

Helpdesk Research Report: Participation in transparency and accountability initiatives – the case of budgetary processes and extractive industries

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Query: Please highlight any evidence/lessons learned concerning participation* in transparency and accountability initiatives, focusing on budget processes and extractive industries (e.g. whether participation contributed to effectiveness or whether a lack of participation was a constraint).

* Refers to participation (by citizens, officials, etc.) in decision-making in relation to (1) conception (e.g. donor or locally originating idea); (2) design and planning; and (3) execution of the initiative.

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1. Introduction

There is growing debate about whether participation can contribute to greater effectiveness in democratic and developmental outcomes. A recent study on citizen engagement demonstrates that participation does have an impact (in most cases, positive) on such outcomes arising from citizen engagement (Gaventa and Barrett, 2010, cited in McGee and Gaventa, 2011). Silver et al. (2010) highlight that key questions to ask are not only whether participation leads to more efficient outcomes, but also whether they produce fairer ones. UN-Habitat has emphasised that the participation of poor residents in decision-making is not only a right in itself, but it is also instrumental in achieving greater effectiveness in the implementation of public policies (cited in Hernández-Medina, 2010).

It is also important to understand the dynamics of power in areas of participation. Cornwall (2002, 2004) identifies **two different kinds of spaces in which participation can occur: (1) 'invited' institutionalised spaces of participation**, which are usually created 'from above' (or 'top down') by government agencies, donor agencies or international non-governmental organisations (NGOs); and

(2) **'autonomous', non-institutionalised spaces** that are created 'from below' (or 'bottom up') through collective action or social activism (cited in Maconachie, 2012). Silver et al. (2010) argue that these distinctions are not mutually exclusive categories and that they may overlap. **Some of the cases considered to be most effective involve a confluence of demand- and supply-side factors**, for example, the participatory budget process in Porto Alegre, discussed in this report (Carlitz, forthcoming).

Transparency and accountability initiatives

A recent study on a range of transparency and accountability initiatives finds that much of the literature in this field is conceptual and descriptive. Studies assessing effectiveness or impact have become to emerge only recently. There are few comparative studies, however, most of which tend to focus on the effectiveness of a single case. In addition, the study finds that there is very little research on the relationships between transparency, accountability and participation (McGee and Gaventa, 2011).

Transparency and accountability initiatives have generally tended to centre on achieving 'downstream' accountability, referring to the efficient delivery of policies and prioritise. The focus here has been on the role of citizens in the implementation of policies. There has been **insufficient exploration of how the incorporation of citizen voice and participation at earlier stages of these processes could have shaped the policies, priorities and budgets 'upstream'**. There is some research that points to the benefits of improving participation in 'upstream' processes. Houtzager et al. (2008) find that when citizens are involved in helping to formulate policies, they are more likely to engage in monitoring them. Carlitz (2011) finds some evidence to support the view that engagement in budget allocation processes can be more effective than monitoring budget implementation after key decisions have already been made (cited in McGee and Gaventa, 2011).

This helpdesk research report outlines evidence and lessons learned concerning participation in transparency and accountability initiatives, focusing on budget processes (particularly participatory budget initiatives) and management of extractive industries. Participation refers here to the participation of local authorities, civil society and citizens in decision-making in relation to the conception, design and planning, and execution of budget processes and extractives initiatives. This topic is challenging to research and address as the literature is focused on participation within the context of an existing initiative (e.g. how civic participation is promoted and the extent to which it materialises within a participatory budget initiative; and how decisions on budgeting and investment are made), rather than on participation in decisions on the formulation, planning and design of the participatory initiative itself. As such, much of the discussion in this report involves how participation plays out in the actual implementation of the initiative.

Budget processes

There has been a push in recent years to introduce more transparency and accountability into budget processes. There are two models that have been identified in the literature. The first is the New Public Management (NPM) paradigm, which introduces notions of transparency and accountability into the area of public administration in order to achieve good governance. The NPM approach emphasises administrative decentralisation, public-private partnerships and entrepreneurial systems that involve communities. Participatory mechanisms are developed under a technocratic framework; citizen's participation is a planning instrument to promote efficient allocation of public resources and accountability. The other approach is a society-centred approach, which focuses more on the society aspect of 'state-society relations'. The emphasis is on the autonomy and agency of grassroots

movements and less on the importance of policymakers and public authorities who design and facilitate the process (Cleuren, 2008). Communities that are organised can more easily join and participate in public policy processes. It is often the case, however, that such organisation depends heavily on formal local institutions. This leaves the process vulnerable to political control and manipulation (Bland, 2011). As noted, these top down and society-driven approaches should not be seen as mutually exclusive (Silver et al. (2010).

Participatory budgeting (PB) has emerged as a popular mechanism to increase participation in budgeting processes. It represents one of the most prominent state-led initiatives. Goldfrank (2006) defines PB as a 'process by which citizens, either as individuals or through civic associations, may voluntarily and regularly contribute to decision-making over at least part of a public budget through an annual series of scheduled meetings with government authorities' (cited in Carlitz, forthcoming: 4). Based on a review of studies, he finds evidence that participatory budgeting has been successful in redirecting resources towards poor neighbourhoods, extending service provision, promoting growth in civic associations and democratising existing ones, increasing transparency and accountability, reducing clientalism and improving representation of the formerly excluded. He emphasises, however, that such outcomes are not automatic and that there are cases that have shown different results (cited in Carlitz, forthcoming).

The vast majority of studies on participatory budgeting centre upon a particular case study. Very few adopt a comparative approach. Further, these studies tend to **focus on cases where budgeting initiatives have been conceived of locally** rather than through external (donor, international NGO) promotion. Thus, with the exception of one case (El Salvador), the section on budgeting processes centres on endogenous processes. The discussion on participation is focused more on how local authorities and citizens are involved and whether participatory spaces are invited/ top down or autonomous/ bottom up. **Almost all of the cases profiled represent positive examples of participation being well-incorporated in initiatives and contributing to greater effectiveness in the achievement of developmental outcomes. Where government officials have been involved in initiating participatory budgetary processes (invited spaces), they have largely been committed to the process. When combined with a push for participation from below (autonomous spaces) and by decision-making from below, the resulting initiatives have been particularly effective.**

An attempt has been made to highlight available comparative information which indicates differences in outcomes between areas where participation has been stronger or weaker (and comparisons within one location prior to and after the implementation of participatory processes). After the profile of specific PB case studies, this section briefly outlines common challenges, key success factors and lessons learned in relation to participation drawn from the various studies.

Extractive industries and natural resource management

While there seems to be broad convergence on what constitutes 'good' natural resource governance, there is variation on what are the key aspects that contribute to such outcomes. Many transparency and accountability initiatives tend to focus on process-driven outcomes, such as increasing the participation of civil society organisations (CSOs), promoting disclosure of contracts and/or demanding greater revenue transparency. The assumption is that such outcomes can have a direct impact on greater objectives such as reducing corruption and poverty in resource-rich countries. The initiatives converge to a great extent in their promotion of voice and participation of multiple

stakeholder groups (MSGs) including government officials, civil society representatives and members of private companies (Acosta, 2010).

Most of the literature on extractives and natural resource management surveyed focuses on participation in the context of an established (global) mechanism, in particular the Extractive Industries Transparency Initiative (EITI). There is, thus, very **limited discussion on participation in terms of decision-making in conception and design**. The literature also focuses on the participation of civil society and affected local communities. Unlike the studies on budgetary processes, **almost all of the cases profiled here represent negative examples of participation (largely created from above) being poorly incorporated into initiatives and undermining effectiveness in the achievement of developmental outcomes**. After the profile of specific case studies, this section very briefly outlines challenges and lessons learned.

2. Budget processes

Porto Alegre, Brazil

The initiative/process

The origins of participatory budgeting can be traced to Porto Alegre, Brazil. It is the most extensively researched case and is heavily referenced due to its purported success. It has provided an important model and point of reference for other PB initiatives.

Conception and design: The introduction of participatory budgeting in 1989 was the culmination of a process that involved both **top-down and bottom-up participatory processes**. The Worker's Party (PT), newly elected as the city's government in 1988, opened up the space for citizen participation. At the same time, civil society demanded more co-decision capacity. It championed the idea of a participatory budget. The **design of the PB arrangement arose after intense negotiations both within the new government and among the government, civil society groups and involved citizens** (World Bank, 2004; cited in Sarkar and Hasan, 2010).

The three underlying principles for the set-up and functioning of the budgetary process are: grassroots democracy, social justice, and citizen control (Sintomer et al., 2008). Although the current format of citizen participation has evolved significantly since the original model, the general structure remains the same – involving a nested design of popular assemblies and elected delegates that directly shape the capital portion of the municipal budget (Heller, 2012). At all of these levels, there is considered to be genuine popular participation with decisions made through intense debates and negotiations. There is particular attention to distributing resources to the neediest areas of the city. Elected delegates also monitor the entire process of approval (Blair, 2008).

Implementation: **Much of the literature on PB in Porto Alegre has focused on the society-centred approach, attributing the success and effectiveness of PB to the mobilisation of civil society movements and civil society's active role in PB's conception, design and implementation. Cleuren (2008) takes an alternative view and emphasises more the importance of municipal officials in the success of the initiative**, particularly improvements in public services and infrastructure. In particular, he highlights the role of the *cargos em comissão* (CCs), appointed officials who acted as liaison officers between the bureaucratic departments and the popular assemblies. They played an integral role in designing, coordinating and implementing the participatory mechanism. Many of these officials had moved from the sphere of grassroots opposition to positions

in the municipal government after the PT gained the mayoralty, which made them particularly effective as liaisons.

Effectiveness/outcomes

The participatory budget initiative in Porto Alegre has produced the most substantial evidence of impact in terms of both intermediate, process-related impacts and longer-term democratic and developmental outcomes (Carlitz, forthcoming).

- *Improvements in infrastructure/services/redistribution*: There have been **marked improvements in the city's infrastructure, health, education and transportation systems compared to pre-PB periods**: 'In 1989, only 46 percent [of] households had access to the sewerage network. The percentage rose to 85 percent in 1996. Similarly, access to running water increased from 80 percent to 98 percent during the same period. Marked improvements in road infrastructure and transportation were also visible. The percentage of school enrolment increased significantly' (Sarkar and Hasan, 2010: 399-400).
- *Participation and empowerment of the poor and marginalised*: The **participation of women, the working class and the poor has been higher compared to pre-PB periods**. Further, the poor appear to be active participants, speaking up as much as the non-poor (Sintomer et al., 2008; Blair, 2008).
- *Strengthened civil society*: Civil society has also been strengthened as a result. **More citizens have joined initiatives and associations** in order to represent their suggestions in the budgeting process (Sintomer et al., 2008). The practical demands of citizens have also become more sophisticated over the years, moving away from basic infrastructure to social issues such as health care, education and housing priorities (Cleuren, 2008).
- *Decline in patron-client relationships and establishment of clean government*: According to many observers, the **PB model has produced a significant decline in clientelism**, stemming from pressure by a more demanding and informed citizenry. Corrupt behaviour and administrative malpractices have also declined due to greater transparency in the whole budgetary process (Hernández-Medina, 2010; Sarkar and Hasan, 2010; Sintomer et al., 2008). Cleuren (2008) adds that the most spectacular innovation in the city was the grafting of a participatory-minded administrative layer on the existing bureaucracy that had previously operated in a system without citizens' involvement (Cleuren, 2008).
- *Improved finances*: It is also widely acknowledged that PB experience was successful in **improving municipal finances**. The increased legitimacy and accountability of public decisions resulted in an increase in property taxes and additional scrutiny over municipal funds (Bergh, 2010).
- *Institutionalisation of the process*: The **strength of the neighbourhood associations and civil society movements** in the budgetary process, and the gradual development of new form of participatory government, **is reflected by the fact that new governments have continued to support the process** (Cleuren, 2008; Sintomer et al., 2008).
- *Emulation*: As a result of these various successes, Porto Alegre's PB system has been widely copied within Brazil and externally, including through donor-supported programmes (Blair, 2008).

There are various challenges to the PB process, however, which will be discussed further in the general challenges section below. These include concerns that the process undermines nationwide coordination. There are also concerns that the complexity of organising thousands of people in the meetings and translating citizen demands into feasible investment projects has resulted in the 'bureaucratisation' of the participatory scheme (Cleuren, 2008). There have also been reports that the

vivacity of PB experienced in previous years is gradually declining and that meetings generated less enthusiasm among residents and political officials (Sarkar and Hasan, 2010).

Comparative analyses (Brazil)

Sintomer et al. (2008) highlight that although Brazil tends to suffer from significant income gaps and deficient democratic institutions stemming from corruption and clientelism, Porto Alegre differs. Its living standard is above the average of other Brazilian cities and it has established services and infrastructure in poorer communities. They argue that the participatory budget in the city has contributed to these differences.

A countrywide comparative study of Brazil, conducted by Baiocchi et al. (2011), finds improved outcomes in cities with participatory budgeting. They paired four randomly sampled cities that adopted PB with cities of the same size, region and political configuration that did not introduce PB. The paired analysis demonstrates **'measurable increases in the associational activity of civil society organizations and of their capacity to effectively engage government' in all four of the PB cities; whereas such activities and capacities remained constant in the four non-PB cities, indicating continued persistence of clientelistic ties** (cited in Heller, 2012: 656).

On the other hand, Robinson (2003) argues that other cities in Brazil, such as Curitiba (which neighbours Porto Alegre), without PB have done better than Porto Alegre in some aspects, such as in terms of improving the housing deficit. They achieved this with an administration that has clung to a NPM policy model and top-down approach. They argue that the participatory model is not the decisive variable to explain Porto Alegre's achievements (cited in Cleuren, 2008). Goldfrank (2007) finds that the results of participatory budgeting in Brazil vary tremendously. While there have been notable successes in a wide range of cities and towns, he stresses that the process is highly case-specific. This is particularly true earlier in the process. **Where PB is sustained for more than five years, there is greater likelihood of improvements in active citizenship, social progress and bureaucratic competence** (cited in Bland, 2011).

São Paulo, Brazil & Berlin, Germany

Silver et al., (2010)'s study of participation in urban settings includes a look at participatory budgeting in São Paulo and Berlin.

The initiative/process

São Paulo: Citizen participation in São Paulo was initiated from the top down by the new Workers Party (PT), but with a genuine attempt at making a break from patronage and clientelism. The PT initiative was complemented by grassroots involvement in decision-making at several levels, in the election of representatives, implementation and monitoring the outcomes of policy decisions. There were three levels of representation in the PB: regular participants (primarily low-income residents, many of whom had extensive experience as activists in neighbourhood associations or social movements), delegates and councillors. There was a **deliberate policy of 'affirmative action' and institutional arrangement to include traditionally excluded groups** in local decision-making (which was not present in PB in Porto Alegre).

Berlin: In Berlin, an Empowerment Fund was set up in Soziale Stadt programme areas, and committees of local residents decided on the use of these resources. This entailed a **modest form of participatory budgeting**. To reach 'ordinary' people, the juries that decide on the uses of the funds

consist of randomly selected residents, perhaps making participants more statistically representative, but bypassing the self-organised residents that formally represent the neighbourhood and speak for minorities like migrants. The extent of bottom-up involvement varies between areas.

Effectiveness/outcomes

São Paulo: Citizen participation in PB is considered to have contributed to all inclusion, empowerment and redistribution. The inclusion of traditionally under-represented segments of the population in participatory budgeting processes through affirmative action and the opening up of political spaces resulted in the introduction of new ideas and proposals. **Where the movements behind them were strong, the segments were especially influential in decision-making processes, which had a redistributive impact on resource allocation.** Most of the proposals and decisions made in the socially inclusive participatory budget forums and council meetings were in fact implemented, giving these segments a sense of empowerment and increasing the effectiveness of governance (Hernández-Medina, 2010).

There were various challenges, however. Similar to the case of Porto Alegre, there are concerns that the decentralisation of decision-making to smaller localities can undermine wider geographical coalitions. Unlike the situation in Porto Alegre, the conditions in São Paulo have not been favourable enough to make the PB process sustainable (Hernández-Medina, 2010).

Berlin: Although any given project received few resources, residents' committees were found to have spent the funds scrupulously and efficiently, mostly on the living environment and public space. **Community meetings, however, tended to attract only middle-class residents or organised interests,** due in part to the formal communication style of such meetings. Migrants and their families, the long-term unemployed, senior citizens and others who had special needs were hardly involved. As such, the **inclusion, empowerment and redistribution were modest** compared to São Paulo (Silver et al, 2010).

Fissel, Senegal

The initiative/process

Conception and design: A long process involving local government and civil society led to the adoption of participatory budgeting in Fissel. The **non-governmental organisations** RECODEF (Regroupement Communautaire pour le Développement de Fissel) and IED (Innovations, Environnement et Développement en Afrique) joined forces to develop a pilot research programme on monitoring and reinforcing citizen participation in local development and **introduced the idea of participatory budgeting. It gained the support of rural council and the local government management body. The PB initiative is thus the result not only of the community's research, but also the implementation of the community's recommendation** (Guèye, 2010).

Implementation: The participatory budget process implemented in Fissel involves preparatory aspects in order to sensitise participants, village forums (including separate forums for men and women), delegates' forums, budget meetings, budget vote and implementation, feedback forums, and budget implementation monitoring by citizen committees (Guèye, 2010).

Effectiveness/outcomes

- *Participation of the marginalised:* A recent external evaluation found that **groups that had traditionally been less involved in local decision-making (in particular, women and young people) stated that participatory budgeting had enabled them to better understand the local planning process and to give them a say on the allocation of local resources.** Villages represented in the community forum in charge of setting priorities and making decisions trust the results that emerge from this inclusive process.
- *Strengthened communities:* The participatory process has also **strengthened community capacity.** Participatory budgeting has had spill-over effects, giving stakeholders the opportunity to discuss other programmes in Fissel.
- *Improved state-society relations:* The participatory process has **improved citizens' perceptions of local officials;** they no longer view them as a privileged group engaged in close-door management of local resources.
- *Improvements in infrastructure:* **Decisions on infrastructure have become increasingly catered to the needs of participants,** particularly women.
- *Emulation:* Fissel's experience has influenced other Senegalese communities and international development efforts (Guèye, 2010).

Ilala, Tanzania

The initiative/process

Conception and design: The **Ilala Municipal Council (IMC), formed in 2000, saw the need for participatory budgeting** in order to meet legislative requirements to involve people in decision-making, and as a means for achieving sustainable development in the municipality (Kihongo and Lubuva, 2010). The IMC first focused on sensitising sub-ward leaders, and raising awareness for the PB and planning process. The initial attempt to produce a participatory budget failed, however, as expectations were unrealistically high and community priorities were not clearly articulated. The process was reintroduced subsequently with a tailored training programme for IMC extension staff, ward executive officers, and NGO and community-based organisation representatives from each ward (Kihongo and Lubuva, 2010).

Effectiveness/outcomes

- *Improved services and infrastructure:* Civic participation **increased the number of local-level development projects** implemented by communities with the IMC, within various service and infrastructure areas. The **participation of communities in decisions involving planning and implementation of projects also contributed to their sustainability.** The involvement of women and youth in decision-making and council resource allocations created a focus on **services that matched their needs.**
- *Strengthened communities:* The participatory process **increased community skills** in analysing and prioritising problems; designing and executing community projects; and monitoring and evaluating projects during implementation and service provision.
- *Improved state-society relations:* The increase in civic participation and inclusion of marginalised groups **improved state-society relations** and brought a new spirit of cooperation.
- *Improved finances:* Improvements in transparency and accountability resulted in more positive taxpayer attitudes, which in turn **increased revenue from taxes,** service user charges and cost recovery (Kihongo and Lubuva 2010).

Bangladesh

The initiative/process

The Sirajganj local government development project (SLGDP) was implemented in Bangladesh (2000-2006) with financial assistance from the United Nations Development Programme (UNDP) and the United Nations Capital Development Fund (UNCDF). The intervention focused on Union Parishads (council) (UPs), the lowest level of local government structure, and involved various aspects of participatory budgeting, including: open budget sessions; grassroots based participatory planning and monitoring; and innovative procedures to improve women's participation.

Effectiveness/outcomes

The project has demonstrated that with changes in procedures, UPs can be participative, transparent and accountable. **In terms of participatory planning, there was effective participation of around ten per cent of the typical adult population, a marked increase from only nominal participation of UP members** (whereby the rural development bureaucracy was the de facto actor). In addition, women were active to a much greater degree and played crucial roles in scheme identification, prioritisation, implementation, supervision and monitoring. Other outcomes of the initiative include equitable distribution of benefits, accountability of UPs and reduced corruption.

Malaysia

The initiative/process

The Modified Budgeting System (MBS) was introduced in 1990 with the primary aim of improving and modernising the process of resource allocation and increasing public sector managers' accountability, in part through the development of key performance indicators (KPIs). **The approach adopted by the Malaysian public sector in developing the KPIs excludes public participation.** In one case, external private consulting companies were relied upon for KPI development instead of gathering views from a wide range of stakeholders. In another instance, KPIs for ministers and ministries are developed by themselves with the assistance of the National Treasury (Barizah et al., 2011).

Effectiveness/outcomes

The architects of the reforms have claimed that the MBS has improved financial management and accountability in public services as agencies moved toward output-oriented management by developing performance indicators and by improving financial management controls. Other literature argues instead that the way that performance measurement has been developed and implemented is weak. **By excluding the participation of civil society, the system is unlikely to be able to serve the public's interests** and meet their expectations. Khalid (2008) found that by the end of 2007 many local authorities still had not fully implemented the system, while some were still in the process of formulating it (cited in Barizah et al., 2011).

External conception and adoption of participatory budgeting – the case of El Salvador

Hernández-Medina (2010) argues that understanding of PB is constrained by the literature's focus on the pioneering case of **Porto Alegre. Although the initiative has been conceived, developed and implemented in a unique context, it has continued to serve as a model and inspiration for other cities.** International development agencies, such as the World Bank and UN-Habitat have also since advocated the adoption of PB.

Wampler (2010: 33) finds that 'based on preliminary data, the **policy outcomes produced by adopting cases appear to be sufficiently weaker than the initial set of cases.** This suggests that

a “one-size-fits-all” approach to institutional reform may be counter-productive.’ Some of the unique aspects of the Porto Alegre case that may not be present in other contexts include the existence of mass social movements (Bergh, 2010), a mayor and other government officials who strongly supported the process (Wampler, 2010) and a greater level of resources (being located in one of the richer states in Brazil) (Blair, 2008).

Wampler (2010) also finds though that **if external parties (e.g. donor agencies) invest more time in identifying governments and officials that are more likely to support PB and to follow established guidance on best practice, it is possible to achieve positive outcomes.** This is demonstrated through Bland’s (2011) case study of USAID in El Salvador, identified by Bland as a rare examination of the external promotion of participatory budgeting.

The initiative/process

Conception: **PB was initiative and introduced in El Salvador by USAID.** It was the culmination of lessons learned from a long series of project activities implemented through USAID’s Democratic Local Governance Activity (DLGA) project in the country. Each iteration of the project involved national policy dialogue, municipal strengthening and citizen participation (Bland, 2011).

Design and implementation: **USAID adopted a participatory approach to the design and implementation of PB,** supporting the decision-making authority of neighbourhood groups and citizens. With DLGA support, municipal officials convened a municipality-wide assembly to define the vision and objectives of PB and discuss local priorities. The project identified and helped to mobilise a wide variety of stakeholders, who were all brought into PB meetings. Decisions were reached through consensus. As the initiator of PB, the DLGA played the part of educating local official and community participants and supporting the PB process itself. The project was monitored over time for the quality of the participatory process (Bland, 2011).

The DLGA adopted a PB process in El Salvador that closely followed the features of the endogenous processes that had emerged throughout Latin America, such as in Brazil. The framework **drew on country experience and best practice** in the region and was modified and adapted to address the particular context in El Salvador. In order to garner local political will, DLGA was **careful to choose municipalities with mayors that had at least some genuine interest in the PB process.** Bland (2011) finds that this effort was important as there was a close correlation in all the municipalities covered by DLGA between achievement in participatory processes and the interest of mayors and council members. The selected municipalities were evenly split between urban and rural localities; funding from USAID was particularly valuable to rural areas, where fiscal resources were more limited (Bland, 2011).

Effectiveness/outcomes

Bland (2011) argues that a valuable measure of the success of the external promotion of PB is the sustained use of the process, particularly beyond five years after its initial utilisation. He finds that although nearly 40 per cent of PB experiments in the DLGA municipalities had been entirely discarded, the introduction of PB in El Salvador has been a positive enough experience for a committed group of municipalities to adopt the principles and maintain its use for years in the absence of external support. He also finds that **external PB promotion faces the same success factors and constraints as endogenously developed initiatives.** In both cases, for example, the commitment of the mayor appears to be critical. Thus, it is extremely important for external parties such as DGLA to convince mayors and their municipalities of the value of PB their careers.

Challenges and limitations of participatory budgeting

- *Resources*: PB processes require much time and resources. Local governments need to be able to set aside some of their budget to cover the projects that emerge from PB. **Without sufficient resources, PB simply becomes a planning process** (Bland, 2011; Guèye, 2010).
- *Capacity*: The **low education level** of local officials and high illiteracy rate among local populations in some contexts, such as in Fissel, Senegal, **can be a challenge to supporting PB process**. Heller (2012) argues, however, that even where the capacity of citizens is minimal, they can still effectively participate in local government (as occurred in areas of Brazil).
- *Political economy*: A key obstacle in institutionalising PB is the **highly political nature of the processes**. In Fissel, Senegal, for example, mechanisms and procedures to designate councillors depend more on political parties' decisions than on the local people's choice. Where civil society's role is not strong enough to counter political pressures, designated representatives may feel more accountable to their political party than to their constituents (Guèye, 2010).
- *Exclusion of vulnerable groups*: It can be particularly **challenging to reach disadvantaged groups** for inclusion in PB processes. Mobilisation of such groups requires substantial skill and support of community development workers (Kihongo and Lubuva, 2010). **Selective incentives may need to be adopted to overcome collective action problems**. Even where such groups are included, empowerment remains a challenge, with more educated, articulate and organised interests dominating deliberation (Silver et al., 2010).
- *Undermining local authorities*: Bergh (2010) highlights in the context of Brazil that a key drawback of PB is that it can **erode the prerogative of municipal councils to approve the municipal budget**; they can no longer practically reject a proposed budget that has been legitimated by the large participation of citizens in PB. In some cases, this has led to budgetary problems as the list of investment projects continues to grow in the face of financial difficulties (Cleuren, 2008).
- *Undermining wider geographic coordination/coalitions*: There are also challenges with the decentralised budgetary deliberations and decision-making at smaller localities **impeding higher levels of coalition building** (Silver et al., 2010). An absence of a central political coordinating authority can also result in confusion and inadequate project planning, as occurred in the case of the sewage network in Porto Alegre (Blair, 2008).
- *Integration into government structures*: The **institutionalisation and sustainability of PB is a challenge**. Porto Alegre is an example of where the challenge has been overcome and each new government has been supportive of PB and citizen participation. This is because PB overtime became integrated into government structures (Sintomer et al., 2008). On the other hand, in São Paulo, there was no consensus about whether PB should be embedded in the city government structure, which has left it vulnerable and precluded its sustainability (Hernández-Medina, 2010).
- *Bureaucratisation and professionalization*: There is a danger, however, that **as PB becomes institutionalised and undergoes bureaucratisation and professionalization, it can become alienated from the initial idea of an open and direct deliberation** between ordinary citizens. Cleuren (2008) notes in the case of Porto Alegre that instead of reaching out to more diverse interlocutors such as religious organisations and environmental movements, the government intermediaries narrowed its scope to a reduced number of community leaders in the poor neighbourhoods.

Lessons learned/ factors of success

- *Political will*: **Local or central governments need to be committed not only to actively participate in the PB process but also to present participatory budgeting as a political option** rather than simply a test case or exercise (Guèye, 2010). The success of the PB process

in Ilala, Tanzania, for example, is attributed in part to the enduring political will of the central government (Kihongo and Lubuva, 2010). As emphasised by Bland (2011), the commitment of mayors is integral to the success and sustainability of PB. Cleuren (2008) also highlights the effective role of local officials in the success of Porto Alegre.

- ***Strong and diverse organisations:*** **Strong, well-structured and autonomous civil society organisations are necessary to carry out deliberative processes** and to ensure that decentralised budgeting does not come under the control of patronage systems (Guèye, 2010; Silver et al, 2010). In addition, the **involvement of a wide range of institutions is important to the success of PB** (e.g. not only citizens and local government but higher levels of government, the private sector, the media, etc.) (Kihongo and Lubuva, 2010). It is important to build alliances, whether horizontally, through civil society coalitions, or vertically, through partnerships with government officials (Carlitz, forthcoming).
- ***Confluence of supply and demand:*** Carlitz (forthcoming) argues that **the most successful initiatives tend to have a confluence of demand- and supply-side factors**. For example, in the case of Porto Alegre, the PB process was a combined product of community associations and the PT municipal administration.
- ***Enabling framework:*** In order to facilitate large-scale adoption of participatory processes, they must be included in **national institutional and legislative mechanisms** (Guèye, 2010). In Ilala, Tanzania, for example, the presence of numerous laws requiring citizen participation in policy and budgeting processes **provided a favourable environment for PB**. Bland (2011) highlights that although such formal mechanisms can be important, such formality may preclude more creative efforts to involve citizens.
- ***Capacity/experience with participation:*** Prior **experience with participatory initiatives** (as in Ilala, Tanzania) **can contribute to the success of PB** (Kihongo and Lubuva, 2010). Where such experience is lacking, training of local officials, civil society representatives and other stakeholders and the development of a substantive skill base can be important (Sarkar and Hasan, 2010). Bland (2011) notes that the stronger the bureaucratic competence, the more likely PB will be implemented effectively and facilitate public confidence in the process.
- ***Flexibility/adaptability:*** Stakeholders involved in the implementation of PB **need to be flexible and able to adapt the process** based on lessons learned from initial rounds of participatory budgeting (Kihongo and Lubuva, 2010).
- ***Early demonstration effects:*** The early demonstration of infrastructural and service improvements, such as **highly visible public works as paved roads, can contribute to support for the PB process** in the area with the improvement and in neighbouring areas that have access to it (Bergh, 2010).

3. Extractives and natural resource management

Extractive Industries Transparency Initiative (EITI)

The initiative/process

The Extractive Industries Transparency Initiative (EITI) is a public-private partnership designed to help resource-rich countries avoid corruption in the management of extractive industry revenues. More than 30 nations have adopted EITI and the number of implementing countries is rapidly rising. **EITI partners include governments, extractive firms, as well as international and local NGOs**. The general public is involved more indirectly through the intermediation of NGOs, legislatures and the press. Under EITI procedures, local NGOs monitor government and business reporting of revenues

and royalties and provide assurance to external validators that they received full and accurate information (Aaronson, 2011).

Effectiveness/outcomes

A recent study evaluating the effective contribution of CSOs to EITIs found that there was general agreement among respondents that the **EITI process had resulted in enhanced engagement of CSOs in the extractive industries sector**, particularly in relation to increased availability of information and government recognition of CSOs as part of the process. It also found that CSO engagement tended to occur earlier in the EITI process (**providing input into the design of important EITI mechanisms, selection processes and decisions**) (Mainhardt-Gibbs 2010).

Aaronson (2011) finds that EITI also has important spill-over effects in terms of encouraging firms to listen to and respond to stakeholder concerns, and in building civil society capacity to engage in governance. **Governments in some cases have used the EITI process to develop dialogue between policymakers and citizens on resources utilisation.** Liberia, Sao Tome, Nigeria and Ghana, for example, have organised public forums and seminars to encourage citizens to participate in discussions and debates about extractive issues and governance. **Civil society activists have also relied on the EITI process to push for government to sign on to EITI**, as occurred successfully in Sierra Leone. Civil society and government officials have both also used EITI reports to improve governance. Information from these reports can, for example, empower officials who want to do a better job of managing resource revenues, giving them leverage to demand changes from extractive firms or government agencies (Aaronson, 2011).

Challenges: There are various challenges that remain. The evaluation of the contribution of CSOs to EITIs found that there were still concerns that the roles and responsibilities of CSOs remained unclear or inadequate. While CSOs in most countries had access to government agencies, **it was believed in about half of the survey countries that the government was not treating CSOs as a legitimate partner in the EITI process.** The majority of responding countries indicated that CSOs have no or limited ability to follow-up on EITI report recommendations. In addition, they often have to apply through the government to get access to World Bank funds intended for CSO EITI capacity building, which undermines their status as an equal partner (Mainhardt-Gibbs 2010).

Aaronson (2011) also points out various examples of weaknesses in government-civil society collaboration. **Some implementing governments have failed to consistently provide civil society with the information they need to effectively take part in meetings and decision-making** and to be able to hold government to account. In some cases, government has also appointed stakeholder groups rather than letting citizens and NGOs choose their representatives, which hinders civil society's ability to effectively participate in the EITI process and to carry out their roles.

Nigeria EITI (NEITI)

The initiative/process

NEITI is a government initiative (with support from the extractive companies, civil society and professional bodies) to bring about transparency in extractive industries. The EITI was adopted in Nigeria in response to findings from a 2000 World Bank study, commissioned by the president, which revealed ineffective management of extractive industry revenues and discrepancies in fund inflows and outflows. These findings provided the entry point for the **government creation of a National Stakeholders Working Group (NSWG) that served as a platform for formulating policy and implementing NEITI.**

The NEITI works in tandem with Publish What You Pay (PWYP) Nigeria for transparency and accountability in the financial management of the extractive industries. PWYP Nigeria **represents the civil society driver of the process**. PWYP Nigeria uses many strategies, methodologies, and tools to advance its activities in the civil society component of the NEITI process. These include legislative and policy advocacy, programme participation, research, and coalition and public awareness and communication to engage NEITI and the extractive industry (Garuba and Ikubaje, 2010).

Effectiveness/outcomes

Garuba and Ikubaje (2010) argue that **the success of NEITI to date is due in large part to the contributions of the PWYP campaign**. PWYP's communication and media strategy has been highlighted as producing positive outcomes. Civil society has taken advantage of the strategy for public education and mobilisation work. The strategy has allowed for effective legislative advocacy and in widespread public dissemination of NEITI reports. Despite this progress, however, local people have yet to begin any serious engagement with NEITI.

The management of EITI in Nigeria was handpicked by the Nigerian government, rather than elected democratically such as in Ghana and Azerbaijan. This decision has been controversial and opposed by CSOs, especially PWYP Nigeria, particularly in light of the NEITI's transparency and accountability objectives. Garuba and Ikubaje (2010) argue though that one of the important success factors of the initiative has been the NEITI secretariat's engagement of the right stakeholders through this appointment process. The **invitation of specific civil society practitioners, government staff and extractive industry employees to NEITI events has enriched debates and inputs**.

Madagascar EITI

The initiative/process

Madagascar is a signatory to the EITI. The Government has been engaged in a partnership with Rio Tinto since 1986 for the QIT Madagascar Minerals (QMM) ilmenite mining project in the Anosy region. In the context of this project, Smith et al. (2012) examine the voluntary nature of the application of corporate social responsibility and the role of stakeholder engagement in the EITI.

Forums exist for NGO and government department consultation and collaboration on certain specific topics, but there is no formal platform for NGO or cross-sector consultation regarding regional development. Public consultations have been widely criticised by actors within civil society and local government for being one-sided in discussion. The involvement of the World Bank in the involuntary resettlement policy and its consultations were also criticised for being expert-led rather than participant-driven (Smith et al., 2012).

Effectiveness/outcomes

The lack of participatory mechanisms in Madagascar's EITI processes has resulted in little participation of civil society and local populations in deliberation and decision-making; and consequently in a failure to identify socio-economic development and capacity building during the pre-production phase. As a result, few projects with mutual benefits materialised. This poorly managed and exclusive process has also led to instability and political unrest since January 2009. Opposition within local communities has emerged to directly protest against QMM, rather than directing concerns through formal forums.

Recommendations for EITI

- *Making EITI more meaningful at the local level:* **CSO engagement would be significantly improved if the EITI process was made more meaningful at the local level.** More efforts are needed to capture the input of non-MSG groups, to build the capacity of and create the opportunity for local/community-based CSOs to be able to act upon the disclosed revenue data, on public awareness, and on expanding information disclosure (Mainhardt-Gibbs 2010).
- *More extensive monitoring:* Once a country has endorsed EITI, the World Bank should play a role in making sure all parties comply with EITI requirements, for example **monitoring and assessing CSO participation** and holding governments and project clients accountable (Mainhardt-Gibbs 2010). In the absence of independent monitoring, EITI exercises can readily become top-level paperwork exercises, failing to take into account the needs of communities (Smith et al., 2012).

Sierra Leone – diamond industry

The initiative/process

Conception and design: The need for making public participation a key component of the post-war recovery process was recognised by both government and international donors. **'New spaces' of citizen participation in diamond governance** have been emerging in communities (focusing on Koidu and Kayima in the Kono District), **both in the form of invited institutionalised spaces and more autonomous, organically created, people-driven spaces.**

The Diamond Area Community Development Fund (DACDF) was formally approved by Sierra Leone's Ministry of Mineral Resources in 2001. It is an 'invited space of participation' and adopts participatory mechanisms that aim to allow local actors to exercise their natural resource management responsibilities and decision-making powers. It is also seen to provide a considerable incentive for both miners and diamond-rich chiefdoms to engage in legal diamond mining activities and revenue reporting, by returning a percentage of mining revenue back to the producing chiefdoms.

This initiative was subsequently complemented by an autonomous initiative, driven by a number of civil society organisations. They lobbied for the creation of Chiefdom Development Committees (CDCs), in an attempt to ensure that project decision-making associated with the DACDF was carried out in a more equitable and accountable manner. Each CDC was supposed to be composed of a wide cross-section of elected Chiefdom residents, so that a broad range of community interests could be represented (Maconachie, 2010).

Effectiveness/outcomes

Since the initiation of the DACDF, there is evidence that an **unprecedented amount of diamond revenue has been returned to diamond mining communities**; and that funds have been utilised wisely by some chiefdoms and councils to finance community infrastructure, education, health and vocational skills training centres. There have **also been reports, however, that a number of chiefdoms were not utilising the fund in a competent manner.** This was attributed in part to a continuing lack of transparency, poor community awareness and local participation in decision-making processes that concerned the use of the fund.

The Chiefdom Development Committees (CDCs), lobbied for by civil society, were established to address these concerns. The CDCs have failed, however, to encompass a wide cross-section of elected chiefdom residents, but instead have reportedly been composed entirely of rural elites, such

as section chiefs. This has undermined the concept of local ownership of the fund and further alienated many stakeholders, such as women and youth. In addition, there have been no reporting or oversight mechanisms put in place.

Thus, **regardless of whether the spaces of participation were conceived of from the top-down or bottom-up, there has been a consistent trend of poor participation by grassroots stakeholders in project decision-making** (Maconachie, 2010).

Brazil and Indonesia - Coastal management

The initiative/process

Integrated Coastal Management (ICM) involves management measures that aim to allow for ecosystems and the human societies they support to exist side by side. It incorporates a number of principles such as sustainability, participatory planning and management, and holistic and adaptive management (Cicin-Sain and Belfiore, 2005; cited in Wever et al., 2012). In Brazil, the federal-level National Environmental Management Agency (IBAMA) promotes the active participation of local communities in coastal management through community-based approaches (RESEX). In Indonesia, the government has relied on the adoption of specific customary law-based coastal management practices.

In both Brazil and Indonesia, government efforts at implementing decentralised coastal management has empowered local and regional authorities but has not resulted in the active participation and empowerment of communities. This is due in part to an inadequate framework to include local communities in institutional design and implementation (Wever et al., 2012).

Effectiveness/outcomes

Despite the strong rhetoric, national policies and legislation in Brazil and Indonesia have not been very effective in encouraging participatory coastal management. The lack of a common vision between central and regional authorities, as well as the predominance of sectoral policies and legislation over integrated coastal management practice has resulted in institutional fragmentation. Many local authorities have prioritised their own financial and power gains. The relevant local agencies in Brazil have **restricted the role of local ecosystem users to passive or consultative participation rather than active participants in decision-making processes. The continued exclusion of those whose livelihoods depend most on coastal ecosystems lies at the root of many coastal management problems** (Wever et al., 2012).

Peru - Extractive Resource Development

The initiative/process

The Peruvian government has been engaging in efforts to ensure that hydrocarbon and mineral resource development is undertaken in a socially responsible and sustainable manner. The Oficina General de Gestion Social (General Social Management Bureau) (**OGGS**) **was created by the government to promote harmonious relations between companies and civil society, and to ensure appropriate management of social issues through enhanced transparency, accountability and communication tools. Such tools include public participation** in the Environmental Impact Assessment (EIA) approval process. OGGS and the government also sought to address increasing public discontent with extractive activities by revising regulations to promote public participation in the hydrocarbon and mining sectors. Under these regulations, developers must ensure the public's involvement in the EIA study preparation and approval as prescribed in the regulations.

The rules and resulting practice, however, has amounted to a **one-way information giving channel**, instead of a mechanism for dialogue and consensus building. Information is provided to local communities on the nature of the activities to take place, the rights of the concession holder, its environmental obligations, and the local people's rights and obligations. **Community input is not enabled at the start of the participatory process, where it is most crucial.** Only once a project proponent has entered the environmental assessment stage do the regulations create some space to incorporate community input; however, by then, most of the decisions on project design and location have already been made and there is limited room for manoeuvre (Barrera-Hernández, 2009).

Effectiveness/outcomes

Thus, despite the establishment of these new processes, meaningful and productive community participation is absent and the industries remain revenue-driven. Barrera-Hernández (2009) argues that real, sustainable progress in social management can only be achieved if social impacts are assessed and taken into account at the project design and approval stage. Public participation is key to the incorporation of the social variable into impact assessment and management. **Without this participation, not all social impacts were properly considered and not all provisions necessary for avoidance or mitigation were included in approved project plans.** Social discontent and conflict have become the norm. On the positive side, a Ministry of the Environment was created in 2008, which could result in improvements (Barrera-Hernández, 2009).

Challenges and lessons learned

- *Consultation cannot be equated with participation:* Various countries have implemented legislation requiring prior informed consent before land acquisition and extractive-sector initiatives. Khoday and Perch (2012) emphasise, however, that **mere consultation is not participation and does not lead to benefit-sharing.** For example, prior informed consent policies related to the Reducing Emissions from Deforestation and Forest Degradation (REDD+) initiative have been of mixed success and often fall short of the level of participation and benefit-sharing.
- *It is important to consider power relations:* **Top-down, constructed spaces for participation,** such as DACDF in Sierra Leone, have in some cases been **ineffective because they failed to address the presence of entrenched unequal power relations,** which influences the quality of the participatory space (Maconachie, 2010). Gaventa and McGee (forthcoming) highlight that **even where initiatives are 'social' or 'citizen-led', the stakes are still deeply political.**
- *There is a need for coordination/ monitoring:* Participatory natural resource management often **requires a central coordinating body that develops common criteria and guiding protocols.** In Peru, for example, this lack of common criteria and guidance resulted in differential consideration of community involvement and benefit management by decentralised officials responsible for regulating hydro-carbon and mining activities. As discussed above under EITI, a **monitoring body** can also be important to ensure that participation is effectively taking place.

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