



## Private Sector Participation in Local Government Planning and Budgeting Processes: Experiences from Makete and Njombe Districts Councils

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### Abstract

*The private sector is a key development partner, thus, its participation in government development planning and budgeting processes is crucial. This study investigated private sector participation in planning and budgeting processes in local government authorities in Makete and Njombe District Councils in Njombe Region. The specific objectives of the study were to examine spaces for private sector participation, and establish factors influencing private sector participation in LGAs' development planning and budgeting processes. The study involved 40 purposively selected private sector organizations' officials and 15 LGAs officials. Data were collected through structured interviews, key informant interviews and documentary reviews. The descriptive analysis technique was used for data analysis. Qualitative data were analysed for qualitative content analysis. The study found that the main spaces for private sector participation in LGA's planning and budgeting processes were the submission of annual plans and budgets to LGAs, attending LGAs' annual planning and budgeting meetings, and inviting LGAs officials to attend private sector planning and budgeting processes. The main factors influencing the private sector's participation in LGAs planning and budgeting processes were: the policies of the private organisations, the need for transparency and accountability, the need for government support, the organization's scope of operation and fora for lobbying and advocacy. It was concluded that the existing mechanisms were generally 'closed' or 'invited' spaces, which offered limited participation space for the private sector. Thus, there is a need for the government to widen participation spaces for the public sector, including by putting in place clear modalities for involving the private sector in LGA's development planning and budgeting processes.*

**Keywords:** Budgeting, Local government, Participation, Planning, Private sector

### 1.0. Introduction

The private sector is a key stakeholder in economic development, being a major contributor to national income and a principal job creator and employer (Shah, 2007; Vaes and Huyse, 2016). The OECD defines the private sector in development cooperation as organisations that engage in profit- or non-profit activities and have a majority

private ownership (CONCORD, 2018). The private sector constitutes the segment of the economy owned, managed and controlled by individuals and organisations seeking to generate profit. At times, however, the private sector can collaborate with the government in a public-private partnership to jointly deliver a service or business venture to a community (Vaes and Huyse, 2016). Private sector organisations are of different forms

including, non-profit sectors like Faith-based Organisations (FBOs), Community Based Organizations (CBOs), Non-Governmental Organisations (NGOs) and Civil Society Organizations (CSOs). They also include profit-making organisations like private financial institutions such as banks, and investment companies. In addition, humanitarian organizations are dealing with human welfare (Shah, 2007; URT, 2009).

There has been an increasing need for the effective involvement of the private sector in development strategies. CORNCOD (2018) acknowledges the role of the private sector towards the achievement of the 2030 Global Sustainable Development Goals stating that 'the private sector will be the source of project financing, administrative skills, technological efficiency and as a means for filling the government's budgetary constraints'. Studies show how the private sector has been complementing government development plans. NGOs, for example, as partners to the government can mobilize resources from inside and outside the country and perform various activities that complement government efforts to bring about development in health, agriculture, gender, education, social protection, environment, water, good governance and multi-sector (Shah, 2007; Vaes and Huysse, 2016).

Development planning is the government's conscious formulation of economic policies and the allocation and mobilization of domestic and foreign resources to the various sectors of the economy and for various projects over some time to ensure the quick, smooth, and rapid overall development of the economy (Madzihandila and Maloka, 2014). The planning and budgeting

process entails the annual cycle of events and activities. A budget is a financial plan for a defined period, often one year. Local government budgeting is a series of steps that link policy (people's needs) to actual implementation (operations and service delivery). Asukile and Mbogo (2022) argue that budgeting plays an important role not only for organizations, but also for individuals because it disciplines expenditures in relation to available income.

In Tanzania, local governments are enshrined in the Constitution and national laws, and are vested with the rights and powers to participate, and to involve people in the planning and implementation of development programs within their respective areas and generally throughout the country (URT, 1977). The annual planning and budgeting process in local governments in Tanzania involves a bottom-up participatory approach, that starts at the lowest level of the local government hierarchy and passes through various stages before final approval. It involves the determination of resources and their uses for the attainment of government objectives. It serves as a tool for economic and financial management and accountability, and as a mechanism for the allocation of resources among different needs and priorities (Massoi and Norman, 2009; Masanyiwa *et al.*, 2014). Indeed, participatory budgeting serves as a tool for closing the gap between local government, civil society, the private sector and the general community by developing a common understanding of the local situation and priorities (Madzihandila and Maloka, 2014). This is particularly so because participatory budgeting incorporates citizens' views as agencies to develop

proposals and inputs in the process (Asukile and Mbogo, 2022).

URT (2015) indicates that the government has been promoting community and private sector participation in various development and service delivery activities in LGAs. These initiatives aim at cultivating ownership of various facilities and projects by the community to enhance the sustainability of development. However, most of the literature on private sector participation has focused on the importance and contribution of the private sector to development projects (e.g., REPOA, 2007; URT, 2009; Vaes and Huyse, 2016). For example, HakiElimu and Policy Forum (2008) established that the private sector plays a consultative role in the budget process, most notably through annual consultation on the revenue framework, which occurs before the budget is formulated each year. A review by UNICEF (2012) on stakeholder involvement in annual planning and budgeting processes revealed that only three of the ten case study Districts involved the private sector during the preparation of strategic plans. However, little is known about the process of involving the private sector and which participatory approaches are used to involve the private sector. Therefore, this study investigated how the private sector participates in planning and budgeting processes in local government authorities using the cases of Makete and Njombe District Councils in Tanzania. The specific objectives of the study were twofold: i) to examine the spaces for private sector participation in LGA development planning and budgeting processes, and ii) to establish factors influencing private sector participation

in LGA development planning and budgeting processes.

## 2.0. Research Methodology

This paper draws on a study that was conducted in Makete and Njombe District Councils in Njombe Region in Tanzania. The councils were purposively selected for the study partly because they have a large number of private sector organisations involved in different development interventions. The two councils have more than 50 Non-profit Civil Society Organisations (CSOs) and Non-Governmental Organisations (NGOs). There are also religious institutions including the Evangelical Lutheran Church, Catholic Church and Muslims that have verifiable development projects.

The study adopted a cross-sectional design in which the researchers carried out observations of the population under study at a single point in time. The study involved 40 private sector organisations including religious institutions (FBOs), NGOs, CBOs, CSOs, private hospitals, private schools, humanitarian institutions and private companies. The study collected data from 14 FBOs (10 in Makete and 4 in Njombe), 20 NGOs (4 in Makete and 16 in Njombe), one CSO in Makete, and business companies like transport companies, trade companies, business organizations (6 in Makete). Overall, the study included a large proportion of NGOs (40%), followed by FBOs (35%) (Table 1) because most of the NGOs and FBOs are legally registered and were easily accessible compared to other private sector organizations. A Purposive sampling technique was used to select the respondents from LGAs. In some cases, the snowball sampling technique was used to identify and reach private sector organisations according to

their area of operation and location within the council.

**Table 1. Category of private organization involved in the study (n=40)**

Types of Private Sector	District Council		All
	Makete DC	Njombe DC	
FBO	47.6	21.0	35.0
NGO	19.0	63.2	40.0
CSO	4.8	0.0	2.5
Business/company	28.6	0.0	15.0
Others	0.0	15.8	7.5

Data were collected through structured interviews, key informant interviews and documentary review. Structured interviews involved asking a set of pre-determined questions from respondents in both LGAs and private sector organisations using structured questionnaires. The documentary reviews entailed a review of Tanzania policies and private sector policies, NGO's project regulations, reports, private and LGAs budgets and invitation letters. Key informant interviews were used to collect data from District Planning Officers and private sector organisations' spokesmen on information like the nature of the organisations, projects dealt with and registration status. Since the study was descriptive in nature, the descriptive analysis technique was used for most of the data. This involved the computation of means, frequencies and percentages. Qualitative data were summarised to capture the key messages and meaningful findings and analyzed for qualitative content analysis.

### 3.0. Results and Discussion

#### 3.1 Spaces for Private Sector Participation in Planning and Budgeting Processes

Spaces for participation function as intermediary domains between the state and society, where the boundaries of the technical and the political are negotiated (Cornwall, 2002; Winkler, 2011). In this study, the spaces for private sector participation in LGA planning and budgeting processes were examined by looking at mechanisms and forums available for private sector organizations to participate in these LGA processes. The private sector and LGA officials had different opinions on the spaces for participation in council planning and budgeting processes depending on the sector regulations and guidelines. Private sector respondents said they were participating by submitting annual plans and budgets to LGAs, attending annual planning and budgeting meetings, and inviting LGAs to attend private sector planning and budgeting processes. On their part, LGA officials indicated that the main spaces for private sector participation in LGAs planning and budgeting processes were through invitations to the formal LGA planning and budgeting sessions and asking the private sector to submit their annual plans and budgets to the LGA (Table 2).

Participation by submitting annual plans and budgets was reported by 39.7% and

39.1% of the private sector and LGA respondents, respectively. It was revealed that organisations dealing with health, education and social welfare services were mostly required by the LGAs' respective departments to submit their plans and budgets to align with the government's plans and budget. This was done during LGA planning and budgeting periods. Through the documentary review, it was revealed that there were plans and budgets from different health service providers and NGOs dealing with health services in the offices of District Medical Officers in both councils. This shows that LGAs viewed private sector organisations as complementing, supplementing and supporting government efforts (Shah, 2007). In turn this partnership helped to promote transparency, accountability and ownership of development decisions (Madzihandila and Maloka, 2014). However, this form of participation can be described as 'closed spaces' because decisions are to be made by a set of actors behind closed doors without inclusion or broadening participation spaces to other actors (Cornwall, 2002; Winkler, 2011).

Attending LGA annual planning and budgeting was reported by 29.3% and 30.4% of the private sector and LGA respondents, respectively, implying limited participation of the private sector in LGAs planning and budgeting process sessions. The study revealed that there was no common modality and procedure for involving the private sector in planning and budgeting processes. While some were invited to the district consultative meetings, others attended the full council meetings, some were invited to attend the Council Management Team (CMT) meetings while others were invited to the

respective department planning and budgeting processes as they are identified as key partners to the sector. One of the private sector respondents said that: "We are sometimes invited to attend the Council Management Team meetings to discuss issues relating to child defense and health." The findings show a lack of clarity on the procedures and modality of involvement of the private sector in LGA planning and budgeting processes. Since private sector organisations were not official members of these LGA decision-making organs, their participation in the same depended on the discretion of LGA officials to invite them or otherwise. In contrast, most of the time private sector organisations were asked to submit their annual plans and budgets to the LGAs rather than inviting them to planning and budgeting processes. Impliedly, this situation can increase the duplication of resources as the private sector does not know exactly the LGAs annual plans. This situation may also lead to underutilization of resources if the private sector is not well involved in development planning.

Inviting LGA officials to attend the private organisation planning process was reported by 31% of the respondents. The findings show that sometimes LGA officials attended the private organisations' planning and budgeting processes. Based on their policies and the nature of their activities, most private sector organisations deliberately invited the respective LGA officials during their planning and budgeting processes. Partly because of the challenges of participating in the existing LGA spaces, private sector organisations were also creating their 'claimed spaces' in response to the perceived hegemony of closed or invited

spaces to reveal their identity and contribution to the development process in their areas (Cornwall, 2002).

**Table 2. Spaces for private sector participation**

Category	Responses	Percent (%)
Private sector (n=40)	Attending LGAs annual planning and budgeting sessions	29.3
	Submitting annual plans and budgets	39.7
	Inviting LGA officials to attend the planning and budgeting process	31.0
LGA (n=15)	Inviting the private sector to attend planning and budgeting session	30.4
	Asking the private sector to submit their annual plans and Budgets	39.1

The results in Table 3 show that nearly half (46.2%) of LGA officials indicated that they had not invited the private sector at all over the past five years (57.1% in Makete and 33% in Njombe). Qualitative findings revealed very few private sector organisations that were involved in LGAs’ planning and budgeting processes. This is contrary to policy frameworks such as the 2030 Global Sustainable Development Goals (UN, 2015), which insist on the effective involvement of the private sector. This also undermines the essence of

participatory budgeting which incorporates stakeholders’ views and promotes transparency and accountability in planning and budgeting decisions (Madzihandila and Maloka, 2014; Asukile and Mbogo, 2022). As also observed in South Africa (Madzihandila and Maloka, 2014), informed discussion and rational debates on the merits and demerits of specific planning programs were non-existent, even though community participation features as a key component of planning at the local level.

**Table 3. Private sector involvement in planning and budgeting processes (%)**

Responses	District Council		All
	Makete DC	Njombe DC	
None	57.1	33.3	46.2
1 to 5	28.6	50.0	38.5
6 to 10	0.0	16.7	7.7
More than 10	14.3	0.0	7.7

About two in three (65%) of the private sector respondents confirmed having

been involved in fora with the LGAs (71.4% in Makete and 57.9% in Njombe) as shown in Table 4. These spaces were



mostly organized by LGAs' sectoral departments. While the findings give evidence of the existence of spaces for consultation in which LGA have the opportunity to discuss different issues with the private sector, however, not all private sector organisations were involved in such spaces. This was said to be because of the location of their headquarters, the size of the organisations and the willingness of the organisations to participate. One of the NGO's directors reported that: *"the location of our headquarters makes the LGA not to invite us to the planning consultative fora. Our organization operates in three councils and the*

*headquarter is based in Njombe Town. In most cases Njombe DC and Makete DC do not invite us although we are implementing some projects in their councils as well. A local government official in Njombe remarked that: "most of the time LGA officials invite leaders of the NGOs association to represent other NGOs and not all NGOs because they are too many."* In South Africa, Shah (2007) found that consultative meetings were held with different private sector actors to explore ways the municipality can work together with the private sector to implement priorities and resolve issues of mutual concern.

**Table 4: Presence of consultative for between LGA and private sector (%)**

Category	Responses	District Council		All
		Makete DC	Njombe DC	
Private sector (n=40)	Yes	71.4	57.9	65.0
	No	28.6	42.1	35.0
LGA (n=15)	Yes	66.7	50.0	61.5
	No	33.3	50.0	38.5

However, both the private sector and the LGAs respondents reported that the consultative fora between the LGA and private sector were not regularly organised. The majority of the private sector (76.7%) and LGA respondents (71.4%) reported that the meetings were only conducted when necessary (Table 5). One of the officials from Makete DC said that: *"We sometimes conduct meetings to discuss issues arising in our District with all education stakeholders. Currently, we had one forum to discuss the quality of education and results in our District."* This mirrors Lange's (2008) observation that a large

number of donor-funded projects are implemented with weak, or even non-existent, ties to local governance structures. This also reflects Cornwall (2002)'s notion of 'invited spaces' which may be created and facilitated by the state, backed, in some cases, by legal or constitutional guarantees. However, such spaces are often regarded by state actors as their domain into which citizens and other non-state actors, including private sector organizations are invited to participate in various stages of the policy-making process (Winkler, 2011).

**Table 5. Frequency for consultative fora (%)**

Category	Responses	District Council		All
		Makete DC	Njombe DC	
Private sector (n=26)	Thrice	0.0	18.2	7.7
	Four	20.0	0.0	11.5
	When necessary	80.0	72.7	76.9
LGA (n=15)	Twice	20.0	50.0	28.6
	When necessary	80.0	50.0	71.4

### 3.2. Factors Influencing the Private Sector's Participation in LGA's Development Planning and Budgeting Processes

The study identified the main factors influencing the private sector's participation in LGAs planning and budgeting processes including the policies of the private organisations, the need for transparency and accountability, the need for government support, the organisation's scope of operation and fora for lobbying and advocacy. Almost all respondents (97.3%) indicated that donor policies were supportive of participation in LGA's planning and budgeting processes. It was established that private sector organizations had no restrictions on their participation in LGAs planning and budgeting processes implying that donor policies were not an obstacle to the private sector participation in LGA planning and budgeting processes (Table 6). One of the private sector respondents said that: *"Our policies do not restrict us to share our plans and budgets with the LGA officials by any means."* Another respondent added that: *"... Our donors insist on sharing and participating in the LGA planning and*

*budgeting process so that we capture what the government plans and how to cooperate with them."*

It was reported by almost all respondents (92.5%) the private sector needed to participate in the LGA planning and budgeting process to ensure transparency and accountability of their activities to the government and the public in general. One of the respondents from NGOs in Njombe DC said that: *"our donors insist on transparency. No project can be implemented without involving the government because we need to be transparent to the government and the public in general. Therefore, participation in LGA planning and budgeting sessions is one of the opportunities to tell the government what we are doing as an NGO"*. This implies that, private sector organizations are willing and able to expose their activities and financial issues to the government. These findings differ from earlier observations by Lange (2008) who found that the relationship between LGA and NGOs seems to have difficulty in deciding whether they should be team players or critical towards the government in part because organizations want to keep their



autonomy and are sceptical of too much government influence on their activities. In this study, private sector organizations saw themselves as complementary to government efforts (Shah, 2007).

Over 90% of the respondents said that once their plans and budgets are open to the government, they are likely to get technical and financial support from the government. This was commonly cited by private sector organizations operating health facilities and schools that received support from the government in terms of drugs, medical facilities and equipment, teaching materials and staff. One of the NGO officials in Makete reported that: *"we present our plans to the government so that if there is any support from the government we can access and perform our activities smoothly."*

The organisation's scope of the operation was also said to influence the participation of the private sector in LGA's planning and budgeting processes (62.5%). It was reported that organisations operating at the zonal, regional or national level were more likely not to be invited depending on the location of their headquarters than those with offices at the peripheral. One of the

NGOs project managers said that; *"our organization operates in the whole region and its headquarter is in Njombe Town. While we usually participate in Njombe TC meetings, it seems that Makete DC and Njombe DC do not treat us as their near development partners, hence they don't usually invite us during their planning process."* This shows that organisations operating in more than one council are more likely to miss the sessions of either one council than those operating in only one council.

For some private sector organizations (46.2%), participation in the LGA planning and budgeting process was one of their fora to express their agenda, lobby and advocate for the interventions they were involved in. Some private sector organisations participated in LGA planning and budgeting processes to influence the government to consider their missions and advocate for rights and policy changes. One of the NGO project managers stated that: *we use such planning and budgeting sessions to present our issues as forums for lobbying and advocacy"*. The results are related to those of Kimaro (2013) who found that NGOs play operational, educational and advocacy roles.

**Table 6: Donor policies influence private sector participation in the planning and budgeting process (n = 40)**

Factor	District Council		All
	Makete DC	Njombe DC	
Donor policy	94.4	100.0	97.3
Lobbying and advocacy	42.9	47.4	46.2
Transparency and accountability	95.2	89.5	92.5
Organization operational scope	66.7	57.9	62.5
Need for government support	90.5	84.2	90.7

#### 4.0. Conclusion and Recommendations

This study investigated how the private sector participates in planning and budgeting processes in local government authorities. Based on the findings of the study, the following conclusions can be drawn. First, private sector participation in LGAs planning and budgeting processes is mainly through the submission of annual plans and budgets to LGAs, attending LGAs' annual planning and budgeting meetings, and inviting LGAs officials to attend private sector planning and budgeting processes. Most of the mechanisms are 'closed' or 'invited spaces' participation spaces which offer limited participation space for the private sector. Second, the main factors influencing the private sector's participation in LGAs planning and budgeting processes are: the policies of the private organisations, the need for transparency and accountability, the need for government support, the organisation's scope of operation and fora for lobbying and advocacy. Recognizing the role of the private sector in development, there is a need for the government to widen participation spaces for the public sector, including putting in place clear modalities for involving the private sector in LGA's development planning and budgeting processes. Regulatory frameworks should also clearly state how and by which modality the process should be done.

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