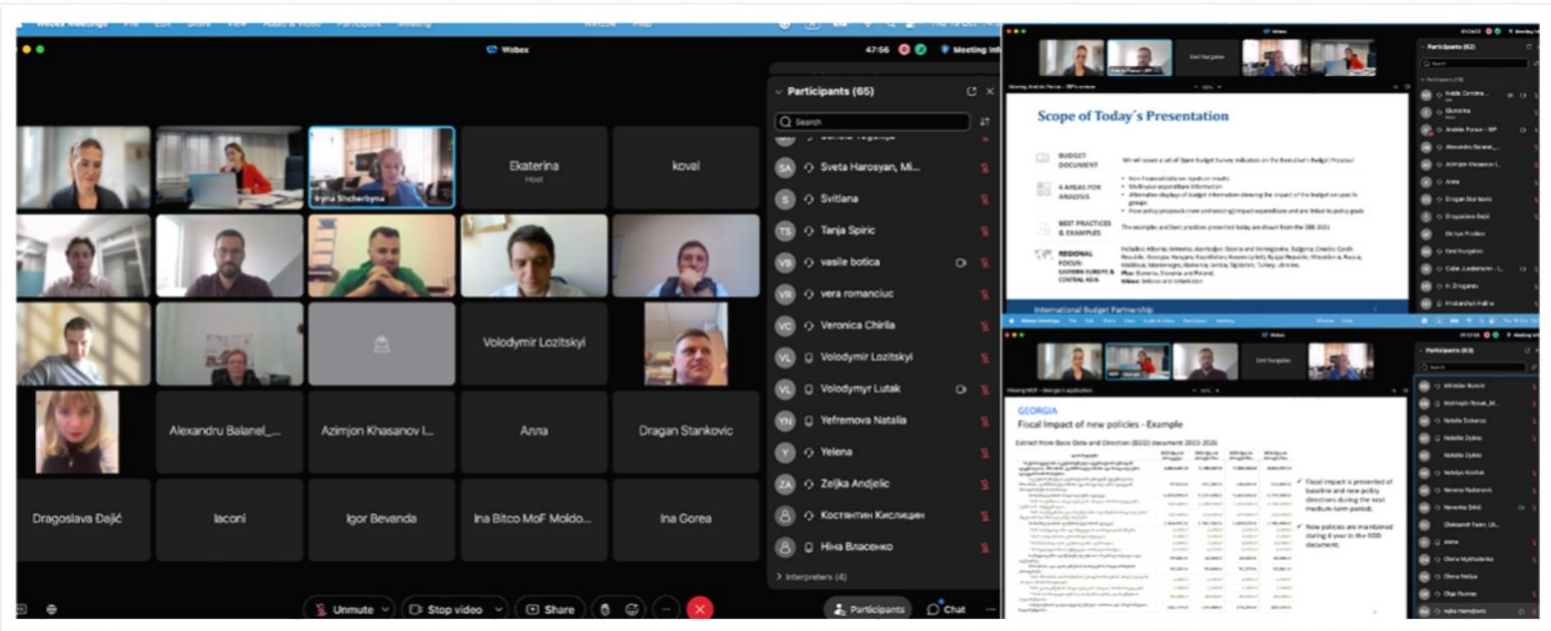


ECA PEMPAL\* Budget Community of Practice (BCOP)\*\*

*Budget Literacy and Transparency Working Group (BLTWG) Workshop*  
**ADVICE ON THE CONTENT OF BUDGET DOCUMENTATION**  
 October 19, 2023, videoconference



PEMPAL BCOP held a virtual meeting on October 19, 2023, to examine the key elements of the desirable scope of budget documentation that would satisfy the highest international criteria for budget openness. The event was organized within BCOP’s Budget Literacy and Transparency Working Group (BLTWG). In Spring/Summer 2023, BCOP members reported that one of their current top priority topics is getting advice on comprehensive content of budget documentation/explanation (accompanying the adopted budget) in line with the Open Budget Index criteria. Thus, BCOP’s Executive Committee and BCOP Resource Team\*\*\* organized this workshop in cooperation with the International Budget Partnership (BCOP’s long-standing partnering organization, which is the producer of the Open Budget Index).

Presentations were delivered by the representatives from the International Budget Partnership, with additional country case remarks delivered by PEMPAL members from Georgia, Moldova, and Croatia. Specifically, the 4-part IBP presentation *Good Practices from the Open Budget Survey: A Deep Dive into Selected Indicators for the Executive’s Budget Proposal* was delivered by Andrés Ponce, Senior Program Officer at the Training, Technical Assistance and Networking Team, and Gabriel Juedemann, Research Assistant in the Policy Team in IBP. Elena Mondo, Senior Technical Advisor for the Open Budget Initiative at the IBP, also participated in presentation preparation. Throughout IBP’s presentation, representatives from three PEMPAL countries that were identified by the IBP as having good practices shared

additional insights into their practices. This included Natia Gulua, Head of the Budget Department in the Ministry of Finance of Georgia; Natalia Scleruc, Head of the General Budget Directorate and Vasile Botice, Head of the Division for Sectoral Budget Policies in the Ministry of Finance of Moldova; and Nevenka Brkic, Head of the Local Government Sector in the Ministry of Finance of Croatia.

**The meeting brought together 89 participants, including 80 budget officials from 14 BCOP countries** (Armenia, Azerbaijan, Bosnia and Herzegovina, Bulgaria, Croatia, Georgia, Kazakhstan, Kosovo, Moldova, Romania, Serbia, Tajikistan, Ukraine, and Uzbekistan).

**The key takeaways included:**

- i. **Ministries of Finance can get overwhelmed in the process of preparing budget documentation/explanation accompanying the government's budget proposal, due to many different requirements and recommendations of what to include in budget documentation.** This was highlighted by Mr. Emil Nurgaliev, State Expert in the Budget Methodology Division of the Ministry of Finance of the Republic of Bulgaria and BCOP Deputy Chair, who opened the workshop. It was also echoed during the discussion after the presentations. Speakers from the IBP advised to take into account the demand for budget information from different external stakeholders and focus on addressing the requests/needs that are highest in demand (e.g., CSOs). It was also stressed that in most of the Open Budget Survey (OBS) questions, a sufficient rating is given for presenting specific types of information for some, but not all programs. E.g., a score of 33 is given if data is presented for some administrative units (i.e., budget users, line ministries/institutions) or some programs within administrative units; a score of 66 is given if data is presented for all units but not all programs; and a score of 100 given if data presented for all programs within all units. Moreover, OBS definition of a program means any level of detail below an administrative unit (such as a ministry or department or agency), thus it does not require a complex multilevel program and performance budgeting structure.
- ii. **Areas in which PEMPAL countries' score on OBI is lowest include i) nonfinancial data on inputs, results, and targets ii) multi-year expenditure information, iii) alternative displays of budget information, and iv) impact of policy proposals on expenditure and their link to policy goals.** IBP speakers thus delivered a presentation on these four areas (based on the most recent available OBS data from the 2021 budget year), following a brief introductory refresher on OBS, which measures three essential pillars that make up the public budget accountability ecosystem: transparency, participation, and oversight. The eight budget documents assessed in OBS include Pre-Budget Statement, Executive's Budget Proposal, Enacted Budget, Citizens' Budget, In-Year Report, Mid-Year Reports, Year-End Report, and Audit Report. The OBS questions are scored from 0 to 100, and a simple average is used to calculate the index. A score above 61 means that practices are considered adequate. All BCOP countries participate in OBS, with the exception of Uzbekistan and Belarus. By OBS classification, Slovenia, Slovakia, and

Poland are grouped with PEMPAL countries in the region called Eastern Europe & Central Asia.

- iii. **No region scores well in the presentation of nonfinancial data on inputs, results, and targets; however, the PEMPAL region has recently made some progress, noting that there is a direct link between program and performance budgeting and the scores in this area.** This area includes questions on: i) nonfinancial data on inputs (e.g., number of textbooks provided in primary schools) ideally for all administrative units and all programs for the highest score, ii) data on results, which includes outputs (products and services delivered based on inputs) and/or outcomes (intended impact on end-users) ideally for all administrative units, and iii) data on performance targets (e.g., 10% decrease in mortality for specific disease) ideally for most nonfinancial data on results. The highest-ranking region of Western Europe, US & Canada most recently scored 51 points, while Eastern Europe & Central Asia scored 45 points. The highest performers among PEMPAL countries are Ukraine (100), Georgia (89), Bulgaria (67), and Serbia (67).
- iv. **The long-standing global top OBS performer in nonfinancial data on inputs, results, and targets is Australia.** As part of their Executive's Budget Proposal documentation, Australia presents a document called Agency Resourcing, which includes staff levels and other inputs for subcategories of the functional classification within each administrative unit. They also present a Strategic Direction Statement linking financial targets to intended outcomes, and specific objectives for each program. Performance targets are included alongside an evaluation of past performance, linking outcomes and goals with expected results.
- v. **Georgia, one of the PEMPAL top performers in presenting nonfinancial data on results and performance targets, lays out performance targets and results for key areas of the budget by category in an annex to the Executive's Budget Proposal.** Results-based budgeting efforts in Georgia started in 2012, with gradual improvements, and current efforts are directed at improving the quality of performance information budget documentation connect and moving to more user-friendly ways to present budget documents. Budget programs and subprograms are divided into twelve budget priorities, with outcomes and outputs for each program/subprogram and associated targets for 4-year period.
- vi. **Presentation of multi-year expenditure information is a large part of OBS while simultaneously being weak in around half of PEMPAL countries, thus improvement in this area can significantly improve the overall OBI score for these countries.** Eastern Europe & Central Asia on average does not reach the adequate threshold, with a score of 58, which improved from 55 in 2019. However, there is a large variation in scores of PEMPAL countries in this area, with six countries scoring above the 61-threshold. Top PEMPAL performers are Croatia (100), Moldova (100), Romania (100), Georgia (96), Kyrgyz Republic (88) and Bulgaria (84). The score of the highest-ranking region of Western Europe, US & Canada in this

area is 78. This area includes questions on: i) multi-year expenditure estimates for at least 2 years beyond the year of the proposal, ideally in economic, administrative, and functional classifications for the highest score, ii) estimates/actuals for at least two years preceding the budget year of the proposal, and iii) multi-year expenditure estimates at the program level.

- vii. **Jamaica scores 100 on multi-year expenditure information.** It presents expenditure estimates for all three classifications and includes expenditure estimates by program. Expenditure estimates cover a span of 6 years, 2 prior (including a revised figure for the year prior to the proposal) and 3 post the current budget year. Detailed estimates are presented for administrative units and functions, and separate sections for recurrent and capital expenditures.
- viii. **Moldova, one of the PEMPAL top performers in presenting multi-year expenditure estimates, provides expenditure breakdowns by economic, functional, and administrative classifications for 6 years.** The first year of the three forward years is what is actually being adopted with the year proposal. All state programs are also presented with the 6-year estimates, as well as some nonfinancial information. Moldova is currently working on introducing additional information in budget documentation.
- ix. **Average regional scores for the presentation of alternative display of budget information showing the impact of the budget on specific groups are below the adequate threshold of 61 for all regions; for PEMPAL region, this is the lowest scoring area, area, with only 32 points.** The score of the highest-ranking region of Western Europe, US & Canada in this area is 57. Among PEMPAL countries, only Bulgaria (67) and Georgia (67) have adequate scores, with 13 PEMPAL countries scoring below 35. This area includes questions on: i) the financial impact of the budget or a specific program on different groups of citizens (e.g., age, climate or region-focused programs) to emphasize who benefits from these expenditures and ii) estimates for policies intended to help the most impoverished sections of society (presenting information that pulls together estimates of all the relevant policies in one display and including a narrative explaining the rationale for such allocations), such as cash assistance programs or provision of housing.
- x. **An example of a good performer in the area of the presentation of alternative display of budget information showing the impact of the budget on specific groups is the Philippines.** For example, they present the regional allocation for the Health Facilities Operations Program. Regional displays are one of the most common alternative budgetary displays of expenditure. They can be presented for the entire budget or specific programs. The Philippines also presents expenditure estimates and narratives for anti-poverty programs. Argentina provides a breakdown by key areas such as elderly people, gender equity, youth, and people with

disabilities. Each category is further expanded into programs, expenditure estimates, and targets, and a narrative is included to explain key allocations.

- xi. Georgia is one of the top PEMPAL performers in the area of presentation of alternative display of budget information showing the impact of the budget on specific groups.** Their budget documentation includes a narrative on how policy impacts disadvantaged groups, and an annex includes budget estimates. Georgia has also introduced policy classifiers for programs/sub-programs to indicate the link with SDGs, gender, climate change, human capital goals, rural development, energy efficiency, and human rights. Moreover, budget documentation presents the fiscal impact of baseline and new policy expenditures, over the mid-term period. At least one gender-related indicator needs to be presented for gender-sensitive programs.
- xii. In the area of presenting policy proposals' impact on expenditure and their link to policy goals, the average score of Eastern Europe & Central Asia (53) lags significantly behind the score of the top-performing region of Western Europe, US & Canada (93).** However, there has been some progress among PEMPAL countries since 2019. Four PEMPAL countries currently have adequate scores: Croatia (100), Georgia (100), Bulgaria (89), and Kazakhstan (89). This area includes questions on: i) data on how new policy proposals affect expenditures (a high score can be achieved if, for example, countries present a table with new policy proposals and a price tag for each one of them, along with a narrative explaining the rationale for such policies), and ii) data on how new proposals and existing policies are linked to Government's policy goals for the budget year (to score well, countries should explicitly link their plans to the budget, and the links should be presented both as budget estimates by sector or program and as a complementary narrative of how these policy goals are reflected in the budget).
- xiii. The UK scores high in linking policy proposals to the budget.** They include a table highlighting budget proposals and showing how these impact spending over a multi-year period. In addition to estimates, their budget documentation includes a narrative section on policies and their impact. These narratives outline each of the policy proposals and their impact on expenditures, as well as how the budget reflects policy priorities.
- xiv. Croatia is one of the top PEMPAL performers in the area of showing how policies connect with the budget.** They score well by breaking down departmental policy goals and linking them to spending. They provide a narrative of policy goals within the administration unit and link it to estimates of multi-year expenditure.
- xv. After the presentations, participants engaged in an active discussion.** Issues discussed *inter alia* included the format and legal status of budget documentation related to results and targets, the content and legal status of the Mid-Year Report, and IBP's recent work exploring the connections between budget credibility and SDG implementation.

**The meeting agenda and presentation are posted on the PEMPAL website.**

*\*PEMPAL is the ECA regional program, supporting a peer learning network of public finance professionals of the 23 member countries. The network is organized into three thematic communities of practice (COPs): Budget, Treasury, and Internal Audit. Each of the COPs implements its activities according to the annual and strategic plan approved by its Executive Committee and endorsed by the program Steering Committee. For more information, please refer to <https://www.pempal.org/>.*

*\*\* The main overall objective of BCOP is to strengthen budget methodology, planning, and transparency in member countries.*