

Opening Budgets to Public Understanding and Debate

Results from 36 Countries



THE
INTERNATIONAL
BUDGET
PROJECT

The International Budget Project assists non-governmental organizations (NGOs) and researchers in their efforts both to analyze budget policies and to improve budget processes and institutions. The IBP is part of the **Center on Budget and Policy Priorities**. The Center, located in Washington, D.C., is a non-profit research and policy institute that conducts research and analysis of government policies and the programs and public policy issues that affect low- and middle-income households. The Center is supported by foundations, individual contributors, and publications sales.

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Summary

As part of the global movement toward more open government, citizens around the world have become increasingly concerned with obtaining access to accurate, comprehensive, and timely information on the budgets of their countries. This is not surprising. Budget documents allow the public to evaluate a government's policy intentions, its policy priorities, and their implementation. Public access to such documents is essential to ensure both that government is financially accountable and that civil society can participate effectively in budget debates.

The International Budget Project (IBP) has worked over the past two years to develop the *Open Budget Questionnaire*, a measurement tool to evaluate public access to budget information from the perspective of civil society organizations. The questionnaire also covers other budget process issues in order to explore ways of improving public understanding and involvement in the budget.

Civil society researchers from 36 developing and transitional countries completed the questionnaire in the first part of 2004. The results include the following:

- The countries surveyed fare best in the first of the three main areas examined: the executive's budget proposal. Documents related to the executive's budget are routinely released to the public and typically contain significant amounts of information on at least the budget year and the year before it. On the other hand, serious shortcomings in this area are not uncommon. These should be judged in a harsh light; at a minimum, governments should provide a clear and comprehensive picture of their fiscal positions as part of their own budget proposals.
- Far fewer countries report positive practices in the second area examined: issuing public reports that monitor the budget while it is being implemented or evaluate the budget once the fiscal year has been completed. Governments typically fall short of international best practices in this area. Without these documents, the public and civil society cannot easily assess budgetary outcomes, including how well public funds are being spent.
- The weakest scores, in most of the countries surveyed, concern the final area examined: efforts by the executive to facilitate public discourse and understanding of the budget. Most executives fail to provide information to the public and to legislatures that can help make the budget (and the policies it

embodies) more understandable. Without such information, a broad and informed debate on a nation's fiscal priorities is impossible. In addition, official avenues for legislative and public input in the budget process tend to be lacking.

A number of countries— such as Slovenia and South Africa — have been able to develop open budget systems in a relatively short period of time, indicating that progress on these matters is feasible. Indeed, many countries could make substantial additional progress with little effort, such as by making public some of the budget documents that the executive currently produces for internal purposes. That simple step would significantly increase the openness of the budget processes in many countries.

The survey also identifies a range of concrete steps that countries can take to improve their budget systems. Many of these involve encouraging public and legislative involvement. For example, executives could include more information in their budgets that highlights policy and performance goals. They could also provide non-technical summaries of the budget — so-called “citizens budgets” — to make the budget accessible to a wider audience. Finally, although legislatures generally have a legally defined role in the budget process, they often hold few public hearings on the budget that include input from non-governmental sources. Expanding such hearings could create new opportunities to deepen the debate on budget priorities.

Background and Methodology

The *Open Budget Questionnaire* offers an independent, non-governmental view of the state of budget transparency in the countries studied. All of the researchers who completed the questionnaire are from academic or other non-governmental organizations. One researcher (or one group of researchers within an organization) from each of the countries represented was responsible for submitting a single questionnaire with the results for that country.

The International Budget Project, which developed the questionnaire, was established at the Center on Budget and Policy Priorities in 1997 to assist non-governmental organizations and researchers in developing and transitional countries in their efforts to analyze budget policies, to open budget processes, and to strengthen budget-related institutions. The IBP works closely with regional partners in Africa, Asia, Eastern Europe, and Latin America. These partnerships greatly contributed to the development of the questionnaire.

The questionnaire grows out of a number of important global trends that have spurred interest in the issue of public access to budget information and in opening budget processes to citizen participation. Among these trends is the wave of democratic openings in many countries during the 1990s, which focused attention on issues such as combating corruption, ensuring accountability for the delivery of public services, decentralizing government, and emphasizing community-led development. In addition, a series of financial crises during the 1990s drew the attention of international financial institutions to the importance of ensuring government transparency and financial accountability.

The questionnaire builds on the earlier efforts of multilateral organizations, notably on the Organisation for Economic Co-operation and Development's (OECD) *Best Practices for Budget Transparency*, the International Monetary Fund's (IMF) *Revised Code of Fiscal Transparency*, and the International Organization of Supreme Auditing Institutions' (INTOSAI) *Lima Declaration of Guidelines on Auditing Precepts*. Many of the questionnaire items regarding the content and timeliness of public budget documents refer to these international guidelines of good and best practices. All of the questions were constructed with the intention that they should capture easily observable and replicable phenomena.

Nonetheless, the questionnaire's scope is limited. It does not cover all the issues addressed by these various guidelines, and it is not intended as a tool to evaluate all aspects of a country's budgeting and public-sector finances. Rather, the questionnaire is intended to evaluate:

- the public availability of budget documents at the central government level,
- the presentation of budget information in a manner suitable for policy analysis, and
- the extent to which public and legislative involvement in the budget debate is encouraged.

These areas of emphasis reflect the questionnaire's overall goal of capturing what is of particular importance to civil society and the public about budget information and the budget process.

Findings from the Questionnaire

As noted, the countries studied tend to do a better job of presenting information in the executive's budget than providing information to allow monitoring of the budget or encouraging public and legislative involvement in the budget process. As the table below shows:

Findings of Open Budget Questionnaire (results are for 36 countries surveyed)			
Questionnaire categories	Average score for all countries*	Number of countries with budget practices that are:	
		Positive or mostly positive	Negative or mostly negative
Executive Budget Documents	56%	26	10
Monitoring and Evaluation Reports	44%	12	24
Encouraging Public and Legislative Involvement	40%	8	28

*For a general description, "positive" is used for scores of 67% or above. "Mostly positive" is used for scores of 50% to 66%. "Mostly negative" is used for scores of 33% to 49%. "Negative" is used for scores of less than 33%.

- The average scores across all countries studied are 56 percent for the “executive budget documents” category, 44 percent for the “monitoring and evaluation reports” category, and 40 percent for the category of “encouraging public and legislative involvement in the budget.” (A box at the end of the summary explains the system used for scoring the questions.)
- Some 26 of the 36 countries have “positive” or “mostly positive” practices with regard to executive budget documents (scores of 50 percent or more). That contrasts with just 12 countries and 8 countries reporting positive or mostly positive practices in terms of monitoring and evaluating the budget and facilitating public and legislative involvement, respectively. That is to say, the large majority of countries have “negative” or “mostly negative” practices in the latter two categories.
- Only two countries — Slovenia and South Africa — have positive practices (scores of 67 percent or above) in all three main categories and thus can be said to have strong approaches in all of the major areas covered by the questionnaire.
- Conversely, three countries — Bolivia, Ecuador, and Mongolia — have negative practices (scores below 33 percent) in the three categories, indicating consistently serious and systemic deficiencies in the openness of their budget processes.

The tables at the end of the summary provide the country scores for each category.

In addition, especially negative or positive practices across the countries in the sample can be identified by calculating the overall average response to each question. Of the 112 questions included in the study:

- 21 questions have average scores of 67 percent or more, indicating positive practices. These questions were most likely to concern information provided in the executive’s budget proposal.
- 34 questions have average scores of less than 33 percent, indicating negative practices. The question that most frequently received a negative response is whether legislative committees hear testimony from the public on the budgets of individual ministries or agencies.

This summary now examines the findings for each of the three main categories in more detail.

Executive Budget Documents

“Executive budget documents” receives the highest score of the three main categories. The average score of 56 percent for all questions in this category indicates a “mostly positive”

performance, though it falls short of the score of 67 percent necessary to indicate that acceptable standards have been met, on average.

Countries that fail to perform well in this category generally do so for one of two reasons. The first reason is the failure to provide a multi-year budget that includes detailed projections for expenditures and revenues covering at least two budget years into the future. Multi-year projections are important to ensure that governments offer responsible policies that fully reflect present and future expenditure and revenue constraints. Only about one-quarter of the countries have adopted Medium Term Expenditure Frameworks or otherwise provide disaggregated projections for expenditures and revenues over a multi-year period.

The second reason is the lack of comprehensive information. In many countries, the executive's budget proposal fails to provide important information on the government's assets, tax expenditures, extra-budgetary funds, contingent liabilities, and future liabilities. Without this information, the public does not have a complete picture of the government's fiscal position during the budget year or in future years.

The first table at the end of this summary indicates that nine countries — Botswana, the Czech Republic, Jordan, Kenya, Namibia, Peru, Poland, Slovenia, and South Africa — have positive practices (scores of 67 percent or more) in the executive budget category. Five countries — Bolivia, Croatia, Ecuador, Mongolia, and Nicaragua — have negative practices (scores of less than 33 percent). Mongolia's poor performance is attributable to the fact that it is the only country in the study that does not make the executive's budget proposal available to the public during legislative consideration.

Monitoring and Evaluation Reports

Far fewer countries have positive practices in the category of issuing public reports that monitor the budget while it is being implemented or that evaluate the budget once the fiscal year has been completed. The average score for this category is 44 percent, indicating "mostly negative" performance.

Weak performance in this category is commonly due to the executive's failure to issue a mid-year review. The vast majority of countries fail to provide a comprehensive mid-year snapshot of the budget. When done properly, a mid-year review provides an important assessment of how the budget is being implemented.

Weakness in this category also can reflect poor practices regarding year-end or audit reports. This is of particular concern because the year-end report should serve as the government's key accountability document. In many countries, the year-end or audit reports either are incomplete (that is, they contain insufficient information to allow for evaluation of the budget's execution) or are issued well past the six-month limit following the budget year that the OECD recommends as best practice.

The second table at the end of this section shows that six countries — the Czech Republic, Mexico, Poland, Russia, Slovenia, and South Africa — have positive practices in this

category. By contrast, 11 countries have negative practices because they fail to make important monitoring reports public or provide incomplete information.

Encouraging Public and Legislative Involvement

The weakest aspect of the budget process in most countries studied concerns facilitating public understanding and discourse on the budget. Most executives fail to provide much information to the public and to legislatures that can help make the budget and the policies it embodies more understandable. Without such information, a wider and informed debate on a nation's fiscal priorities is impossible. This category of questions receives an average score of 40 percent, the lowest of the three categories.

Some countries' weak scores in this category are due to the failure to provide information in the executive's budget proposal or in the year-end report that would allow for evaluation of the effectiveness of spending, such as performance indicators or non-financial data that could take the form of the number of beneficiaries for programs. Other frequent causes of poor performance are inadequate public legislative hearings on the budget and the lack of a pre-budget statement, which the executive should issue during the formulation phase of the budget to disclose the expenditure and revenue parameters of its budget proposal.

Countries also typically do a poor job of providing supplementary materials that can be critical to public understanding of the budget. For example:

- Just five countries in the study provide significant information about the distribution of tax burdens, which is essential to an informed debate on how existing and proposed revenue policies affect various income groups.
- Only six countries in the study produce a "citizens budget," the non-technical presentation of the budget designed for a broad audience.

The third table at the end of this part indicates just two countries — Slovenia and South Africa — have positive practices in this category, while 11 countries have negative practices. The poor performance of Nepal, which has the lowest score in this category, largely reflects the dissolution of the legislature approximately two years ago.

The Public Availability of Budget Documents

The *Open Budget Questionnaire* also examines the release of various budget documents to the public. Two-thirds or more of the 36 countries examined make the executive's budget proposal, in-year reports, year-end reports, and audit reports available to the public. About half of the countries issue two other documents, a pre-budget statement and a mid-year review. The OECD recommends that all countries issue these six budget documents, amongst others.

As noted, relatively few countries release a citizens budget (the OECD does not make a recommendation on this document). These countries are Colombia, El Salvador, India, Slovenia, South Africa, and Uganda.

One finding of the study is that almost all of the countries that fail to provide public access to key budget documents actually prepare these reports for internal use. While nine countries do not release in-year reports monitoring expenditure to the public, and seven countries do not release year-end evaluation reports, all of these countries except one — Namibia — prepare these reports for internal purposes.

Similarly, one-third of the countries do not make audit reports available to the public, but all of these countries except one — Nicaragua — undertake audits. Even in the case of pre-budget statements, more than two-thirds of the countries that do not release this report to the public prepare it for internal purposes.

Budget Documents Made Available to the Public (out of 36 countries completing the questionnaire)		
	Number of Countries	Percent of Total
Pre-budget statement	19	53%
Executive budget proposal	35	97%
Citizens budget	6	17%
In-year monitoring reports	27	75%
Mid-year review	17	47%
Year-end evaluation reports	29	81%
Audit reports	24	67%

Taking This Work Forward

The findings presented here are intended to contribute to ongoing efforts to enhance budget transparency. The hope is that this study, including the one-page summaries of the findings for each country that are contained in Appendix 1, will be of use to countries that are interested in opening up their budget systems. The information here is designed to help countries assess their budget systems and to demonstrate how these systems can be improved.

In addition, this questionnaire and study can serve as a useful departure point for civil society researchers around the globe interested in opening up the budget processes in their countries. The questionnaire is in the public domain. All researchers are welcome to apply it in their own country, possibly as a complement to other analyses of related issues — such as the relationship between national and subnational budget policies or the management of natural resource funds — that are essential to understanding the impact of budget policies.

The International Budget Project welcomes comment and feedback on the questionnaire and these findings. Such feedback will greatly contribute to refining and expanding the effort to a larger number of countries in the near future as the issue of budget transparency continues to receive increasing attention around the world. For further information, please see the IBP website at <http://www.internationalbudget.org/openbudgets/index.htm>.

Summary Results by Major Category

Country	Executive Budget Documents	Country	Monitoring and Evaluation Reports	Country	Public and Legislative Involvement
Czech Republic	86%	Slovenia	99%	Slovenia	86%
Slovenia	86%	Poland	97%	South Africa	77%
Botswana	84%	South Africa	82%	Czech Republic	65%
South Africa	83%	Czech Republic	76%	Poland	63%
Poland	79%	Russia	74%	Brazil	57%
Peru	77%	Mexico	70%	Uganda	54%
Kenya	72%	Kenya	64%	Indonesia	52%
Namibia	68%	Peru	64%	Romania	51%
Jordan	68%	Bulgaria	57%	Peru	49%
Ghana	64%	Romania	55%	Argentina	49%
Azerbaijan	64%	Georgia	53%	Burkina Faso	48%
Russia	63%	Croatia	51%	Mexico	48%
Mexico	62%	Brazil	49%	Kenya	46%
Brazil	61%	Uganda	48%	Costa Rica	46%
Argentina	61%	Jordan	46%	Russia	45%
Uganda	59%	Indonesia	45%	Bangladesh	40%
India	59%	El Salvador	44%	Colombia	38%
Bangladesh	58%	Burkina Faso	43%	India	37%
El Salvador	58%	Argentina	42%	El Salvador	37%
Colombia	57%	Botswana	42%	Croatia	36%
Costa Rica	56%	Bangladesh	40%	Botswana	36%
Nepal	56%	Kazakhstan	36%	Bulgaria	34%
Burkina Faso	56%	Colombia	36%	Malawi	33%
Malawi	52%	Nicaragua	34%	Namibia	33%
Georgia	52%	Ghana	34%	Ghana	33%
Romania	51%	Nepal	32%	Jordan	31%
Kazakhstan	48%	Costa Rica	31%	Kazakhstan	28%
Indonesia	47%	Zambia	31%	Azerbaijan	27%
Bulgaria	45%	India	30%	Honduras	25%
Honduras	43%	Ecuador	25%	Georgia	24%
Zambia	35%	Namibia	14%	Nicaragua	20%
Ecuador	31%	Bolivia	12%	Zambia	19%
Croatia	28%	Azerbaijan	10%	Mongolia	19%
Bolivia	21%	Honduras	7%	Bolivia	18%
Nicaragua	19%	Malawi	6%	Ecuador	14%
Mongolia	0%	Mongolia	0%	Nepal	7%
Average	56%	Average	44%	Average	40%

Note: The shading groups countries according to their average score. Scores of 67% or above generally indicate “positive” practices, and scores of 50% to 66% reflect “mostly positive” practices. In contrast, scores of 33% to 49% indicate “mostly negative” practices, and scores of less than 33% reflect “negative” practices.

A Note on Numeric Scoring and Characterization of Country Performance

This study presents the results for the 36 countries examined in the form of numeric scores. Most of the questions on the questionnaire require the researcher to choose among five responses. Responses “a” and “b” reflect good or acceptable practice regarding the subject matter of the question, “c” and “d” reflect poor practices, and “e” reflects *not applicable*. For the purposes of aggregating the responses, an “a” response is scored as 100 percent, “b” is scored as 67 percent, “c” is scored as 33 percent, and “d” is scored as 0 percent. Responses of “e” are not considered in the scoring.

The survey questions are grouped into three main categories: “executive budget documents,” “monitoring and evaluation reports,” and “encouraging public and legislative involvement in the budget.” Each category is divided into two or three subcategories. In aggregating the numeric scores, scores for the three principal categories are obtained by averaging the scores of their subcategories. Each question within a subcategory is given equal weight, and the score for the subcategory reflects the average.

In general, countries with scores of 67 percent or above for a given category are considered as having “positive” performance in that category, meaning that the responses, on average, show adherence to best or acceptable practices. Countries with scores from 50 percent through 66 percent are referred to as having “mostly positive” performance, because they reflect a tendency, on average, to apply good practices in that category. Scores between 33 percent and 49 percent are characterized as “mostly negative,” as they tend on average to reflect situations in which countries have provided at least some information but have not adopted acceptable practices. Countries with