Openness, Transparency, Accountability: towards OECD Budgeting Principles

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OECD’s starting point

• “Openness about policy intentions, formulation and implementation”
• Budget reports (7 in total)
• Specific disclosures
  – Non-financial assets
  – Contingent liabilities
• Integrity & accountability
  – Audit
  – Parliamentary scrutiny
  – Public availability on internet
  – Promote public understanding
Since 2002 ...

- OECD Senior Budget Officials
  - Regional networks: MENA, LAC, CESEE, Asia; also CABRI
  - Thematic networks: Budget Accounting (Accruals); Performance & Results; PPPs; Independent Fiscal Institutions; Health Budgeting
- Budget Reviews / Public Governance Reviews
- Fiscal Network
- Restoring Public Finances, 2011, 2012

Developments & Priorities in budgeting

- from annual to medium-term budgeting
- heightened focus on management of fiscal risks
- Trend towards accrual accounting (budgeting?)
- Budgeting across levels of government
- from inputs to outputs, performance and impacts
- from MoF to independent institutions
- greater engagement of parliament and citizens
- Wider international focus on budget transparency
- budgeting as an instrument of public governance
What do we mean by “Transparency” now?

**Of what?**
- Revenues
- Expenditures
- Processes
- Plans
- Performance
- Risks

**To whom?**
- Citizens
- Parliament
- Peers
- Int’l bodies
- Markets
- Auditors

**For what?**
- Participation
- Trust
- Lower costs
- Integrity
- Quality
- Stability
- Better decisions
- Impacts

*Wehner & Rezio, IBP 2011*

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Elements disclosed in the budget

<table>
<thead>
<tr>
<th>Element</th>
<th>2012</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Medium-term fiscal policy objectives</td>
<td>95%</td>
<td>85%</td>
</tr>
<tr>
<td>Budget priorities</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>Clearly defined appropriations for legislature vote</td>
<td>80%</td>
<td>70%</td>
</tr>
<tr>
<td>Linkage of appropriations to administrative units</td>
<td>75%</td>
<td>65%</td>
</tr>
<tr>
<td>Medium-term perspective on total revenue &amp; expenditure</td>
<td>60%</td>
<td>50%</td>
</tr>
<tr>
<td>Non-financial performance targets</td>
<td>50%</td>
<td>40%</td>
</tr>
<tr>
<td>Text of legislation of policies proposed in budget</td>
<td>25%</td>
<td>15%</td>
</tr>
</tbody>
</table>
¾ publish the macroeconomic assumptions and methodology

Time for legislative budget debate
Fiscal rules

Percentage of OECD countries using fiscal rules

\[
\begin{array}{c}
\% \\
74% \\
76% \\
78% \\
80% \\
82% \\
84% \\
86% \\
88% \\
90% \\
92% \\
94% \\
96% \\
\end{array}
\]

2012 2007

Number of specialised legislative budget research units has increased

- Specialised budget research office exists
- No specialised budget research office exists

\[
\begin{array}{c}
2012 \\
2007 \\
\end{array}
\]

0 5 10 15 20 25

0 5 10 15 20 25
More countries have established or are establishing independent fiscal institution

Fig. 8.13 Countries with independent fiscal institutions

Fig. 8.14 Independent fiscal institutions - number of staff

Principles of Good Budgetary Governance

Fiscal objectives  Top-down budgeting  Medium-term clarity  Strategic plans & priorities

Transparency, openness & accessibility  Participation, Inclusiveness & Realism  Performance, evaluation & VFM

Fiscal Risks & Sustainability  Quality, Integrity & Independence  True, full & fair budget accounting
Transparency, Openness & Accessibility

- Re-states Best Practices advice on budget reports
  - Enough time for effective discussion
- Beyond “openness” to “accessibility”
  - On-line
  - Open data formats
  - Analysed, re-used – role for CSOs / NGOs
- Open, standardised datasets covering all financial inflows and outflows
  - Open government
  - Integrity
  - Programme evaluation

Inclusive, participative and realistic

- Beyond openness to understand, influence and input
  - According to democratic mandate and prerogatives
- “Citizen’s budget” – standard and user-friendly
- Parliament – engage with budget process...
  - ... at all stages of budgetary cycle?
- Realistic engagement about difficult policy choices
  - Trade-offs, opportunity costs and VFM
  - Greater clarity from govt about evaluations, CBA studies?
True, full & fair picture of the public finances

- Nothing should be omitted or hidden “off-budget”
  - “budget sincerity” rules or declarations
- Full national overview – including sub-national dimension
- “Full financial costs and benefits” of budget decisions
  - Impact upon financial assets and liabilities
  - Accruals reporting
  - Cash accounting needs supplementary information

Transparency → Accessibility → Participation?

- Are budgets yet fully transparent?
  - Fiscal risks -- State corporations -- Long-term “holes”
- Are budgets yet fully accessible?
  - Bureaucratic -- technical -- open data -- lag times
- What are the modalities and limits of “participation?”
  - THIS IS PARLIAMENT’S ROLE – so get them more involved
  - LISTEN & RESPOND DIRECTLY TO CITIZENS – Swiss model
  - CSOs CAN MEDIATE CITIZENS’ CONCERNS – Social partnership
  - OPEN GOVERNMENT MEANS OPEN DATA – let citizens and CSOs find their own way – make their own paths
- Country-specific solutions versus international norms