2 Impact of open government on economic, social and governance development

This chapter presents an overview of the socio-economic impact of open government reforms, including a number of concrete examples. It looks at economic impact for the private sector, citizens, the public sector and the economy at large. As per the social impact, it investigates more particularly the positive outcomes on health, education and gender equality. It concludes by presenting how open government principles improve public governance.

It has been argued that the concept of governance has four underpinnings: structure, process, mechanism and strategy. As a structure, it refers to both formal and informal institutions. As a process, it implies the complex dynamics of lengthy policymaking. As a mechanism, it entails the existence of institutional control and compliance procedures. As a strategy, it reflects stakeholders' decisions on design, structure, processes and mechanisms (Levi-Faur, 2012[1]). Similarly, according to the OECD, "sound public governance consists of the formal and informal rules, procedures, practices and interactions within the state, and between the state, non-state institutions and citizens, that frame the exercise of public authority and decision-making in the public interest" (OECD, 2020[2]). Central to the concept of governance is the state's capacity in the Weberian sense, which is based on a modern bureaucracy. This bureaucracy includes a clearly defined hierarchy of offices, each with a defined sphere of competence, staff selected on the basis of technical qualifications, salary-based remuneration, careers developed in-office, and strict discipline and control of public servants.

The challenge of building peaceful, just and inclusive societies is emphasised in SDG 16. Among the main determinants of differences in development achievements and prosperity across countries are differences in the governance structure, the effectiveness of institutions and public administration. Economic growth necessary for inclusive sustainable development is related to the ability of a society to increase its human and physical capital, and improve its innovation capacity, which is increasingly true in a knowledge-based economy. To analyse why some countries are much richer than others or why they grow much faster than others, it is paramount to look for potential fundamental causes, which may be underlying these proximate differences across countries in their development trajectories.

In fact, institutions greatly matter for economic growth and social development because they shape the incentives and performance of key socio-economic actors in society. And because of their influence on the distribution of economic gains, not all individuals and groups typically prefer the same set of institutions. This leads to a conflict of interest among various groups and individuals over the choice of institutions, and the social and symbolic capital of the different groups will be the deciding factor. This was an important factor for the widespread uprising that took place in Arab region in the past decade including Tunisia, Egypt, Syrian Arab Republic, Yemen and Libya (see Box 2.1).

Box 2.1. Uprisings in the Arab Region and the demand for citizen-oriented public services

The Arab uprisings in 2011 unveiled a widespread resentment and discontent with the poor governance models, inefficient institutional performance and lack of basic services. This disenchantment with public institutions' performance was further exacerbated by the recent COVID-19 pandemic crisis. Major changes in social, cultural and economic fields are usually the result of fundamental political transformation. This implies—for governments and public institutions—significant change in the provision of services for their constituencies. Citizens' demands and expectations from public institutions have been changing and increasingly diversified. Because of the changes ushered in by ICTs, citizens expect a high quality and efficient service and demand its provision fast and in an effective way. Citizens in the Arab region no longer want to receive insufficient and ineffective public services that do not address their needs and priorities. They instead expect consideration of their demands and expectations in the provision of the service and flexibility by the public servants and officials in this process. When it comes to access to justice, they also want to be able to convey their grievances and file their complaints in case they find the service insufficient or inefficient and expect to receive a swift response to these complaints by the public authority. This citizen-oriented public service represents an approach to service provision that considers involvement of the citizens in the process, consideration of their demands, wishes and priorities and citizen satisfaction in all phases of the processes.

Source: ESCWA authors' own elaboration.

# Driving economic impact through open government and open data

Open government includes the concept of open government data (OGD), which is about granting access and proactively sharing public sector data without any legal, technical, or financial restriction. In that sense, open data is not only a driver of public sector accountability and transparency, but also of civic and govtech innovation, entrepreneurship, discovery, and other public benefits (OECD, 2018[3]; Meyer, 2014[4]). Based on experiences from the world and various sectors and stakeholders, open government and open data can have a positive impact on economic growth and job creation; and their application can support, among others, the achievement of SDG 8 on decent work and economic growth, especially the realisation of targets 8.1 on sustainable economic growth, and target 8.2 on promoting policies to support job creation and growing enterprises.

The local and regional market size of OGD could be important when the data is well presented and promoted among SMEs and entrepreneurs. As an example, in the EU27+ countries, the market size was estimated in 2019 at EUR 184 billion, and was expected to reach somewhere between a baseline of EUR 199.51 billion and an optimistic EUR 334.21 billion in 2025, employing 1.09 million people in 2019 with up to 80% forecast increase in jobs in the upcoming six years under the optimistic scenario (European Data Portal, 2020[5]). Open data can play a more important role in some sectors as compared to other sectors. Additionally, stakeholders can benefit in different ways from open government and open data.

Private sector

In the private sector, firms undergo the most notable potential economic impacts through growth and increased productivity via efficiency improvements and through the development of new products and services enabled by open data. Open data enables faster and easier access to more information, which in turn enables the establishment of new companies. Moreover, re-using open data can improve existing products and services or be used to develop new ones, especially for SMEs and startups, which usually face challenges in terms of generating or having access to specific datasets. Based on an EU survey, the most re-used data category is the government and public-sector data, intended as public administration and how the public sector functions, followed by the economy and finance (European Data Portal, 2020[6]) (see Figure 2.1).

Figure 2.1. Most used data categories in the European Data Portal
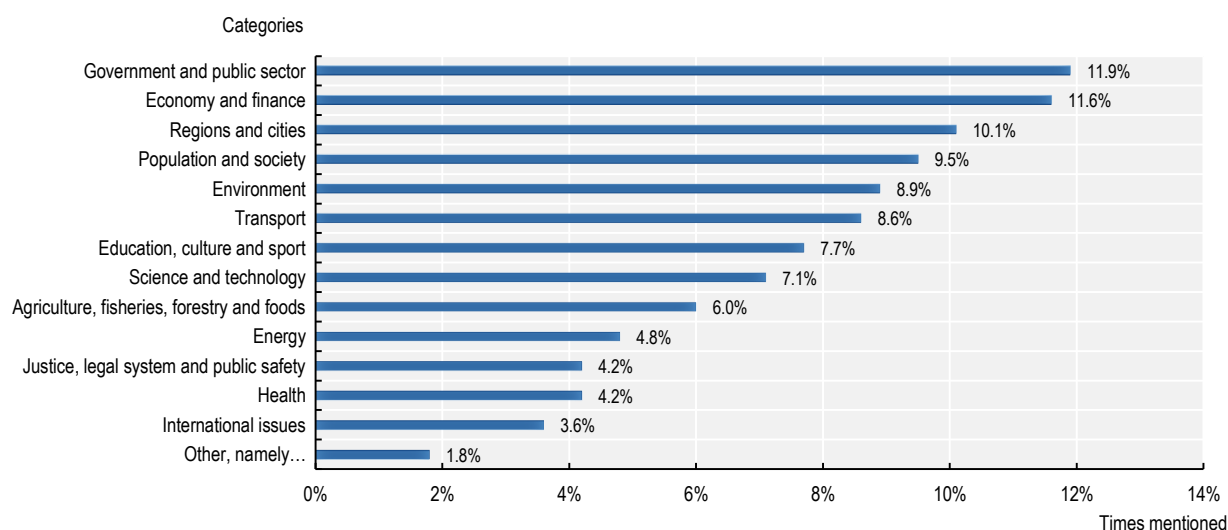
Source: European Data Portal (2020[6]), *Re-using Open Data: A study on companies transforming Open Data into economic and societal value*, European Union, https://data.europa.eu/sites/default/files/re-using_open_data.pdf.

Open data, when data quality is high and can be used as a tool for transparency, can create a range of opportunities in the private sector which can be summarised as follows (Capgemini Consulting, 2013[7]):

1. <u>New Firm Creation:</u> Through reusing government data freely in novel ways, open data can be the driver of growth and creation of new firms. Several applications and platforms are built using government data such as the New York City portal (City of New York, n.d.[8]; NYC Open Data, 2019[9]) which allows small businesses to use data to identify the best neighbourhoods in which to open or expand their companies. Moreover, many firms and networks all over the world are being established as the result of open data. In Spain, a study estimates that there are over 150 companies focused solely on the infomediary sector with an estimated business volume of around EUR 330-550 million and an estimated number of employees ranging between 3 600 and 4 400 employees (Datos.gob.es, 2012[10]).

2. <u>New Products and Services:</u> SMEs with products and services based on open data such as global positioning systems, financial services, and software applications are now able to generate new businesses and jobs (Capgemini Consulting, 2013[7]). A study shows that firms that reuse government-released geographical data either freely or at marginal costs grew annually 15% faster than those located in countries in which public sector GI is priced according to the cost-recovery principle (Koski, 2011[11]).

3. <u>Supplementing Existing Products:</u> A blend of public sector and proprietary information can be the path to innovative solutions such as data as-a-service. For instance, a company that develops applications, called CloudMade, generates profit through leveraging OpenStreetMap data from the transport domain and supplementing it with various datasets from alternative sources in order to create comprehensive location data, after which the data is sold to developers and application publishers (Capgemini Consulting, 2013[7]).

Citizens

For citizens, the economic benefits of open data can include job creation, free access to data that was once expensive, and the time and costs saved in traffic or using public transport. In the process, open data is creating new jobs and new ways for citizens to prosper in the world. In Europe where open data has been developing in the last decade, it is forecasted that in 2025 the number of direct and indirect open data employees could reach 1.97 million employees in the EU27+ countries in an optimistic scenario, at a growth potential of 884 000 open data employees from 2019 (European Data Portal, 2020[5]). In 2020, citizens benefited from the 100 000 new job opportunities created by open data in the EU28+ (Berends, Carrara and Radu, 2020[12]). Moreover, cost and time savings in public transport and road traffic will have a significant economic impact as well. Aside from saving commuters time stuck in traffic, using open data apps on the roads to find alternative routes that avoid traffic can lower gas consumption and reduce the costs on the citizens as well. Citizens in the EU have saved 2 549 hours in finding parking spots (Berends, Carrara and Radu, 2020[12]).

Public sector

For public sector organisations, opening up data and processes offers income generation, cost savings, and an opportunity to improve accountability and efficiency of service provision. Open government is improving governments around the world by making them (a) more accountable by adding transparency to a host of government responsibilities and functions notably budgeting, which aids governments against corruption; and (b) more efficiency through ameliorating public services and resource allocation (Young and Verhulst, 2016[13]). For example, projects (e.g., the Finnish 'tax tree' programme and the British 'where does my money go' initiative) foster transparency through showing how tax money is actually being spent by government. New public value creation is possible because government-owned data provide an essential resource for business and technological innovations and socio-economic developments in the

information society (AlAnazi and Chatfield, 2012[14]). This is reflected in various aspects; some of which are as follows:

1. <u>Generating Revenues from Open Data</u>: For instance, the Austrian public sector body responsible for geographic information lowered charges on reusing raw data by as much as 97%, which resulted in a 7 000% growth in demand for certain product groups (see Box 2.2) (European Commission, 2011[15]).

2. <u>Increased Tax Income from Commercial Usage of Open Data:</u> Governments can sustain long-term tax revenue growth through a variety of direct and indirect applications of open data across the economy (see Box 2.2). The aggregate direct and indirect economic impact from such applications and their use across the EU27 economy is estimated to be EUR 140 billion annually (European Commission, 2011[16]).

3. <u>Reducing Transactional Costs and Redundant Expenditure</u>: Public officials use much of their time and resources to answer citizens' queries and questions. Opening the data to citizens online in a searchable and accessible format can have a direct impact on diminishing the cost of servicing. For instance, the Bristol City Council in the UK reduced transaction costs when it introduced an open data catalogue, where the cost to the council for a typical service transaction was found to be 15 times more expensive if answered in person or over the telephone than if answered over the Internet (Pollard, 2011[17]).

Box 2.2. Re-use of Public Sector Information

Case of Austrian Federal Office of Metrology

The Austrian Federal Office of Metrology and Surveying (BEV), in charge of surveying and mapping, and the Austrian Cadastre, adopted in 2006 a simplified and more market-oriented Public Sector Information (PSI) pricing approach, resulting in drastic price cuts of up to 97%. The new model was reviewed and amended in 2008 and 2010.

The reduced prices for PSI have led to a substantial increase in the number of datasets sold. During 2007, the sales for many PSI products rose significantly: a 200–1 500% increase for cartographic products, 7 000% for digital orthophotos, 250% for the digital cadastral maps, 250% for the digital elevation mode, 1 000% for the digital landscape model, and a 100% increase in external-use licenses. The bulk of this additional demand came from Austrian SMEs. Many such business activities, mainly involving SMEs, have evolved since the implementation of the new model.

Case of Danish Enterprise and Construction Authority

Public sector bodies, which have drastically cut their charges for re-use of public sector information have seen the number of re-users increase by between 1 000% and 10 000%. For instance, in the case of Danish Enterprise and Construction Authority (DECA) the number of re-users went up by 10 000% leading to a re-use market growth of 1 000% over eight years. The additional tax revenue for the government is estimated to be four times the reduction in income from fees.

Sources: European Commission (2011[15]), Pricing of Public Sector Information Study (POPSIS) - Models of supply and charging for public sector information (ABC). Shaping Europe's digital future.
European Commission (2011[16]), Digital Agenda: Commission's Open Data Strategy, Questions & answers.

Economy as a whole

The economic impacts of opening up government data, processes and policy-making may also be observed at the level of the overall economy, especially if open data can be used broadly across different sectors of the economy. The benefits of open government on the economy can be reflected positively on the macro-level across the borders as well.

1. Economic growth and business environment: Greater policy transparency and frequent and accurate disclosure of macro-economic data is associated with a positive impact on the foreign direct investment (FDI) inflows and credit ratings (Drabek and Payne, 2002[18]). Recent research confirms that fiscal transparency, in particular during the budget execution phase, has a strong positive impact on attracting FDI inflows, and this is even more true for non-OECD countries (Cicatiello et al., 2021[19]).

2. Improved trade: An analysis of more than 100 trade agreements shows that each additional transparency clause enhances the public visibility and predictability of applicable terms for all trading partners and is associated with a one percent higher flow in bilateral trade (Lejárraga and Shepherd, 2013[20]).

3. Expanded economic opportunity: In the European Union (EU), the total direct economic value of open public data is expected to increase from a baseline of EUR 52 billion in 2018 for the EU28 to EUR 194 billion in 2030 (European Commission, 2020[21]) coupled with thousands of new job opportunities that will stimulate the economy.

On the micro-level, studies evaluating costs and benefits of open data initiatives confirm that the benefits outweigh the costs for organisations, while on an aggregated level, they suggest that the added GDP value associated with open data fluctuates between roughly 0.4% and 1.58%, which can further increase by 0.5% when adopting a free access model (Berends, Carrara and Radu, 2020[12]).

Social Impact of Open Government

Social impact refers to an effect on an existing social challenge that brings about significant positive change and furthers social progress (University of Michigan, n.d.[22]). Open government, in its focus on developing institutions that are accessible to all and respond to people's needs and value their participation, can drive this social impact. Some of the areas where open government initiatives can bring about the sought changes are related to health and well-being, quality education and gender equality, included in SDGs 3, 4 and 5 respectively.

Health and well-being

Open government initiatives around open data and the engagement of people in decision-making could help governments expand access and delivery of health services, build better health systems and garner investments in clinical research. Areas that could benefit from open government are universal health coverage, primary care, reproductive health, and health budgets (OGP, 2019[23]). During the COVID-19 pandemic, these initiatives helped to build trust in government actions, which is needed to increase compliance with the measures to reduce the spread of infection. The transparent sharing of valid information and data on the pandemic is necessary to dispel misinformation about the health crisis and the virus. For example, data on infections, recoveries and locations can be used innovatively by researchers, practitioners, journalists, developers and entrepreneurs to develop insights on the virus and its epidemiology and web applications that help better safeguard citizens (Pyo, S. et.al., 2020[24]; Straface, 2020[25]).

Open health data

Open health data is the most common open government initiative in the area of healthcare, and its benefits extend beyond ensuring transparency and accountability to supporting new clinical research using artificial intelligence (Harvey, 2018[26]). For example, the United States National Institute of Health released in 2017 anonymised chest X Ray images and data to be used by researchers to teach comparative computers disease detection and diagnosis. This helps in developing a virtual radiologist that would benefit patients, especially in countries where these skills are lacking (Summers, 2017[27]).

The publishing of open public health data could enhance transparency and accountability in healthcare coverage. Through this data, people and civil society organisations can scrutinise how systems work by voicing concerns and questioning decisions. Open budget and expenditure data can be used to analyse and track spending to ensure the delivery of goods and services (OGP, 2019[23]). However, the concern lies when data identifies the people concerned, while anonymity is necessary in open health data in order to have long-term social impact across all elements of the healthcare system.

The use of open data for COVID-19 cases has many benefits, yet there were some privacy concerns when the data was used in applications to warn people of the location of infected cases. While the aim was to reduce the risk to the population, the privacy of individuals was compromised in some cases and was coupled with social stigma and confrontations that would further marginalise vulnerable groups (Pyo, S. et.al., 2020[24]). Therefore, it is essential to consider what information to release about those impacted by the pandemic.

Participation and collaboration for better health

The public access to information on health services helps people make informed decisions and could improve systems and hold authorities accountable. Initiatives include platforms that allow citizens to provide feedback on health systems and to share ideas based on their needs. The sharing of health information and adoption of a participatory approach contributes to the delivery of better services to the most vulnerable and marginalised groups (Pyo, S. et.al., 2020[24]).

In Buenos Aires, for example, a gap existed in the access to sexual and reproductive health services, even though it is guaranteed by law, and this was coupled with an increase in HIV diagnosis among youth. In response, the government created a digital platform to provide related essential information and locations of services delivery centres; and this has facilitated access to these services and the ability to provide feedback or complaints on performance or violations of rights, especially the rights of women (OGP, 2019[28]).

Quality education

Education is a basic human right that provides hope and a sense of future and contributes to stability and security and to achieving sustainable development. Quality education is the focus of SDG 4, which aims at achieving inclusive and equitable education for boys and girls and promoting lifelong learning opportunities for all (United Nations, 2015[29]; United Nations General Assembly, 1948[30]).

Open government initiatives in education seek to provide equal and equitable access and quality education to children, adolescents or adults, regardless of gender, economic and social status, orientation, ethnicity and disability, so no one is left behind. These initiatives also focus on transparency, with open data and open budgets, and on participatory mechanisms that could help scrutinise the expenditure of institutions. Open data on schools, infrastructure, numbers and geographical data could help better assess and find solutions to issues in education infrastructure. The opportunity to provide feedback and suggestions allows teachers, students, parents, authorities and businesses to contribute to policies and regulations and subsequently enhance school systems to better meet the needs of all stakeholders (Huss and Keudel, 2020[31]).

Supporting open education

Open education evolved from the ideals of open content in the years after the advent of the Internet, and open government contributes to advancing open education as an additional means to accessing knowledge and lifelong learning (Blessinger and Bliss, 2016[32]). It helps in developing social capital, participation and inclusion while improving education systems; and the inclusion of open education in open government initiatives can help in pursuing their outcomes as part of national agendas and in achieving equitable education. Examples of open education initiatives include: developing a virtual school library in Romania; mapping open educational resources in Slovakia; and use of open resources in Chile to support digital education and provide curriculum, lesson plans, teacher training and evaluation mechanisms as part of the package (OGP, n.d.[33]).

Open school data and accountability

School report cards can hold data on school facilities, textbooks, students and teachers and their achievements and qualifications, as well as funds and enrolments. This data could help stakeholders collaborate on appraising schools (UNESCO, 2018[34]; Huss and Keudel, 2020[31]). This open data also helps enhance transparency and accountability of institutions, and allows both stakeholders and governments to provide feedback and monitor the use of resources, or to draw up plans and identify issues to be addressed for improving the quality and equality of education.

An example is the 2010-launched "My School" website in Australia, which provides open access to school-level data collected from the national census. The data covers, among other things, staff and students, locations, profits and expenditures, enrolments and completions, performance, vocational training, and disabilities (Rabinowitz, 2018[35]). The website allows users to compare between schools, monitor their performance, plan and report on developments and trends, and identify where support and donations are needed. Another education-related example from Mexico is included in chapter 2.

Participation, collaboration and education

The participation of people can have a social impact at all levels of the education system. Local authorities can create mechanisms to allow all stakeholders to provide feedback on national education policies. For example, a reporting mechanism in Buenos Aires allowed people to query and raise concerns on work progress and delays in education infrastructure (OGP, 2019[23]). The collaboration between the general public and school authorities could ensure better education options; for example, Honduras has proposed a plan to engage citizens to help evaluate prospective school directors and in the search for new personnel.

Gender equality

Much has been done worldwide to advance the rights of women and achieve gender equality, under SDG 5, yet women continue to face discrimination and barriers to economic, social and political participation. The world labour force participation rate for women between the ages of 25 and 54 is about 52%, while it is around 95% for men. Women therefore still find it difficult to enter the job market and many end up in vulnerable jobs and the informal sector, which places them at further risk with no social safety nets. Even when entering the labour market, women experience a pay gap where they get paid less than men for doing the same work (ILO, 2020[36]; ILO, 2018[37]). An unequal representation in leadership and a restricted political participation negatively impacts the empowerment of women, making it difficult to engage as voters or take up high positions in government (at local and national levels). Discriminatory laws and regulations also make it difficult for women to participate in politics, voice their opinions and provide feedback and suggestions on public services. Even when new laws are enacted, their implementation lags leaving women economically, socially and political on an uneven playing field (UN Women, 2013[38]).

The COVID-19 pandemic has also placed women at a greater risk of infection as 70% of the healthcare workforce are women. Less attention and resources to women and girls could negatively impact their health and susceptibility to infections and diseases. The economic crisis that has followed in the wake of the pandemic also threatens to push more women into unemployment and poverty, with more women losing their jobs and likely to be doing unpaid care work. Domestic violence has also increased with the lockdown measures during the pandemic (United Nations, 2020[39]).

To achieve gender equality, more initiatives for collaboration between governments and people are essential to empowering women and girls, ending discrimination and violence, and ensuring their participation in political, economic and social life (United Nations, 2015[29]). Open government with its focus on inclusion, participation and collaboration is uniquely placed to drive gender equality (Brandusescu and Nwakanma, 2019[40]).

Gender data and gender-inclusive development

The inclusion of gender data in open data initiatives is an emerging issue that needs significant attention. The provision of sex-disaggregated data and collection of indicators that affect women and girls could raise the visibility of inequalities in all activities. Once included in open data, gender data can be used for better solutions and gender-inclusive development (Juma et al., 2018[41]). It can contribute to the development of new services and applications that help in the inclusion of women and enable people to question the decisions, activities and actions undertaken by governments. An example from Indonesia showed that the gender data in public budgets helped in determining whether specific funds were actually spent on the development of women and girls; and the related data analysis contributed to making the government accountable and to enhancing future projects (Open Data Labs, 2017[42]).

Participation and collaboration for gender equality

The limited participation of women in economic, political and public life and the need to address violence against women make it essential to have participatory initiatives and collaboration for policy and strategy formulation. In Argentina, for example, the National Women's Institute worked with other ministries and government authorities to develop a Plan on Equal Opportunity and Rights launched in 2018 (OGP, 2019[43]). In Mexico, the Panic Button Boni application was co-created between citizens and authorities to help fight violence against women in Tlaxcala. The application allows women in distress to report on violence and alerts the police with her contacts to respond to the incident, while safeguarding her privacy. The data collected can be mapped to display dangerous areas and can be used to revise policies and programmes to improve women empowerment and eradicate violence (Sánchez et al., 2019[44]).

Improving Governance features through Open Government principles

Open government incorporates social and political aspects and fosters emerging technologies that contribute to better governance and it is perceived as the remedy for existing shortcomings in governance systems. Open government approaches improve governance features by operating its core principles of transparency, accountability, openness, inclusiveness, effectiveness, contestability and responsiveness (ESCWA, 2018[45]). Below are some ways in which accountability and citizen engagement can improve governance.

Enhanced accountability and effectiveness

Democratic governments as we know them nowadays have been based on the principle of representative democracy. This form of government requires a public administration with a set of institutions, tasked with organising and managing the common resources and the public funds, which are derived from taxation, for the benefit and the welfare of the national community at large.

Nevertheless, representative democracy has faced several challenges such as limited citizen engagement and perception of disconnect from people's concerns which in turn has translated into loss of trust. Open government can greatly contribute to mitigating some of these challenges. Below are some examples of the positive impact of open government principles and approaches to governance.

Improving development cooperation: Open data can support transparency and accountability of development cooperation. In 2010, a reform agenda for Swedish development cooperation was launched by the government to bring increased transparency to donor funding through opportunities created by technological advances (Clare, Verhulst and Young, 2016[46]). Part of this reform agenda included an aid transparency guarantee that required public actors to make available all documentation and public information related to international development cooperation, where the data hub, which is built on open government data, shows when, to whom and why aid funding was paid out and what the results were (Clare, Verhulst and Young, 2016[46]).

Prevention of corruption: the transparent publishing of public data can be an effective tool in upholding accountability and decreasing corruption. For example, the Brazilian application "Meu Congresso Nacional" (My National Congress) focuses on the transparency of parliamentarians through analysing and publishing data. It also publishes all laws and amendments to the constitution proposed by parliamentary deputies, commissions in which they participate, and data detailing parliamentary expenses (dos Santos Brito et al., 2014[47]).

Transparency of public contracts: Transparency in public contracts can foster the introduction of new bids, which leads to competition that lowers bid prices and results in costs savings in terms of contracting services. For example, in Slovakia, moving to an open contracting system that required the default publication of contracts and the use of e-procurement systems have almost doubled the number of bidders, leading to increased competition (Open Contracting Partnership, n.d.[48]).

Strengthening citizen participation

Citizens are at the core of open government, and their effective participation represents a fundamental principle of the open governance approach. An inclusive polity should be able to guarantee that citizens and political groups are able to actively and effectively partake in public decision-making, especially in matters that directly affect them. Participation thus offers citizens a chance to influence public policy. It can be argued that political participation is the action by which the distribution of social goods and values is shared (Rosenstone and Hansen, 1993[49]).

Voting is the most common form of political participation. Yet, participation can go beyond electoral participation to include many options for taking part in public life, including requesting information, providing feedback, making proposals and collaborate with public authorities during all phases of the policy cycle and of service design and delivery. In the political sphere, participation can be enabled through an institutional structure where power is shared. Participation involves the ability of citizens individually or collectively to effectively participate in political processes; participation also entails representing different groups better (social class, subnational, ethnic, religious, etc.) in the governance arena. The socio-economic dimension of participation refers to an inclusive state providing basic services and care, such as universal education, health and protection to all layers of the population (ESCWA, 2021[50]). Through the innovative ways offered by the Open government approach in terms of citizen participation, structural

reforms of governance systems are enabled in ways that strengthen citizens participation and promote further the establishment of peaceful and inclusive societies.

Participatory budgeting or citizen-based budget

Participatory budgeting is a good practice that can increase transparency and hence lead to public budgets being spent in a way that is more in line with citizens' expectations and needs. It implies a certain degree of power sharing and citizen implication in public finances. According to the World Bank, participatory budgeting has led to direct improvements in a number of developing countries, as it does not merely allow citizens to shift funding priorities in the short term but also can yield sustained institutional and governance change in the long term. The growing demands for change make modernisation of the management and its civil servants and improvement of the service provision mechanisms a must to prevent further conflict and socio-political unrest. Citizens should become a strong element in the provision of the services and the operation of their public administration.

According to the German Participatory Budgeting Network,[1] adopting transparent and participatory budgeting offers several advantages, while taking into account specific contexts and circumstances. It helps harmonise priorities, especially when funds are limited and require wise and cautious management. Transparent and participatory public debate on the budget can foster consensus about the main priorities and how budget allocations should be decided collectively. By taking into account citizens' opinions, institutions increase their efficiency as the input shared by citizens is essential in improving the use of scarce resources, particularly in times of crises such the one we are currently enduring due to the COVID-19 pandemic. Participatory budgeting also enhances institutional capacity to meet challenges and resolve problems, as it is more likely for citizens and politicians alike to consider the interests of all stakeholders, thus reducing the risks of conflicts of interest. Discussing different disbursement options creates awareness among citizens about budget limitations, and the cost of various line items. Besides, through a participatory approach, citizens increase their engagement in public affairs, as they gain opportunities to shape budgets, and become more understanding and trusting in their public institutions. This in turn reduces political disenchantment and disillusionment. Last but not least, participatory budgeting gives politicians an opportunity to better familiarise themselves with citizens' concerns, grievances, interests while developing closer contacts with their constituencies. Political disenchantment and disenfranchisement, which are existential threats to any democracy, are thus reduced.

Box 2.3. Participatory Budget in the city of Cologne (Germany)

The citizens of Cologne have been participating in the municipal budget since 2007 via an online platform that acts as the central channel in a multi-channel participation process. Participation has also been facilitated by removing impediments and changing themes on a regular basis. The 'Cologne model' has set a standard for numerous participatory budgeting processes in Germany. Its key feature is the use of the Internet as the main channel in a multi-channel procedure. Using the website http://buergerhaushalt.stadt-koeln.de/, citizens can submit, discuss and rate their own and each other's proposals. The accountability and monitoring of implementation of citizens' proposals also take place online. It is easy to use the online platform, which only requires a username and a password to get started. Citizens who do not have Internet access can submit proposals though a call centre or in writing. Thanks also to the intensive public relations work in Cologne, very high active participation rates were achieved, with 11 000 and 14 000 in its first and second participatory budgets. The participatory budgeting process in Cologne is consultative and theme based. Citizens can submit, comment on and rate proposals on expenditure and cost savings for specific budget areas. The council selects the top proposals from a shortlist, and subsequently provides accountability.

Source: The German Participatory Budgeting Network. https://www.buergerhaushalt.org/en/netzwerk-buergerhaushalt

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All told, participatory budgeting is an important tool for inclusive and accountable governance and has been implemented in various forms in many developing countries around the globe (Shah, 2007[51]). Through participatory budgeting, citizens have the opportunity to gain first-hand knowledge of government operations, influence government policies, and hold government to account. Other examples of citizen budgeting are provided in chapter 3.

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Note

[1] The German Participatory Budgeting Network is an initiative launched in 2003. It has currently 300 members and is available to German municipalities, civil society organisations as a platform for information exchange.