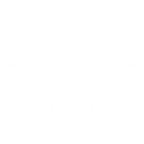
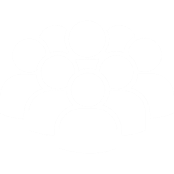
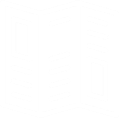
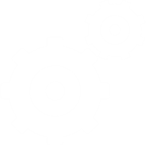
**G20 shared Toolkit on   
Budget Transparency**

**Practical steps for supporting openness and integrity**

**in Public Financial Management**

**developed by the OECD with the participation of the**

**Fiscal Openness Working Group of OGP**



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[1. Clear budget reporting by government 9](file:///E:\Work\02%20Tasks\G20%20Budget%20Transparency\2016%2005%2003%20Practical%20Toolkit%20on%20Budget%20Transparency%20OECD%20-%2026%20Apr.docx#_Toc450141028)

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## Introduction

*Good budgeting is supported by, and in turn supports, the various pillars of modern public governance: transparency, integrity, openness, participation, accountability and a strategic approach to planning and achieving national objectives*

*- OECD Recommendation on Budgetary Governance*

The principle ofbudget transparency is now widely accepted around the world. There are various definitions of budget transparency and fiscal transparency, but they can all be summarised in one core concept: **budget transparency means being fully open with people about how public money is raised and used.**

There are multiple reasons why budget transparency is seen as a desirable objective. Here are some of the most important benefits of budget transparency:-

* **Accountability:** Clarity about the use of public funds is necessary so that public representatives and officials can be accountable for effectiveness and efficiency.
* **Integrity:** “Sunlight is the best policy” for preventing corruption and maintaining high standards of integrity in the use of public funds.
* **Inclusiveness:** Budget decisions can profoundly affect the interests and living standards of different people and groups in society; transparency involves an informed and inclusive debate about the budget policy impacts.
* **Trust:** an open and transparent budget process fosters trust in society that people’s views and interests are respected and that public money is used well.
* **Quality:** transparent and inclusive budgeting supports better fiscal outcomes and more responsive, impactful public policies.

**The role of a “Shared Toolkit on Budget Transparency”**

Many international organisations, public and private, have devoted attention to budget transparency over the years. Together, they comprise the international community of practitioners, experts and advocates, with a range of complementary perspectives (see next section). Most of these organisations have produced detailed analysis and guidance on budget transparency issues. The purpose of this document is not to repeat or replace all of that guidance. Instead, it is intended that this “Shared Toolkit” will serve three purposes:-

1. Help countries to self-assess their own level of budget transparency, and also to plan and implement an agenda of transparency-focused reform, by providing a useful digest and “checklist” of common lessons from the international experience
2. Bring together, in a collaborative way, the insights of the international community of budget transparency so as to reinforce key messages and priorities
3. Provide a gateway to the wealth of information, detailed guidance and other resources that is already available across the international community of budget transparency.

By helping countries to take action on budget transparency, and by pointing them towards the additional practical supports that are most relevant, this Shared Toolkit can be a practical resource and point of reference.

**How this “Shared Toolkit” is structured**

There is a lot of guidance already available on how to apply budget transparency principles across different phases of the budget cycle, from its preparation and planning stages, through to presentation, debate, authorisation, execution and accountability. There are also many resources available in a range of formats – from user-friendly to highly technical and in-depth – aimed at different practitioners and users of budget data.

This Shared Toolkit takes a sectoral approach, structured around the key institutions and stakeholders involved in preparing and using budget data, and focusing on specific actions they can do to boost budget transparency. The five key institutional ‘sectors’ are as follows:-

* the government (or executive branch)
* the parliament (or legislature)
* independent public institutions (including audit offices and fiscal councils)
* citizens and civil society organisations
* the private sector.

This broad classification is not intended to be very rigid, as many of the key modern themes budget transparency – such as use of open data, e-procurement and greater engagement of citizens – are relevant for all areas. The illustration opposite provides an overview of the topics dealt with in this Shared Toolkit.

**A**

**Budget Reporting**

**B**

**Including the Right Information**

**C**

**Show Public Performance**

**H**

**Independent Fiscal Institutions**

**F**

**Management and Internal Control**

**G**

**External Control**

**D**

**Parliamentary Engagement**

**E**

**Supporting Parliamentary Capacity**

**M**

**Resource Endowments**

**L**

**Public Contracting and Procurement**

**I**

**Accessible Budget**

**K**

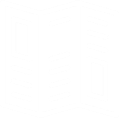
**Inclusive, Participative Budgeting**

**J**

**Open Budget Data**

**Budget Transparency**

**Toolkit**



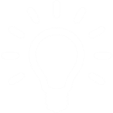
**Government**

**Reporting**



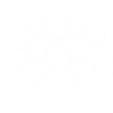
**Parliamentary**

**Involvement**



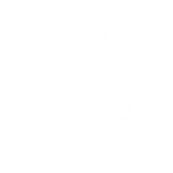
**Independent**

**Oversight**



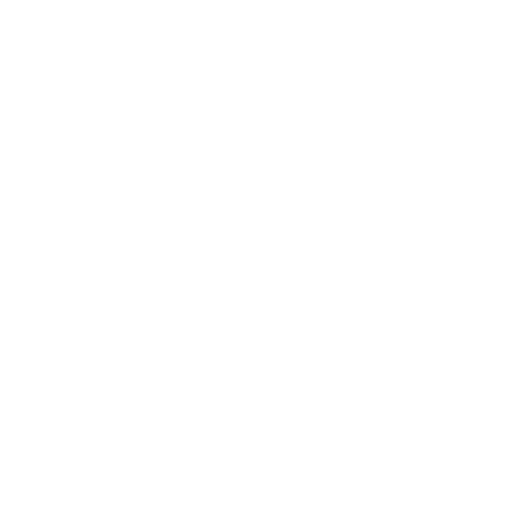
**Openness and**

**Civic Engagement**



**Working with**

**the Private Sector**



**Budget Transparency: The International Community**

The **G20** was initiated in 1999 as a forum of the 20 largest economies in the world, to lead action on key issues for global economic cooperation and good governance. The G20 draws upon expertise from its members and international organisations to spearhead progress in areas such as infrastructure and anti-corruption. The Anti-Corruption Working Group (ACWG) of G20 has been the motive force behind the development of this Shared Toolkit on Budget Transparency.

The **Global Initiative for Fiscal Transparency (GIFT)** was founded in 2011 as a multi-stakeholder initiative to advance fiscal transparency, participation, and accountability in countries around the world. GIFT convenes and chairs the Fiscal Openness Working Group (FOWG), an important pillar of the global Open Government Partnership. GIFT has developed *High-Level Principles on Fiscal Transparency* which were recognised by the United Nations in 2012, as well as *Principles of Public Participation in Fiscal Policy.*

The **International Budget Partnership (IBP)** was formed in 1997 to advocate transparent and inclusive government budget processes as a means to improve governance and reduce poverty in the developing world. IBP’s work is grounded on citizens and civil society organizations (CSOs). IBP has developed the two-yearly Open Budget Survey, which in turn forms the basis for the Open Budget Index whereby countries are scored and ranked across a range of objective budget transparency criteria.

The **International Monetary Fund (IMF)** was founded in 1944 as one of the “Bretton Woods” institutions, with a mission of supporting international financial stability and, since 2012, all macroeconomic and financial-sector issues that relate to global stability. The IMF produced the *Fiscal Transparency Code* in 1998, revised in 2007 and 2014. The IMF also conducts Fiscal Transparency Evaluations of countries by reference to the Code.

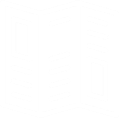
The **Organisation for Economic Co-operation and Development (OECD)** was founded in 1961 to promote “better policies for better lives” in economic development and across a wide range of sectoral areas such as education and health; as well as dealing with tax cooperation, public sector integrity, infrastructure, budgeting and digital government. The OECD produced the *Best Practices for Budget Transparency* in 2002 and the *Recommendation on Budgetary Governance* in 2015. The OECD also convenes the peer network of Senior Budget Officials (the SBO) and its regional sister networks, which discuss best practices and contribute to standard-setting.

The **Public Expenditure and Financial Accountability (PEFA)** Program was founded in 2001 as a multi-donor partnership to assess the quality of country PFM systems and to help structure reform and capacity-building actions. The PEFA framework provides for evidence-based measurement of PFM systems across seven pillars of performance.

The **World Bank Group** was also established in 1944 as part of the “Bretton Woods” agreement, with a mission to alleviate poverty and promote development around the world, through making available financial assistance and providing advice and aid on good governance. The World Bank’s support for fiscal transparency includes its core support for PEFA (see above), and for the regional practitioner networks **PEMNA** (Public Expenditure Management Network in Asia) and **PEMPAL** (Public Expenditure Management Peer Assisted Learning – East Europe / Central Asia).

In addition to the above organisations which deal with the broad aspects of budget transparency, there are some sector-specific organisations that promote the benefits of transparency in their areas. Notably, the **Extractive Industries Transparency Initiative (EITI)** was founded in 2003 to promote integrity in the management of revenues from extractive industries (oil, gas, metals, mineral endowments etc.) as this sector has been vulnerable to systematic corruption in many countries. The EITI standard promotes full transparency regarding all financial flows connected with resource extraction.

## 1. Clear budget reporting by government



*Ensure that budget documents and data are open, transparent and accessible through the availability of clear, factual budget reports which should inform the key stages of policy formulation, consideration and debate, as well as implementation and review*

*- OECD Recommendation on Budgetary Governance*

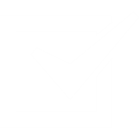
*Fiscal reports should provide a comprehensive, relevant, timely, and reliable overview of the government’s financial position and performance. Budgets and their underlying fiscal forecasts should provide a clear statement of the government’s budgetary objectives and policy intentions, and comprehensive, timely, and credible projections of the evolution of the public finances*

*- IMF Code on Fiscal Transparency*

*Everyone has the right to seek, receive and impart information on fiscal policies. To help guarantee this right, national legal systems should establish a clear presumption in favour of the public availability of fiscal information without discrimination*

*- GIFT High-level Principles on Fiscal Transparency*

**In this chapter…**



**A**

**Providing useful budget reports during the annual cycle**

**B**

**Including the right financial information in budget reports**

**A**

**Providing useful budget reports during the annual cycle**

**Budget reports should provide a comprehensive overview of the fiscal activities of the public sector in a regular and timely manner, to inform better scrutiny and decision-making at each key stage of the budget cycle. The principal budget reports are described in this section. The reports should also be open and accessible, including through the use of digital technologies, as outlined in Chapter 4.**

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**A.1 The pre-budget report** promotes awareness and debate on the budget aggregates, the implications of maintaining existing policies, and interactions with the broader economy. This report should:-

* be released one month or more before the introduction of the **budget proposal**
* state explicitly the government’s economic and fiscal policy intentions for the forthcoming budget and, at least, the following two fiscal years
* highlight the total level of revenue, expenditure, deficit or surplus and debt

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**A.2** The executive’s **budget proposal (or draft budget)** is a comprehensive document (or set of documents) submitted by the government to parliament. It should:-

* be submitted in good time to allow for proper review by parliament. Three months is a useful benchmark, although the quality and depth of review are important
* classify revenues by category and expenditures by programme
* show comparative year-on-year information for each programme
* include a medium-term perspective of how revenues and expenditures will develop
* include performance data and targets for each expenditure programme
* describe the cost and assessed policy impact of all new measures

***Advanced Practices***

* include performance data and targets for each expenditure programme
* include information on tax expenditures

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**A.3 The approved budget** is the budget as formally adopted by Parliament. It should:-

* be published as soon as it is approved by the legislature
* have legal effect before the start of the budget year
* explain all significant deviations from the executive’s **budget proposal**

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**A.4 Monthly budget profiles** show how budget expenditures and revenues are projected to arise over the course of the year. They should:-

* be published before the start of the budget year
* be calculated on a realistic basis, taking account of seasonal variations and the actual incidence of spending and revenue receipts in previous years
* serve as a useful reference for budget monitoring and control, and to provide early identification of budgetary overruns / underspends and other fiscal risks.

***Advanced Practices***

* include monthly or quarterly performance targets for key programmes

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**A.5 Monthly budget execution reports** should:-

* be published within one week of the end of the month
* correspond with the **monthly budget profiles** to facilitate oversight and control
* include a short commentary to assist in interpreting the report, especially explanations of any significant divergences from the monthly profiled amounts

***Advanced Practices***

* include information on achievement of performance objectives for key programmes

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**A.6 The mid-year implementation report** provides a comprehensive update on the implementation of the budget. It should:-

* be published within four weeks before or after mid-year, timed to be of most use to inform the pre-budget deliberations for the following year
* include an updated forecast of the budget outcomes for the budget year
* disclose the expected budget impact of any revisions to economic assumptions, and of any government policy decisions

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**A.7 The year-end report** is a government’s key accountability document. It should:-

* be released within six months of the end of the fiscal year
* be submitted for audit by the Supreme Audit Institution
* be presented in a way that corresponds with the format of the **approved budget**

***Advanced Practices***

* include auditable information on achievement of performance objectives

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**A.8 The supplementary budget report** contains proposed amendments to the main annual budget. It should:-

* be brought forward once, to include all supplementary budget measures together
* include an explanation of the basis for the supplementary budget measures
* be authorised by the parliament, for any material changes to the **approved budget**

* show the effect (if any) on fiscal policy objectives

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**A.9 The external audit report** is independent and authoritative review of the **year-end report** by the independent Supreme Audit Institution. It should:-

* be conducted using generally accepted auditing practices
* be submitted to parliament within 6 months of the end of the year in question

***Advanced Practices***

* include “performance audit” of key programmes
* include audit of reported performance information

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**A.10 The long-term report** assesses the sustainability of public finances. It should:-

* be produced at least every 3-5 years
* using internationally-comparable indicators of long-term sustainability
* assess the budgetary implications of demographic change over the long-term
* provide a perspective on issues of inter-generational equity

***Advanced Practices***

* be prepared by an Independent Fiscal Institution or other independent body
* include near-term as well as longer-term policy messages

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**A.11 The fiscal risk report** provides an overall assessment of the range and scale of fiscal risks. It should:-

* accompany the economic and fiscal documentation each year
* show the potential fiscal and budgetary impact of various risks, or groups of risk
* outline the government strategies to manage and mitigate fiscal risks
* use a standard format from year to year

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**B**

**Including the right financial information in budget reports**

**The quality and comprehensiveness of financial information contained in the budget reports are essential for transparency, accountability and good governance.**

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**B.1 Consistency and reliability of financial information** – budget reports should:-

* use the same accounting policies for all fiscal reports, explaining any changes
* be presented in comparable basis with any deviations explained at each stage
* be consistent from year to year, as well as from report to report
* use international standards for financial and fiscal statistics

***Advanced Practices***

* include user-friendly “reconciliation” tables to maintain comparability

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**B.2 Comprehensiveness of information** – financial details in budget reports should:-

* disclose all key economic assumptions, including sensitivity analyses
* account for all expenditures and revenues with no figures omitted or hidden
* identify and quantify all uses of off-budget fiscal mechanisms

* show information on extra-budgetary funds including social security funds and sovereign wealth funds
* present the estimated cost of tax expenditures

* disclose all assets and liabilities, both financial and non-financial
* present a full national overview of the public finances encompassing central and subnational levels of government and a perspective on “whole of government”

***Advanced Practices***

* Include tax expenditures when outlining and discussing sectoral expenditure strategy

* disclose all contingent liabilities (including pension obligations, loan guarantees, government insurance programmes and legal claims against the government)
* publish comprehensive financial information on public corporations
* disclose obligations arising under public-private partnerships etc., even where they may not directly affect public finances within the time frame of the budget document

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| --- |
| **Examples from around the world**  **U.S.:** All US federal government budget data are now machine-readable in “raw” format, and publicly available on USAspending.gov |

|  |
| --- |
| **Key references**  GIFT (2012), *High-Level Principles on Fiscal Transparency, Participation, and Accountability*, Global Initiative for Fiscal Transparency,  <http://www.fiscaltransparency.net/GIFT-High-Level-Principles-2012-08-ENG.pdf>  IBP (2010), Guide to Transparency in Government Budget Reports, International Budget Partnership, Washington D. C.,  <http://www.internationalbudget.org/wp-content/uploads/Guide-to-Transparency-in-Government-Budget-Reports-Why-are-Budget-Reports-Important-and-What-Should-They-Include-English.pdf>  IMF (2014), *The Fiscal Transparency Code*, International Monetary Fund, Washington D. C.,  <http://blog-pfm.imf.org/files/ft-code.pdf>  OECD (2002), *Best Practices for Budget Transparency*, OECD Publishing, Paris, [https://www.oecd.org/gov/budgeting/Best%20Practices%20Budget%20Transparency%20-%20complete%20with%20cover%20page.pdf](https://www.oecd.org/gov/budgeting/Best%20Practices%20Budget%20Transparency%20-%20complete%20with%20cover%20page.pdf%20)  OECD (2015), *Recommendation of the Council on Budgetary Governance,* OECD Publishing, Paris,  <https://www.oecd.org/gov/budgeting/Recommendation-of-the-Council-on-Budgetary-Governance.pdf> |

## 2. Parliamentary engagement



*The national parliament has a fundamental role in authorising budget decisions and in holding government to account. Countries should offer opportunities for the parliament and its committees to engage with the budget process at all key stages of the budget cycle, both ex ante and ex post as appropriate.*

*- OECD Recommendation on Budgetary Governance*

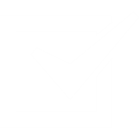
*Parliament should have the opportunity and the resources to effectively examine any fiscal report that it deems necessary.*

*- OECD Best Practices on Budget Transparency*

*The legislature should be provided with the authority, resources, and information required to effectively hold the executive to account for the use of public resources.*

*- GIFT High-Level Principles on Fiscal Transparency*

**In this chapter…**



**D**

**Benefiting from parliamentary engagement and scrutiny**

**E**

**Supporting parliamentary capacity**

**D**

**Benefiting from parliamentary engagement and scrutiny**

**Parliaments traditionally play a formal role in scrutiny and authorisation of the executive’s budget proposal, bridging the gap between citizens and state in holding government to account. In modern public governance, there are a broader range of opportunities where the budget cycle can benefit from the distinct democratic legitimacy of parliamentary input.**

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**D.1 Parliamentary committees** should be well-designed to allow for focused and effective engagement with the budgetary process. Parliaments should:-

* ensure ongoing scrutiny of the budgetary and operational performance of each key sector of public administration through sectoral committees
* ensure the Finance / Accounts Committee holds the government to account for the issues raised in the reports of the Supreme Audit Institution

***Best Practices***

* utilise a Budget Committee to coordinate and streamline parliamentary input to, and scrutiny of, the **executive’s budget proposal**
* allow for structured, transparent inputs from citizens and civil society groups to facilitate a more inclusive, informed parliamentary debate on budget-related issues

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**D.2 Ex ante parliamentary engagement** allows parliamentarians views on issues of fiscal and budgetary policy to inform the budget formulation process. Such engagement should:-

* be informed by the government’s **pre-budget report (A.1 above)** on fiscal policy intentions and potential budgetary options
* be conducted in a realistic manner that takes account of overall fiscal constraints
* result in a clear set of policy priorities, criteria and options from parliament to the executive
* provide for parliamentary input into periodic spending reviews, particularly where these reviews will have a multi-year effect on actual spending allocations

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**D.3 Parliamentary approval of the budget** is a fundamental element of democratic accountability and oversight. It should:-

* be based upon transparent public debate on the **government’s budget proposal**
* allow for parliamentary adjustment to specific allocations, subject to safeguards which ensure compliance with overall fiscal policy constraints
* be started early enough for the parliament to undertake in-depth scrutiny
* be concluded before the start of the budget year

***Best Practices***

* take account of how the executive has responded to the policy priorities, criteria and options submitted during the **ex ante parliamentary engagement** phase

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**D.4 Parliamentary scrutiny of budget execution and outturn** ensures that public funds are being / have been used for the purposes intended. It should:-

* allow for parliamentary scrutiny of budget implementation
* use the **external audit report (A.9 above)** and performance reports provided by the Supreme Audit Institution

***Best Practices***

* include parliamentary scrutiny of performance against targets

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**E**

**Supporting parliamentary capacity**

**In order to undertake budget scrutiny and oversight effectively, parliaments need to be equipped to engage in a professional manner and on equal terms with the executive.**

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**E.1 Analytical and research units** within parliaments can promote a more informed engagement between parliament and executive. Parliaments should:-

* ensure that committees and parliamentarians have access to technical and non-partisan analysis of the government’s draft budget to support effective oversight
* ensure that parliament has timely access to fiscal and budget-related information from the executive reaffirmed through protocols or memoranda of understanding

***Best Practices***

* establish independent Parliamentary Budget Offices (PBOs) to provide specialised, budget-related support to parliament and promote better-informed debate

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**E.2 Continuing Professional Development (CPD)** of parliamentarians recognises that scrutiny of overall public spending and taxation is a complex, demanding task of professional public representatives. Parliamentary CPD systems should:-

* include induction training for newly-elected parliamentarians, for committee members and committee chairpersons
* deliver specific modules on budgetary scrutiny, oversight and engagement including by reference to domestic rules and procedures and international good practices

***Best Practices***

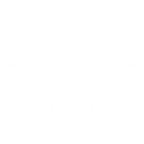
* include professional accreditation opportunities for parliamentarians in association with universities or other higher education institutions

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| **Examples from around the world**  **Germany:** TheBundestag’s Budget Committee has a strong and active role in scrutinising the government’s draft budget. The committee sends “rapporteurs” into each ministry to discuss the proposed spending allocations; it can propose adjustments to the draft allocations (although by convention, the committee never increases overall spending) and it can place conditions on the execution of particular budget lines. See OECD (2015).  **New Zealand**: The parliament can adjust the government’s proposed spending allocations, although the government retains a right of veto over any adjustments which “go beyond minor allocations”.  **Scotland:** The Scottish parliament, helped by its Financial Scrutiny Unit (FSU), negotiated with the executive to speed up the provision of detailed budget information for all portfolios, in order to enable effective oversight. In addition to providing in-depth technical analysis of the budget figures, the FSU has worked to simplify budget information, enhancing transparency and the ability of the legislature to undertake its budget oversight role |

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| **Key references**  World Bank (2008), *Legislative Oversight and Budgeting : A World Perspective*, The World Bank, Washington D. C., <https://openknowledge.worldbank.org/handle/10986/6547>  OECD (2014), *Principles for Independent Fiscal Institutions*, Paris, <http://www.oecd.org/gov/budgeting/recommendation-on-principles-for-independent-fiscal-institutions.htm> |

## 3. Independent oversight and control



*Promote the integrity and quality of budgetary forecasts, fiscal plans and budgetary implementation through rigorous quality assurance including independent audit*

*- OECD Recommendation on Budgetary Governance*

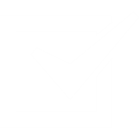
*The credibility of national budgeting – including the professional objectivity of economic forecasting, adherence to fiscal rules, longer-term sustainability and handling of fiscal risks – may also be supported through independent fiscal institutions or other structured, institutional processes for allowing impartial scrutiny of, and input to, government budgeting*

*- OECD Recommendation on Budgetary Governance*

*The Supreme Audit Institution should have statutory independence from the executive, and the mandate, access to information, and appropriate resources to audit and report publicly on the raising and commitment of public funds.*

*- GIFT High-Level Principles on Fiscal Transparency*

**In this chapter…**



**F**

**Monitoring and control of budget execution**

**G**

**Supporting the role of the Supreme Audit Institution**

**H**

**Designing effective Independent Fiscal Institutions**

**F**

**Monitoring and control of public money**

**The government needs to command credibility and trust in how it raises and spends public funds, and in its dealings with the private sector. Clear standards for managing public money, and regular audits to ensure that these standards are being upheld, are the basic tools for maintaining integrity and public trust.**

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**F.1 Standards and Procedures for Managing Public Money**should:

* set out explicitly the standards of probity and personal responsibilities of all officials in the government charged with managing public funds
* apply across all public entities and at all levels of government
* specify the distinct procedures and duties at various stages of public financial management, including orders and payments, payment terms and control of outstanding balances
* be openly available for the general public as well as for all government suppliers

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**F.2 Financial inspectors and internal auditors**should:

* apply international professional standards of internal audit
* undertake regular audits of the main financial processes (e.g. payroll, cash management) and main spending units (e.g., ministry of defence, health agencies)
* communicate their recommendations to all relevant stakeholders, including the relevant public managers, the finance ministry, parliament and the external auditor

***Best Practices***

* maintain an up-to-date website setting out all relevant financial procedures
* Make all internal audit reports available to the public

**G**

**Supporting the role of the Supreme Audit Institution (SAI)**

**Supreme audit institutions (SAIs) are entrusted with auditing the government’s transactions and activities. In exercising this pivotal role, SAIs should be independent and operate to best international standards.**

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**G.1 Supreme Audit Institutions (SAIs)** should be instituted in a way that allows them to carry out their duties effectively. SAIs should:-

* serve the primary purpose of overseeing the management of public funds and the quality and credibility of the government’s reported budget data
* have full legal independence
* have access to a sufficient and stable level of operating resources
* have access to external stakeholders (parliament, media, and civil society)
* make their professional standards and audit opinions written and public.

***Best Practices***

* comply with the core principles of the Mexico Declaration on SAI Independence
* apply the International Standards of Supreme Audit Institutions (ISSAI) as endorsed by the International Organisation of Supreme Audit Institutions – INTOSAI
* provide evidence-based reports on other aspects of good public governance (beyond financial management alone), including performance and integrity

**H**

**Designing effective Independent Fiscal Institutions (IFIs)**

**Independent Fiscal Institutions (IFIs) can improve the objectivity of budgetary and economic forecasting, and enhance fiscal discipline through a ‘watchdog’ role in the national fiscal framework. IFIs also promote greater fiscal transparency and accountability, and can raise the quality of national public debate on fiscal policy**.

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**H.1 IFI engagement in the budget process** can bring about improved fiscal transparency that helps citizens and parliamentarians in hold the government to account. IFIs are heterogeneous institutions and actual engagement will be determined by local needs as well as the institutions mandate and resources. However, IFIs may:

* produce, or endorse, official macroeconomic forecasts on which the Medium-Term Expenditure Framework and draft budget are based
* assess transparency and prudence of fiscal objectives and rules as they are set
* assess the risk of deviation from the proposed fiscal stance
* assess budget implementation, occurrence of circumstances affecting budget and financial stability and application of correction mechanisms
* monitor compliance with fiscal rules and identify the reasons for any non-compliance
* assess whether or not compliance with fiscal rules was achieved and identify reasons for non-compliance, along with the extent to which non-compliance could have been avoided
* evaluate the mid- and long-term sustainability of public finances.

***Best Practices***

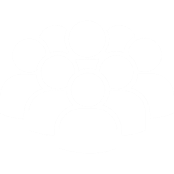
* assess the prudence of the government’s proposed fiscal policy course
* produce, or endorse, cost estimates for policy measures
* evaluate past official macroeconomic forecasts
* undertake studies at own initiative on topical or substantive matters relating to the sustainability of public finances

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| **Examples from around the world**  **Australia** makes all internal audit reports publicly available on government ministry websites, in line with requirements of Freedom on Information legislation.  **France** makes its financial control procedures available at www.performance-publique.budget.gouv.fr  **New Zealand:** The Office of the Auditor General makes available all of its publications on its website www.oag.govt.nz/reports  **Slovakia:** The Slovakian fiscal council has developed the concept of the “inter-temporal budget constraint” as a clear, objective metric for assessing the quality of the national finances  **Spain:** The government must “comply or explain” in response to formal findings of the IFI, the *Autoridad Independiente de Responsabilidad Fiscal (AIReF)*  **Sweden:** The Swedish Fiscal Policy Council has a mandate to assess compliance with fiscal rules, as well as a “qualitative” mandate to assess the sustainability of the government’s fiscal policy course.  **UK:** IFI: The Office of Budget Responsibility (OBR) – in addition to assessing compliance with the government’s stated fiscal rules, the OBR conducts regular assessments of the long-term sustainability of public finances, and of fiscal risks. Monitoring and control: The UK government publication “Managing Public Money” is freely available on the www.gov.uk portal. |

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| **Key references**  IMF (2013), *The Functions and Impact of Fiscal Councils,* <https://www.imf.org/external/np/pp/eng/2013/071613.pdf>  OECD (2014), *Principles for Independent Fiscal Institutions*, Paris, <http://www.oecd.org/gov/budgeting/recommendation-on-principles-for-independent-fiscal-institutions.htm>  IMF (2014), *Strengthening Post-Crisis Fiscal Credibility: Fiscal Councils on the Rise—A New Dataset*, <https://www.imf.org/external/pubs/ft/wp/2014/wp1458.pdf>  OECD (2015), *Principles for independent fiscal institutions and case studies*, Paris, <http://www.oecd-ilibrary.org/governance/oecd-journal-on-budgeting/volume-15/issue-2_budget-v15-2-en> |

## 4. Openness and civic engagement



*Provide for an inclusive, participative and realistic debate on budgetary choices, by facilitating the engagement of parliaments, citizens and civil society organisations in a realistic debate about key priorities, trade-offs, opportunity costs and value for money*

*- OECD Recommendation on Budgetary Governance*

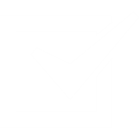
*The government provides citizens with an accessible summary of the implications of budget policies and an opportunity to participate in budget deliberations.*

*- IMF Code on Fiscal Transparency*

*Citizens should have the right and they, and all non-state actors, should have effective opportunities to participate directly in public debate and discussion over the design and implementation of fiscal policies.*

*- GIFT Principles on Fiscal Transparency, Participation and Accountability*

**In this chapter…**



**I**

**Making the budget accessible to the public**

**J**

**Using open data to support budget transparency**

**K**

**Making the budget more inclusive and participative**

**I**

**Making the budget accessible to the public**

**Making the budget accessible for citizens creates understanding, thus increasing the legitimacy of the government and contributing to improved governance.**

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**I.1 Using graphical presentations** make budget information available to, and understandable by, more people. Possible approaches are:

* user-friendly pictures and illustrations, attracting the interest of possible readers and introducing key messages;
* graphics and graphs, putting abstract numbers into perspective and making them easier to read and understand;
* maps, highlighting the spatial dimension of public finances and helping the reader to relate them to their immediate environment.

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**I.2 Publishing a citizen’s budget** along with the actual public budget improves citizen’s understanding of government policies and increases the government’s legitimacy. The most important contents a citizen’s budget should include are:

* an introduction briefly explaining the role and importance of the budget process
* the macroeconomic and fiscal assumptions underlying the budget
* the composition and the main sources of revenues
* the government’s accounts and budget prospects
* priority policy issues and major changes compared to previous budgets
* a glossary explaining the main budget terminology
* contact information andreferences to sources of more detailed information

***Best Practice***

* use online platforms to facilitate access to key information, including through products produced by infomediaries and through forms of visual representation
* stimulate the development of citizen-centred approaches (e.g. *Where does my money go?;* Open Spending)
* produce citizen’s documents on all publications linked to the budget cycle (e.g. audit reports, mid-term budget reports, spending reviews)

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I.3 A participatory process of publishing budget information further increases citizen engagement and the usefulness of the information. The process should consist of:

* consultations with citizensto identify actual needs and ensure maximum usability of provided information;
* government decision what information to publish based on the consultations;
* taking into account the level or prior knowledge and the capacities of the citizens when deciding on scope and form of presentation;

***Best Practice***

* Use online platforms as cost-effective tools for consultation and participation while taking into consideration digital divides and demographic biases

**J**

**Using open data to support budget transparency**

**Making budget data publicly available in digital form provides citizens with a valuable resource to analyse, evaluate and participate in public budgeting. Open budget data enables civil society to understand and engage with the budgetary process and policy-making and to contribute new and innovative perspectives.**

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J.1 The form of the open data determines who can use the data in which ways. To ensure compatibility for a broad range of uses, the data should be:

* published in machine readable, preferably open source formats on the internet
* disaggregated, editable, reusable, comparable and interoperable
* compliant with relevant data standards such as the *International Open Data Charter* and the G20 *Open Data Principles for Anti-corruption*
* comprehensive and extensive, disclosing all relevant information
* bulk-downloadable to allow for use in research and analysis
* accompanied with information on data source, time of publication and licencing
* subject to quality controls.

***Advanced Practice***

* be maintained and updated over the long term (historical data) with appropriate version tracking for comparison and time series analysis

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J.2 Access to open budget data depends highly on how it is presented. To lower access barriers, it is important that open budget data should be:

* freely available without access fees or the need to register
* available on one portal that allows for user-defined dynamic queries
* provided in a regular and timely manner to facilitate public analysis and engagement
* linked to associated documents and data-visualisation tools to help explain and use the data.

***Advanced Practice***

* make all budget data “open by default”
* actively encourage and support the re-use of the data by citizens, including by engaging and collaborating with citizens towards the creation of public value

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J.3 Integrating open budget data portals with existing portals, and making them compliant with existing legislation and regulations, broadens the reach and the impact of the data. Open budget data should be:

* provided in a regular and timely manner to facilitate public analysis and engagement
* protected according to privacy and data protection laws, in the case of any sensitive information and personal data

***Advanced Practice***

* published directly from the underlying financial management information system (FMIS). On the open data portal, a description of the underlying FMIS should be available
* using common metadata and vocabularies, allowing international comparisons.

**K**

**Making the budget more inclusive and participative**

**Strengthening civic participation in budgeting can increase responsiveness, impact and trust. Heightened citizen engagement also reduces opportunities for corruption and strengthens the culture of open democracy.**

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K.1 Public institutionshave different opportunities to foster participation:

* Governmentscan introduce consultative and participation processes across the policy and budget cycles
* Parliaments can engage citizens and civil society interests during the policy formulation and accountability / audit stages where they are most actively involved
* Supreme Audit Institutions (SAI) can encourage participation to gain insights into the effectiveness of budget execution.

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K.2 Realistic and relevant public participation is enabled and encouraged by:

* providing information on budgetary constraints, costs, trade-offs and multi-dimensional impacts of policy options
* a supportive legal framework that facilitates and regulates the interaction between government and citizens
* capacities on the side of the citizens to use and on the side of the government to provide information.

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K.3 Designing a participation process should aim at a meaningful, substantive contribution to budgetary deliberations. Important design steps include:

* defining a clear objective for public engagement in the budget process
* determining and specifying what parts (or all) of the public will be included
* tailoring methods of engagement that are best suited to the various participants
* allowing enough time in the budget cycle for the results from participation to be taken into account
* following up and giving citizens feedback about progress and results.

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K.4 Reporting the impact of budget decisions on different groups of society provides an immediate overview of budget results and creates an easy entry point to participation. Impact reports should include:

* effects on income and wellbeing classified by income groups and household types
* contributions to achieving major policy goals, especially cross-sectoral ones

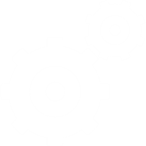
***Best Practice***

* gender budgeting to ensure that the impact of policy options on gender is systematically taken into account in budgetary decision-making
* green budgeting to ensure that resource allocation decisions are aligned with, and supportive of, national targets for environmental protection and climate change
* all information about how the impact of all budgetary items on a specific issue (e. g. gender equality, ecological sustainability) has been taken into account when the budget was designed.

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| **Examples from around the world**  **Brazil:** The website of the ministry of finance is a centralized source of information. It provides extensive information and links to public finance sites such as the ‘integrated planning and budgeting system’, and the ‘budget execution reports’ that are published from the FMIS. A ‘citizen information service’, a ‘transparency portal’ and the ‘get smart in public money’ programme create accessibility and encourage public participation.  **Mexico:** The Mexican Ministry of Finance publishes a citizen’s budget annually since 2010. Since 2014, a citizen’s version of the year-end report and the executive proposal are published as well. The citizen’s budget is prepared in collaboration with CSOs.  **South Africa:** The national treasury of South Africa publishes a peoples guide to the budget since 2000. Since 2008 it is published in five different languages (Afrikaans, English, Tswana, Xhosa, Zulu). The treasury publishes additional documents such as “Budget at a Glance” and a “Tax Pocket Guide”. All documents are published on one website together with other budget documents. Past documents are also available.  **The Republic of Korea** introduced participatory budgeting in 2003. Six mechanisms are used that span the entire budget cycle. During the budget formulation stage, formalized open discussions for the public are held, representatives from the Ministry of Finance hold meetings with local government officials and citizens, a fiscal policy advisory council” reviews and finalizes the budget, and an assembly expert hearing is conducted. During the implementation stage, a budget waste reporting centre” can be used by citizens to report any suspected misuse or waste of public funding. In the auditing stage, citizens have the opportunity to make suggestions to the board of audit and inspection on which public entity operations or expenditures to audit. |

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| **Key references**  Dener, C. and Min, S. Y. (2013): *Financial Management Information Systems and Open Budget Data,* The World Bank, Washington D. C., <http://www-wds.worldbank.org/external/default/WDSContentServer/WDSP/IB/2013/09/26/000356161_20130926123854/Rendered/PDF/813320PUB0Fina00Box374313B00PUBLIC0.pdf>  G20 (2015), *Introductory note to the g20 anti-corruption open data principles*, <http://www.g20.utoronto.ca/2015/G20-Anti-Corruption-Open-Data-Principles.pdf>  Gray, J. (2015), *Open Budget Data - mapping the landscap*e, Global Initiative for Fiscal Transparency (GIFT), <http://www.fiscaltransparency.net/resourcesfiles/files/20150902128.pdf>  Fölscher, A. (2007), “A Primer on Effective Participation” in Shah, A. (ed.), Participatory Budgeting, The World Bank, Washington D. C., p. 243-255, <http://siteresources.worldbank.org/PSGLP/Resources/ParticipatoryBudgeting.pdf>  IBP (2012), *The power of making it simple*, <http://www.internationalbudget.org/publications/the-power-of-making-it-simple-a-government-guide-to-developing-citizens-budgets/>  Marchessault, L. (2015), Public Participation and the Budget Cycle: Lessons from Country Examples, Global Initiative for Fiscal Transparency (GIFT), <http://www.fiscaltransparency.net/resourcesfiles/files/20151116137.pdf>  OECD (forthcoming), *Digital Government Toolkit*  OECD (2015), *Policy Shaping and Policy Making: The Governance of Inclusive Growth*, OECD Publishing, Paris, <http://www.oecd.org/governance/ministerial/the-governance-of-inclusive-growth.pdf>  OECD (2014), *Recommendation of the Council on Digital Government Strategies*, OECD Publishing, Paris, <http://www.oecd.org/gov/digital-government/Recommendation-digital-government-strategies.pdf>  Partners of the Americas (2006), Involving Citizens in Public Budgets – Mechanisms for Transparent and Participatory Budgeting, Partners of the Americas, Washington D. C., <http://www.internationalbudget.org/publications/involving-citizens-in-public-budgets-mechanisms-for-transparent-and-participatory-budgeting/>  Petrie, M. and Shields, J. (2010): “Producing a Citizens’ Guide to the Budget: Why, What and How?” in *OECD Journal on Budgeting* 2010/2, OECD Publishing, Paris, <https://www.oecd.org/gov/budgeting/48170438.pdf> |

## 5. Promoting integrity with the private sector



*“ensure an adequate degree of transparency of the public procurement system in all stages of the procurement cycle […] and support integration of public procurement into overall public finance management, budgeting and services delivery processes”*

*- OECD Recommendation on Public Procurement 2015*

*“There is emerging evidence that open contracting can save governments money and time, prevent corruption and fraud, create a better business environment, boost small businesses, and help deliver better goods and services to citizens.”*

*- Open Contracting Partnership (OCP) Strategy 2015 l 2018*

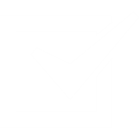
*“All resource revenue-related transactions, including through resource funds, should be clearly identified, described, and reported in the budget process and final accounts documents.”*

*- IMF Guide on Resource Revenue Transparency*

*“We recognise that a public understanding of government revenues and expenditure over time could help public debate and inform choice of appropriate and realistic options for sustainable development.”*

*- 4th EITI-Principle*

**In this chapter…**



**L**

**Opening up public contracting and procurement**

**M**

**Accounting for revenues and expenditures in resource endowments**

**N**

**Mainstreaming the culture of budget transparency**

**L**

**Opening up public contracting and procurement**

**Making public contracting and procurement open creates transparency, enables participation and increases access to government contracts. It involves the entire contracting cycle from planning to closing of a contract. At the same time the kind and amount of information disclosed has to be adequate and in line with data security and privacy regulations.**

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**L.1 Making the entire public procurement cycle open** allows a fair and equitable treatment for potential suppliers. By increasing competition and enabling participation, it contributes to getting better value for money. Increased transparency reduces the risk of collusion and corruption. Published should be information related to:

* the public procurement system (Institutional frameworks, relevant laws, regulations, policies and procedures);
* public procurement planning, including public procurement plans;
* public procurement opportunities, including tender specifications and award criteria;
* public procurement awarding, including contracts awards and amendments (except where reasonable exceptions apply);
* contract implementation including payments and appeals decisions.
* the performance of the public procurement system (benchmarks, monitoring results, data and statistics).

***Advanced Practice***

* Publish the full set of bidding documents, evaluation reports, and contract documents, including technical specification.
* Disclose information on associated risks, assets, and liabilities of the government related to the contract.
* Inform about schedules, including major milestones in execution and about the status of implementation against the milestones.

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**L.2 Using e-procurement tools** increases accessibility to, and fairness of government contracting. It increases efficiency and effectiveness of public procurement through standardisation of the process and more competition. Effective e-procurement solutions include:

* legislation, regulation and policy that allows or mandates the use of electronic methods and instruments for public procurement;
* coverage of the entire public procurement cycle and consistency across agencies and levels of government;
* user-friendly tools that are easy to understand and use (too complicated systems could create implementation risks and challenges for new entrants or SMEs);
* systems that ensure privacy, security of data and authentication, and fair treatment;
* integration with existing systems such as the financial management information system;
* capacity development for users (government agencies and bidders/suppliers);
* clear communication to assure awareness and acceptance among citizens and companies;
* quality control mechanisms related to the data included in the e-procurement platforms.

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**L.3 Fostering realistic and effective stakeholder participation** in the public procurement system enables more dialogue and control and thereby decreases risk. Opportunities for fraud and corruption are reduced. To deliver these results, it is necessary to have:

* a consultative process when formulating changes to the public procurement system (e.g. amending laws and regulations);
* regular dialogues with suppliers and business operations to present public procurement objectives and to assure a correct understanding of markets;
* a legal/regulatory and policy framework that enables participation as well as actual opportunities for input from the public throughout the procurement cycle in order to assure an adequate level of scrutiny.

**M**

**Accounting for revenues and expenditures in resource endowments**

**Transparency in the extractive sector is of special relevance, because in resource rich countries this sector can generate a significant share of all public revenues. At the same time the technical complexity and involvement of only a limited number of companies and government agencies poses a high integrity risk.**

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**M.1 Reflecting public extractive sector revenues in the budget** contributes to public participation and monitoring. This helps to reduce risk and increase sustainability. The budget report should contain the following revenue related information:

* resources such as profit taxes, royalties, dividends, fees, and concessions;
* government receipts of company resource revenue payments;
* the non-resource fiscal balance as well as the overall balance;
* estimates and forecasts on resource asset worth and resource revenue development;
* risks associated with resource revenues and the volatility of the sector.

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**M.2 Reporting how the money is used** helps monitoring financial flows thus making mismanagement and corruption easier to detect. The budget report should show:

* how resource revenues are managed (on or off budget);
* expenditures for special resource related programs or regions;
* costs quasi-fiscal activities of state owned resource companies;
* the balance and development of extra-budgetary funds, if they are used to manage the resource revenues;

***Best Practice***

* if resource revenue is saved in special designated funds, the investment policies of these funds should be made clear.

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**M.3 Complying with the Extractive Industries Transparency Initiative (EITI) standard** contributes to budget transparency with respect to resource revenues and increases international credibility and trust. As part of the EITI process, budgetary information that need to be disclosed include:

* the fiscal regime governing the extractive sector;
* state-participation in the extractive sector;
* state-owned company production entitlement;
* about social and economic spending to allow stakeholders to assess whether the extractive sector is leading to desirable social and economic impacts and outcomes.

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| **Examples from around the world**  **Canada:** In Canada, Public Works and Government Services Canada (PWGSC), implements a pilot on unsing the Open Contracting Data Standard (OCDS). Within the pilot data for all procurements conducted by PWGSC on behalf of government departments and agencies since 2012 is collected. The goal is to increase disclosure and participation in government contracting and demonstrate how the OCDS contributes to achieve this.  **Korea:** The fully integrated, end-to-end e-procurement system called KONEPS is mandatory for all public organisations. It includes a Fingerprint Recognition e-Bidding system to mitigate the risk of illegal practices. The system reduced transaction costs and increased participation in public tenders.  **Mexico:** Compranet is the procurement information system for federal government procurement procedures for goods, services, leasing and public works since 2009. It publishes information such as annual procurement programmes, tender procedures, contract awards history and formal complaints.  **Norway** complies with the EITI standard since 2011. Additional to publishing an annual EITI-report, it also makes the EITI data available in an Excel file and on the government data transparency portal. Also, the Norwegian central bank (Norges Bank) annually and quarterly publishes reports providing information about the fund used to administrate the resource revenues. It includes information about transfers to and from the budget, market trends, returns on investments and income, trends regarding risk exposure, and administrative costs.  **UK:** Debriefing discussions are held within a maximum of 15 days after the contract award. The sessions are chaired by senior procurement personnel who have been involved in the procurement. The debriefing covers: an open explanation of the procurement selection and evaluation process; the strengths and weaknesses of the supplier’s bid; and a description of the supplier’s views on the process. A note of the meeting is made for the record. |

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| **Key references**  EITI (2016), *The EITI Standard 2016*, Extractive Industries Transparency Initiative, Oslo, <https://eiti.org/document/standard>  G20 (2015), *G20 Principles for Promoting Integrity in Public Procurement*, <http://www.seffaflik.org/wp-content/uploads/2015/02/G20-PRINCIPLES-FOR-PROMOTING-INTEGRITY-IN-PUBLIC-PROCUREMENT.pdf>  IMF (2007), *Guide on Resource Revenue Transparency*, International Monetary Fund, Washington D. C., <https://www.imf.org/external/np/pp/2007/eng/101907g.pdf>  OCP (2015), *2015 l 2018 Strategy*, Open Contracting Partnership (OCP), <http://www.open-contracting.org/resources/strategy-2015-2018/>  OCP (2013), *Open Contracting – A guide for practitioners by practitioners*, Open Contracting Partnership (OCP), <http://www.unpcdc.org/media/416641/open_contracting_a_guide_for_practitioners_by_practitioners-v2.pdf>  OECD (2015), *OECD Recommendation of the Council on Public Procurement*, OECD Publishing, Paris, <http://www.oecd.org/gov/ethics/OECD-Recommendation-on-Public-Procurement.pdf>  OECD (2010), *Methodology for Assessing Procurement Systems (MAPS)*, OECD Publishing, Paris, <http://www.oecd.org/dac/effectiveness/45181522.pdf>  World Bank (2007), *Corruption and Technology in Public Procurement*, The World Bank, Washington D. C., <http://documents.worldbank.org/curated/en/2007/04/10449733/corruption-technology-public-procurement>  World Bank (2011), *e-Procurement Reference Guide*, The World Bank, Washington D. C., <http://siteresources.worldbank.org/INFORMATIONANDCOMMUNICATIONANDTECHNOLOGIES/Resources/2011_WorldBankICT_eProcurement_Reference_Guide.docx> |