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**RESEARCH PROPOSAL**

**Fiscal Transparency and Participation in  
Botswana's Budgetary Process**



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**March 2000**

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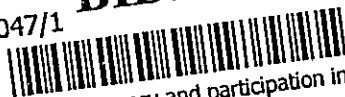


Fiscal Transparency and Participation in  
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# 1 INTRODUCTION

Like many other third world states, the government of Botswana is faced with the challenge of prioritising economic allocations for the purpose of developing its citizens. This however takes place in a background of economic challenges mainly worsened by the scarcity of scarce financial, human and capital inputs. Government therefore has to prioritise its actions over several contending issues that need attention. These issues such as education, health, defence, or infrastructure are usually planned for in government budgets. Because of this, a government budget can be seen as a crucial tool in the struggle for transformation from the state of underdevelopment to that of a socially, economically and politically advanced existence.

Government budgets, are annual plans through which governments allocate finances for projects. These finances are raised from tax revenues, government internal and external borrowing and other forms of government finance. In Botswana government budget cycles last a period of a year, from the first of April of one year to March 31<sup>st</sup> of the following year.

A budget can thus be rightly regarded as a tool that government uses to allocate resources to members of its society. Budgets serve several functions. According to [Mikesell, 1995], budgets perform three broad functions. These encompass issues of financial control, where legislatures can hold implementing agencies to accountability for finances. They also encompass issues of management and efficiency. In this manner, implementing agencies are expected to perform their tasks to maximum capacity within the limitations imposed by the budget. This serves to instil managerial discipline in those agencies. The final logic for budgeting is that of planning, where the government budget is seen as an allocation of financial resources per stated task with a stated time frame.

In the late 1980's, issues of transparency and participatory government came to prominence. The major thrust of this transformation was the call for multi-party democracy, periodical or regular elections and other liberties, which were non-

existent in third world countries or grossly ignored. A direct result of the same transformation is the emergence of the call for transparency in government budgeting. While government budgets had used to be regarded as the preserve of techno-centric government officials, there is now a call to open up the budget process to the wider society. Actually this move is long overdue, since as observed in [Stiglitz, 1999], budgets are inherently public documents. The essence of this assertion is that budgets are formulated at public expense and thus the public has a "right" to all information that goes into budgetary processes as well as the information that pertains to spending patterns, such as how much was projected to be spent.

The impetus on the call for transparent budgeting was further bolstered in 1998 when the International Monetary Fund, IMF published a Code on Good Practices for Fiscal Transparency. This code provides an autonomous standard against which to measure the concept of transparency in fiscal matters. This Code can therefore be seen as a source of guidance for civic advocacy in matters of budgetary transparency and participation. While the IMF code is concerned mainly with issues of fiscal transparency, which is most critical for the financial community, participation comes in as very critical to civil society organisations that have an interest in budgetary processes. Transparency and participation can be viewed as complimentary aspects to the issue of democratic and accountable governance.

While issues of government transparency and participation have been associated to a great extent with democratic governance, they also hold specific relevance to the budgetary process. The following are some of the pertinent issues arising out of transparency for the budget process.

- It is a prerequisite for public debate. Simply put, if the budget information is not available, it is difficult to discuss it.
- It also means government budget policies can be assessed and analysed thus leading to improved programs and the more efficient use of resources.
- It can increase faith in governments.

- It enables legislatures and civil society to hold governments to account, which they can only do if they have information on budget policies, practices, expenditures and outcomes.
- It contributes to macroeconomic and fiscal stability as it prevents the build up of a fiscal crisis in secret and bringing about smaller adjustments sooner.
- It can facilitate investment and economic growth: with a clear understanding of government policies, investors may be more likely to invest in a country.

## **1.1 OBJECTIVES**

The major objective of this proposal is to look at the budgetary process in Botswana in order to assess how that process fits into the new governance paradigm that encourages transparency and participation. A great part of this new approach to good governance is the growth of influence by the civil society, and the private sector.

The second objective of this proposal is to suggest ways and means of enhancing the transparency and participatory nature of Botswana's budgetary process.

## **1.2 RESEARCH QUESTIONS**

In order to achieve the above stated objective, this proposal will answer the following questions,

- Are the roles and responsibilities of all the role players in the budgetary process clear enough as to enhance participation, by stating when and how, and certainly if or if not an agency may participate?
- Is information flow in the budgetary process adequate to allow for public participation in it?
- Is such information released on time to enable any meaningful commentary by civil society organisations and parliament?

- Is budget execution data clear enough to allow for the necessary checks and balances?
- How reflective of the participation by various stakeholders are the budget decisions?

## **2 METHODOLOGY**

The method proposed for the purpose of gauging transparency and participation would necessitate the gathering of information from personnel in the major implementing agencies associated with the budget. This will be done by some means of a questionnaire with both open ended and close-ended questions. It will also require some analysis on what actually obtains in the processes of budget formulation, implementation, and monitoring. Are the procedures and processes that obtain consistent with the standards the ideals of transparency and participation? Some of the answers can be discerned by analysing existing literature on the budget in Botswana. Yet part of the information needs to be searched for, since some of the questions could deal with matters that were not of concern when Botswana's budgetary processes evolved. These are such matters as the interaction between government agencies dealing with budget compilation and civil society.

### **2.1 THE IMF CODE ON FISCAL TRANSPARENCY**

The methodology used in this proposal, especially, the questionnaire will borrow heavily from the IMF Code mentioned earlier. It has to be pointed out here that the code was aimed primarily at defining minimum requirements towards an enhanced transparency in budgetary processes. It is however prudent to state that the issues of transparency and participation always go together in the sense that transparent government systems would serve no better purpose if they are not followed up with citizen input into budgetary matters. Transparency of budget information, from the time that statistics are compiled for the budget, throughout the implementation and monitoring stages would serve a plausible purpose if the system would allow for interested parties to make their respective inputs to further inform the budget formulation, implementation and making processes. Interested parties in this sense can be parliaments, civil society organs, private citizens and the media, among others.

The Code discusses the basic tenets that form the bedrock of fiscal transparency. These are given a short outline below.

#### 2.1.1 CLARITY OF ROLES AND RESPONSIBILITIES

The basic foundation for this indicator is, among others, the existence of a legal framework for fiscal transparency. The major assumption here is that if information on fiscal procedures and processes is transparent, it can be further bolstered by the existence of legal requirements encouraging the provision of such information. Such requirements will be of special interest to the executive, entreating the arm of government to bring up relevant information if required. Such framework also need to be clear to avoid ambiguity, the clarity that must define the roles and responsibilities of those who interact in the production and dissemination of budget related data.

#### 2.1.2 PUBLIC AVAILABILITY OF INFORMATION

The basic requirement for this indicator on fiscal transparency is the existence of comprehensive sets of information that has to be provided timely as well as in accessible formats. There is a need for the information to be provided reliably and for government to have credible information systems.

#### 2.1.3 INDEPENDENT CHECKS AND BALANCES OF BUDGET EXECUTION AND GOVERNMENT DATA

This indicator is based on the premise of democratising the budgetary process. It proposes the availing of information to legislatures and civil society organs so that they may assess whether or not government has duly undertaken what it had set out to do, and at what expense? Hence this indicator concerns itself with the "integrity of actual expenditure data, as well as with the internal checks on consistent budget execution", [IMF, 1998].

#### 2.1.4 BUDGET DECISION MAKING PROCESS

The decision making process is the end towards which transparency of the budget is a means. All the aforementioned indicators of budgetary transparency should ultimately be seen in the light of enabling civil society, parliaments and other interested parties



to have reasonable access to influence the policy making process, especially what goes to become budget decisions. It is essential that the decision making process be preceded by transparent process in so far as budget information is concerned simply because transparency is pre-requisite for adequate participation.

## **2.2 POPULATION**

The study population would include government officials and other citizens with interest in matters of the budget. While by assumption, every citizen has an "interest"; civil society, parliamentarians and government officers like those from the Ministry of Finance and Development Planning the Statistics Bureau hold direct responsibilities in the budget process. This will be in order to understand how they both collect and disseminate information about the budgetary process. For this purpose, there will be a questionnaire that will be used to gather the necessary information. With regard to public servants, the questions on clarity of roles and responsibilities will be of major focus. And so will be the need to understand how they ultimately arrive at decisions. Do they factor the input of other participants or does the budget always follow incremental paths, without due regard to other opinions?

The same questionnaire will also be addressed to civil society members, private sector members and parliamentarians. This questionnaire will address the question of how they get the information about the budget. Are they satisfied with the information dissemination system? Is there a steady flow of credible budget information in the budget's' life cycle? Is it delivered in timely fashion so that they may react adequately to it? Is it also delivered in such fashion that they may have some input into the budget and is such information ever reflected in the final budgetary decisions?

## **3 THE BOTSWANA CONTEXT**

The budget process in Botswana begins mainly by determining maximum power ceilings as opposed to expenditure ceilings. In their meeting with the Directorate of Public service Management, the Ministry of Finance and Development Planning also get to indicate how much finance will be available for spending for ministries and departments. The Permanent Secretary for the MFDP thereafter issues out instructions to other Permanent Secretaries to prepare their ministerial estimates for the budget year. The

Permanent Secretaries will in turn issue out their instructions to their departmental heads to prepare their estimates, which will then be submitted to the Estimates Committee, which has been set up by the MFDP. It is the duty of the Estimates committee to make sure that the estimates comply with the manpower and expenditure ceilings projected for the given financial year. After this stage the estimates are presented to cabinet, a stage which precedes the presentation of the Appropriations Bill presented by the Minister of Finance and Development Planning. It is the duty of parliament after this stage to debate the bill, and upon debate to pass it, in a new form now called the Appropriations Act. The Act is given full legal status by Executive assent through the president's signing of the same document.

The essence of the Botswana budget system is that it is incremental in nature. Essentially there has to be vigorous debates on the appropriations, but what happens normally is that parliament would tend to allocate finances for any department or ministry basing on the rate of inflation. This obviously omits allocating on terms of ability to justify the amounts requested or to spend it and therefore implement projects.

### 3.1.1 LEGISLATURE PARTICIPATION

In democratic dispensations, parliaments are meant to be the primary institutions that control the allocations in the budget. They are therefore supposed to keep implementing agencies accountable in their process of implementing budgetary decisions. Yet this does not happen in actual practice, [Krafchik, and Werner 1998]. Instead of being the ones with the ultimate say in expenditure decisions, legislatures are constrained by several factors. Least of this is the lack of time that legislatures are faced with, which discourages thorough research into budgetary issues.

There is also the problem of technical incapacity, meaning that legislatures do not have the necessary skills to carry out rigorous analysis in questions of fiscal importance. Lastly there is the problem of institutional or legal ineptness. Simply stated, there is more often than not, the problem of legislatures having legal or procedural impediments to their ability to transform budgets. This constitutional inequity is largely based on the extent of powers conferred on parliament and the

effective (or ineffectiveness) therein role of parliamentary budget committees in the budget process.

Another potential problem to budgetary transparency in Botswana can possibly be traced to the country's political culture, whereby the multi-party democracy that exists is literally a de-facto one party state. In this manner, the effect on the processes of budgetary participation might be to have less intensive debates on the budgets, the effect of which might be to lessen the accountability processes and concentrate on the allocation aspects of the budget. At this juncture, an inevitable question therefore arises; what is the effect of all the above mentioned factors on Botswana's budgetary process with regard to both transparency and participation?

### 3.1.2 CIVIL SOCIETY PARTICIPATION

With the apparent lack of capacity by parliaments to carry out their mandate of keeping the executive accountable for budgetary spending, another issue that raises concern is that of civil society. In the absence of parliamentary checks and balances on executive excesses, civil society needs to take up the issue of keeping executives accountable and here emerges another problem for budgetary transparency in Botswana.

The 1990s have brought about the growth in strength of non-state actors. It is imperative that civil society organs are afforded the opportunity to participate in the budgetary processes, for the simple reason that these special interest groups exist for the objective of opening up democratic systems and holding governments to account. As implied earlier also, participation by bodies outside of government could also mean problems like corruption, inefficiency are lessened. Yet, having stated the basic challenges facing parliamentary participation in budgetary matters, there is an even greater question, if it is so difficult for parliament to carry out their mandate to keep the executive financially accountable, then what about the civil society?

The question of civil society participation in the budget process is that of availability of information, encompassing both dissemination by public officials and their willingness to listen to civil society. Civil society participation in budgetary matters is of crucial importance, in so far as it is possible that such participation may stem

corruption, and other form as of executive excesses. Civil society organs exist for the pursuit of special interests which often, if they are at stake they defend rigorously. In so far as the budget can be used to allocate spending to some of these interests, it is in the deepest interest of civil society to want to uphold the concept of accountability.

When civil society organs access information about budget statistics, are the agencies of government that are in charge of processing budgets willing to listen to what civil society has to say? As [Stiglitz, 1999], states, there are some arguments for and against the release of information to the public by the public officials. Ironically the information that to all intents and purposes is "public information", compiled by public expense is often denied to the same public and their representatives. Public officials withhold information, in the pretext that they have to guard against demagoguery, to avoid being unjustly accused of failure, (for indeed the public often judges official mistakes harshly), and the need to avoid information falling into "wrong hands", presumably opposition groups. Despite all these reasons advanced here, there really is no real alternative to transparency. It is the essence of democratic systems. How can civil society organs rise to the challenge of keeping budgetary processes accountable? What is the current status in Botswana as regards civil society ability to access budgetary information and make input into budgets?

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