nations Development Fund for Women
SWAp	Sector Wide Approach
UN-HABITAT	United Nations Human Settlements Programme
UNDP	United Nations Development Programme
VES	Villa El Salvador
VMT	Villa María del Triunfo
WB	World Bank
WBI	World Bank Institute

I. Introduction

There is broad consensus that the neoclassic policies of stabilization and structural adjustment designed by the international financial institutions (IFIs) were unsuccessful in terms of achieving their goal of overcoming instability and market inefficiencies in developing countries. Based on three basic pillars—liberalization, market deregulation, and privatization—these policies imposed a set of standardized solutions for a wide variety of regional and national problems. The outcome was equal almost everywhere: an increasing level of inequality and poverty and a greater concentration of income and wealth, even in countries experiencing economic growth.

In the 1990s, the institutions of Bretton Woods faced a serious legitimacy crisis that urged a change in the course of action. Under new conditionalities and a new cycle of reforms, new programmes were developed to ensure the continuity of adjustment, but they were developed with a "human face". The Medium-Term Expenditure Frameworks (MTEF) and the Poverty Reduction Strategy (PRS)[1] were implemented in the most indebted low-income countries with the purpose of reorganizing the economies under a multi-year expenditure assessment. These reforms and strategies have encouraged changes in public budgets design and programming and in new forms of territory management (decentralization). In this context, alternative approaches to traditional budgeting arise, such as "participatory budgeting" and "gender-sensitive budgeting". Both will be fully addressed in this paper.

The two major goals of a public budget are distribution and allocation of resources in a way that is compatible with the respective political strategy, while maintaining fiscal discipline (Schick 2002; ODI 2004). These goals impact the whole economy and have the ability to transform the population's daily life. Therefore, when establishing priorities for fiscal policy and budget allocations, these social and economic impacts must be taken into account. While this paper does not address social policies as a specific topic, the fact that social policies have been one of the main variables of adjustment for the neoliberal policies in the late twentieth century cannot be overlooked. Therefore, there is a wide debate on how to improve the allocation of revenues to social expenditure by way of a new social and financial contract that is reflected in the budget process. It is doubtless that social policies are a fundamental tool in order to build democratic, developmental, and inclusion-oriented societies. However, they are difficult to finance in developing countries, and thus require thorough examination and a search for new funding alternatives (UNRISD 2007b:2). In addition, even when funding is