

BUDGET DEMYSTIFICATION AND BUDGET TRANSPARENCY IN MALAWI

By

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1. INTRODUCTION

The budget is an important instrument that every government (central or local) uses to define the direction of its policy, cost implications of its programmes, and possible sources of revenue during a particular fiscal year.

The basic functions of the budget therefore entail collection and allocation of scarce resources to priority projects, provision of public services and goods by government (central or local) and re-distribution of incomes. It also acts as a measure of government performance, transparency and accountability.

Budget demystification and budget transparency are fairly new concepts in African countries. It has been argued that failure to demystify the budgets as well as the absence of effective transparency and accountability mechanisms in the African local and central governments are the major constraints to effective service delivery, effective implementation of poverty reduction programmes and promotion of local economic development. Majority of the African countries stick to the traditional model of budgeting where the representatives speak on behalf of their constituents through their local government and/or national assembly (parliament). However modern people want to be citizens, not merely voters and consumers, and they are demanding to participate in economic governance at all levels of central and local governments (Tandon in Matovu and Mumvuma, 2007, p xi).

This paper's objectives are therefore to share experiences on the efforts made in Malawi to promote budget demystification and transparency, and outline challenges faced as well as the impact of and lessons learnt from such efforts. Major stakeholders critically analysed are the Malawi Government, Malawi Economic Justice Network (MEJN) and local government (Blantyre City Assembly).

2. DEFINITION OF BUDGET DEMYSTIFICATION

The term "budget demystification" refers to the removal of mystery or confusion surrounding the budget. It involves simplifying the budget information so that it can be easily accessed and understood by the ordinary citizens and other stakeholders.

3. DEFINITION OF BUDGET TRANSPARENCY

Budget transparency is defined as full disclosure of all relevant fiscal information in a timely and systematic manner. It is regarded as a prerequisite for public participation and accountability, and an important means of achieving participation and democratic control of budgetary processes. Additionally, it allows an engaged and informed citizenry to have input into the budget process, and monitor whether policies and political commitments have in deed been translated into action. Further more, it defines clarity of roles and responsibilities in public finance; public availability of information; open budget preparation, execution and reporting, and independent assurances of integrity through external audits (Streak, 2003).

4. BUDGET DEMYSTIFICATION AND BUDGET TRANSPARENCY IN MALAWI

(a) INITIATIVES BY MALAWI GOVERNMENT

Every fiscal year, the Ministry of Finance conducts pre-budget consultations to get views of civil society and private sector organizations on the national budget. Additionally, Members of Parliament are required to consult their constituents widely so that they understand the importance of a national budget and how it affects them.

These consultations are in form of meetings conducted in the cities of Blantyre, Lilongwe and Mzuzu, and leave out a number of ordinary Malawian citizens who would have wished to participate in such meetings but are unable to do so for logistical reasons.

In order to allow ordinary Malawian citizens (at grassroots) to participate in the pre-budget consultations, the Malawi Government has decided that in addition to the meetings that are conducted in the cities, members of the general public should be given opportunities to give their views in writing (either letters or faxes or emails) to the Ministry of Finance (The Daily Times, February 26, 2008).

Due to technical language and formats of budget information, most members of the public are effectively excluded from participation. Strategies used by the government to demystify the budget and ensure that the all budget processes are transparent are as follows:

- Public debates using local language (Chichewa) and simplified English language
- Press conferences and briefings conducted by government

- Phone-in radio programmes organized by government
- Radio programmes sponsored by government

The major objectives of government with regard to budget demystification and budget transparency are:

- To deepen democracy – going beyond the traditional model of representative democracy
- To create a common vision between the government, citizens and other stakeholders
- To empower the citizenry so that they understand the national budget and learn how to influence it
- To enable the citizenry to own the national budget and the outcomes of implementing it
- To create a culture of transparency and accountability in the use of public funds
- To influence the stakeholders (citizens, civil society and private organizations) to work effectively with government and negotiate within budgets limits
- To ensure that the pro-poor perspective is incorporated into the national budget

The major challenges faced by government in the course of demystifying the national budget and making it more transparent are:

- There are no formal guidelines or legal framework for budget demystification and transparency at central government level.
- Finance officers are appointed because they understand figures, not because they understand how to deal with people. As a result they are unable to simplify the budget and explain it adequately to the local citizenry
- Inadequate knowledge and skills of the stakeholders in budget analysis to discover the government's hidden priorities

The impact of the initiatives taken by the government to demystify the national budget and make it more transparent are:

- Budget debates (facilitated by the Ministry of Finance) during which distorted programme/project priorities are surfaced and corrected
- The national budget is pro-poor and addresses the needs of the citizenry
- The citizenry own the budget and its outcomes in the course of implementing it

The major lesson learnt is that informal arrangements (if properly organized) can be as effective as formal guidelines/arrangements in demystifying the national budget and in making it more accountable.

(b) INITIATIVES BY CIVIL SOCIETY ORGANISATIONS

In Malawi, there is a vibrant civil society movement which is actively involved in budget demystification and budget transparency. There are over 100 civil society organizations that seek to promote economic governance in Malawi under a network known as Malawi Economic Justice Network (MEJN). Formed in November, 2000, its main goal is to ensure that government economic policies and strategies are pro-poor and impact on reducing the poverty of local Malawians (Kubalasa, 2005).

Since its formation in 2000, MEJN has carried out a number of activities to promote citizen participation in budgeting through its Budget Participation Initiative.

The process of democratic decentralization pursued by the Malawi Government since 1998 empowered local governments to promote participatory democracy at grassroot level. This necessitated that MEJN should spend more effort to build capacity of the communities to monitor resource allocation and implementation of budgets at local government levels. This has compelled MEJN to extend its network structure to the community level through the consolidation of district-based civil society organizations, associations, local assembly officials and individuals with sufficient interest as well as traditional and faith leaders. Through MEJN and its local structures, civil society organizations are able to promote economic justice by participating in the budgeting processes at central and local/assembly levels under the Budget Participation Initiative. MEJN also monitors how government money is being channeled to spending points and going beyond to track how the same funds are being utilized (Kubalasa, 2005).

MEJN has the following objectives:

- To act as a bridge between the civil society and government
- To build capacity of Community-based Organisations (CBOs) and grassroots through budget literacy programmes
- To analyse and enhance the pro-poor influence through budget participation, impact and outcome monitoring
- To work with the youth and gender groups and train them on how to interpret budgets and articulate their needs
- To lobby politicians so that the national and local government budgets should be pro-poor
- To conduct research on economic governance at central and local government levels

The target audiences for MEJN are Central and Local Governments, Parliament, Development Partners, Civil Society, Citizens and other key stakeholders at national and local levels.

In order to demystify the budget and make it more transparent, MEJN has used a number of tools and methods, the major ones being:

- Budget literacy programmes
- Feedback sessions e.g. bringing people (users and service providers for public services) together to interact and develop a common approach towards better and satisfactory services
- Simplified technical materials for disseminating the national budget and Malawi Growth and Development Strategy
- Communication of information to the citizens through members of the district committees (chapters), national members of MEJN, Members of Parliament, Government officials and donors
- Participatory research and monitoring commonly known as service delivery satisfaction surveys
- Consistent advocacy at crucial times such as Parliamentary Budget Sessions, Government Trade Negotiations and Economic Structural Reform

- Budget analysis and popularization (pre and post budget meetings and campaigns)
- Electronic media (Radio and TV Programmes): recorded, live and phone-in debates
- Music (audio tapes and CDs)
- Print media (newspapers, press statements and releases, briefs and flyers, and newsletters)
- Media dissemination campaigns (targeted workshops and conferences)
- National stakeholders launches
- Press Club Debates
- Evidence-based advocacy
- Budget translation into vernacular languages – Chichewa, Tumbuka, Lomwe, Yao and Sena

MEJN initiatives with regard to budget demystification and budget transparency have the following impact:

- There is increased civil society and community participation in the processes of local and central governments budgets and Malawi Growth and Development Strategy (MGDS)
- There is effective budget analysis and improved access to budget documents understandable by the general populace
- There is increasing awareness and understanding of the Malawi budgeting processes by the religious institutions, churches and ordinary citizens
- Grassroots focal points of economic engagement have been formed
- Constructive criticisms that follow with alternative suggestions encourage the good working relationship and understanding with the Malawi Government, Parliament and the other crucial stakeholders/corporate partners

- Civil society organizations have now filled the gap in demystifying the budget which was previously a “No-go Area”
- Formation of district level structures to guide economic governance issues
- Translated budgets enhance citizen participation on the budget

The main challenges faced by MEJN with regard to budget demystification and budget transparency are:

- There are calls by stakeholders in Malawi (and beyond the confines of Malawi) to institutionalize evidence-based advocacy, yet there are legal limitations and inadequate resources to take up the challenge for the time being
- Low levels of educational attainment of the majority of the ordinary Malawians are viewed as a drawback in enhancing budget demystification and transparency
- There are growing expectations and overwhelming demand from MEJN members (at all levels including the communities) to benefit from budget literacy programmes.

The major lesson learnt is that Civil Society Organisations can effectively complement or assist in overcoming the weaknesses and failures of formal public institutions in the sense that:

- They have the potential to demystify budgets of central and local governments and make the budgeting processes transparent and easy to understand by the grassroots. This is because civil society organizations work at the grassroot level and understand the situation at that level better
- Their engagement can contribute to government accountability (by raising awareness and demand for transparency) and integrate the pro-poor perspective into the national budgets

(c) *INITIATIVES AT LOCAL GOVERNMENT LEVEL: THE CASE OF BLANTYRE CITY ASSEMBLY*

Section 5(1) of the 1998 Local Government Act provides that in addition to elected officials (councillors), the full Assembly must have the following additional members: Traditional and Sub-Traditional Authorities in the local government area, Members of Parliament from the constituencies falling within the local government area and five

persons to cater for the interests of special interest groups such as the business community and civil society organizations in the local government area. Thus the citizens participate in the affairs of the local governments (including budgeting) through representative democracy.

The financial year of the local governments begin from the first day of July and end on the 30th day of June in the following year. Section 51(1) of the 1998 Local Government Act mandates the Assembly, not later than 90 days before commencement of the next financial year, to prepare detailed estimates of its revenue and expenditure for such financial year.

The whole process has the following stages:

- Stage One: Preparation of the draft budget (revenue and expenditure estimates) by the non- elected of the local government using guidelines provided by the National Local Government Finance Committee (NLGFC)
- Stage Two: Submission of the draft budget to the Finance Committee of the local government for scrutiny and approval.
- Stage Three: Submission of the draft budget by the Finance Committee through the Chief Executive/District Commissioner to the full Assembly for scrutiny and adoption
- Stage Four: Submission of the budget to the NLGFC by the Assembly for scrutiny. The NLGFC is legally empowered to approve the estimates as submitted or disallow such estimates in whole or in part or refer such estimates back to the Assembly for further consideration
- Stage Five: The NLGFC prepares a consolidated budget for all local governments after consultation with the Treasury.
- Stage Six: The budget is presented to the National Assembly for information purposes by the Minister of Local Government and Rural Development before commencement of each year
- Stage Seven: Implementation of the approved budget by the Assembly Secretariat (headed by the Chief Executive Officer) and monitored by the Assembly (through the Finance Committee) and NLGFC

Major activities undertaken to demystify the budget and ensure its transparency from preparation through implementation and monitoring to evaluation in the local governments are as follows:

- Section 23(1) of 1998 the Local Government Act allows civil society organizations (as members of the general public or the press) to attend all council meetings, be the Assembly, committee and sub-committee meetings, just to listen to the deliberations. Thus under Stages Two and Three of the budgeting process, members of the general public are legally allowed to be present but not to participate in the deliberations.

Noting the gap in Section 23(1) of the 1998 Local Government Act, Blantyre City Assembly (BCA) decided to improve participation of its residents in the activities of the City. With financial assistance from the Municipal Development Partnership (MDP), a study was carried out in 2002 on how to engage civil society and private sector organizations as well as other stakeholders in the operations of the Assembly. The study recommended that the Assembly should implement projects together with communities within the City. Two projects were proposed, participatory budgeting and HIV and AIDS. At a city-wide workshop, it was resolved that the HIV and AIDS Project should be the priority. However, the Assembly led by the Mayor still felt that they should continue to engage the stakeholders in the budgeting process due to the following reasons:

- (i) Ratepayers were not aware of the budget and how their taxes were being used, hence they were reluctant to pay the property tax
- (ii) Because of low revenue collections from the existing local sources, the Assembly was not able to deliver services to the expectations of its residents
- (iii) The Assembly is largely funded from local sources (80%) and government grants (20%), hence the necessity to include its residents in all activities affecting them

In order to break the vicious circle, the Assembly realized that the solution was to open up to its residents to explain the revenue and expenditure budget. The Assembly also felt that the citizenry ought to be aware of the challenges faced by their Assembly in revenue mobilization and management of their Assembly.

The main objectives of such an arrangement are:

- To ensure that all citizens/residents are aware of what the Assembly's current and future plans for them

- To instill a sense of belonging and ownership of the development programmes and overcome the mistrust that existed between BCA and its citizens resulting in the latter's resistance to pay city rates
- To restore residents' trust in the Assembly
- To create culture of transparency and accountability in the use of public funds collected locally from the existing local sources and central government transfers

To demystify the Assembly budget and make it more transparent, under Stage One, non-elected officials of BCA ask for inputs in the course of drafting the budget from the citizens/residents through informal meetings organized (in Chichewa - Malawi's official local language) in the Wards.

The budget is also publicized through:

- Formal meetings conducted with various stakeholders by the Chief Executive Officer and Director of Financial Services. The Assembly, from various city-wide consultations has identified and compiled a list of stakeholders to be contacted on various city activities
- BCA's notice boards in simplified English language or Chichewa
- Print and electronic media.

Once the budget has been approved by the Finance Committee, elected and non-elected officials organize meetings with citizens in the Wards for their final input before submitting it to the full Assembly (in simplified/Chichewa language) for adoption and thereafter, to the NLGFC.

There is also a Constituency Development Fund set up by Malawi Government whereby communities, through Community Development Committees led by the Member of Parliament, identify their own projects to be financed by the fund at constituency level. Some local projects, depending on the cost, are incorporated in the Assembly budget.

The main challenges by BCA in the course demystifying the budget and making it more transparent are as follows:

- There are no formal guidelines for budget demystification and budget transparency from both the central and local governments

- Lack of capacity on part of the elected and non-elected officials to facilitate the participatory budgeting process
- It is very costly (in terms of time and resources) to organize budget demystification and transparency exercises
- Meetings are monopolized by the same people
- Low literacy levels of the citizenry
- Low turnout at budget meetings

Proposed solutions to overcome the challenges are as follows:

- Local governments in Malawi should lobby for detailed legal framework and formal guidelines for budget demystification and budget transparency as practiced in Uganda (Entebbe Municipality) and South Africa (City of Johannesburg)
- There is need for capacity building of the elected and non-elected officials of the Assembly on participatory budgeting as well as budget demystification and budget transparency
- Civic education programmes should be conducted so that the citizens should know why it is important for them to participate in the Assembly budgeting processes
- Simplify the budget documents and where necessary, communicate the budget in the language of the people

The impacts of budget demystification and budget transparency initiatives (for BCA) are as follows:

- For Blantyre City Assembly, there is a forum and structures to enable various stakeholders to raise complaints about budget irregularities and poor service delivery
- Improved relationship between Blantyre City Assembly and its citizens
- Improved revenue collection from local sources
- Increased solidarity and community spirit

- Assembly members are now aware that they need to involve their constituents in all activities of Blantyre City Assembly including budgeting
- Institutionalization of participation in budgeting and other activities of the Assembly

The lessons learnt from the initiatives to bring about budget demystification and budget transparency in Malawian are:

- In addition to the legal framework, formal and/or informal guidelines are required for effective participatory budgeting to take place in the local governments. While Entebbe Municipality in Uganda and Mutoko District Council in Zimbabwe have formal guidelines for budget demystification and budget transparency, BCA does not have formal guidelines. For the City of Johannesburg budget demystification and budget transparency are law-led (Matovu and Mumvuma, 2007).
- Political will is a necessary condition for budget demystification and budget transparency. In Uganda, budget outreach was initiated by the Mayor and councilors of Entebbe while in Malawi, the BCA councilors led by the Mayor initiated the move to open up with its residents
- There must be adequate access points and opportunities for all stakeholders to effectively engage in participatory budgeting
- In the absence of formal guidelines, it is possible for local governments to explore ways of directly dealing with the citizenry to demystify the budget and improve transparency in their respective budget systems as was the case with Mutoko District Council in Zimbabwe
- Budget literacy programmes are a prerequisite for effective budget demystification and budget transparency

5. CONCLUSION

From the above discussions, it is clear that in Malawi, attempts to demystify the budgets of central and local governments and make the budget processes more transparent are yielding positive results.

Challenges being generally faced in the course of demystifying budgets and ensuring transparency in their implementation are:

- There are no formal guidelines for budget demystification and budget transparency
- Lack of capacity on part of the non-elected officials to facilitate the participatory budgeting process
- It is very costly (in terms of time and resources) to organize budget demystification and transparency exercises
- Low levels of educational attainment of the majority of the ordinary Malawians are viewed as a drawback in enhancing budget demystification and transparency
- Inadequate knowledge and skills of the stakeholders in budget analysis to discover the government's hidden priorities

Critical analysis of the Malawian scenario (and other African Governments) reveals that if properly implemented, budget demystification and transparency can result in equitable public spending and quality service delivery, improved democratic and economic governance, increased solidarity and community spirit, increased public ownership of development programmes, increased satisfaction of basic needs as well as greater responsiveness and accountability in the operations of the local and central governments.

Conclusions have also been drawn that effective budget demystification and transparency, requires political will of the elected officials, legal and institutional frameworks that provide for civic participation in the budgeting process, integrity and sufficient human resource capacity (in both qualitative and quantitative terms) of the local government as well as capacity building of all stakeholders to understand the budget process and its associated language.

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