



*Presentation by Warren Krafchik,  
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## **Presentation outline**

1. What are the benefits of budget transparency and participation (open budgeting?)
2. How does the Open Budget Survey (OBS) measure open budgeting?
3. What is the state of open budgeting practices in PEMPAL countries, and how can PEMPAL become a global leader in budget transparency?
4. What is the state of public participation in the budget in PEMPAL countries, and how can PEMPAL become a global leader in participation?



## 1. What are the benefits of Open Budgeting

- Helps attract cheaper international credit
- Improves debt management and fiscal discipline
- Exposes corruption and waste and improve efficiency/effectiveness of public expenditures
- Fosters equity by matching public resources with public priorities
- Helps build trust in government and provide citizens with voice and dignity



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## 2. How the Open Budget Survey measures Open Budgeting

### Open Budget Survey:

- A comprehensive assessment of:
  - ✓ public access to timely & comprehensive budget information throughout the budget process
  - ✓ Public opportunities to participate in the budget process
  - ✓ strength of oversight: legislatures & external auditors
- Based on internationally agreed upon principles of good financial management (principles endorsed by the OECD, IMF, INTOSAI, IBP)
- An independent, objective, comparative, research tool



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# HOW IS THE OPEN BUDGET SURVEY PRODUCED?



20  
MONTHS  
12,500  
OBSERVATIONS



18  
IBP STAFF  
MEMBERS

100  
RESEARCHERS

200  
PEER REVIEWERS

33,000



HOURS

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## How is OBS data quality assured?

1. The Survey is completed by independent researchers who are experts on the country's budget system and practices.
2. The IBP checks completed questionnaires for internal consistency and accuracy against publicly available data.
3. A peer review is completed by two independent, anonymous, experts in each country.
4. Governments have the opportunity to review their country's results.
5. The IBP referees any differences in the answer choices selected by researchers and reviewers.
6. The IBP completes cross-country consistency checks.
7. All data and comments included in the Survey are published online.



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## Open Budget Index and Participation Index

To explore levels of open budgeting in PEMPAL countries, we will use two summary measures:

**Open Budget Index:** A simple average of answers to 95/125 OBS questions focused on whether governments produce and publish 8 key budget documents: Pre-Budget Statement, Executive Budget Proposal, Enacted Budget, In Year Reports, Mid Year Review, Year End Report, Auditor Report, and Citizen's Budget

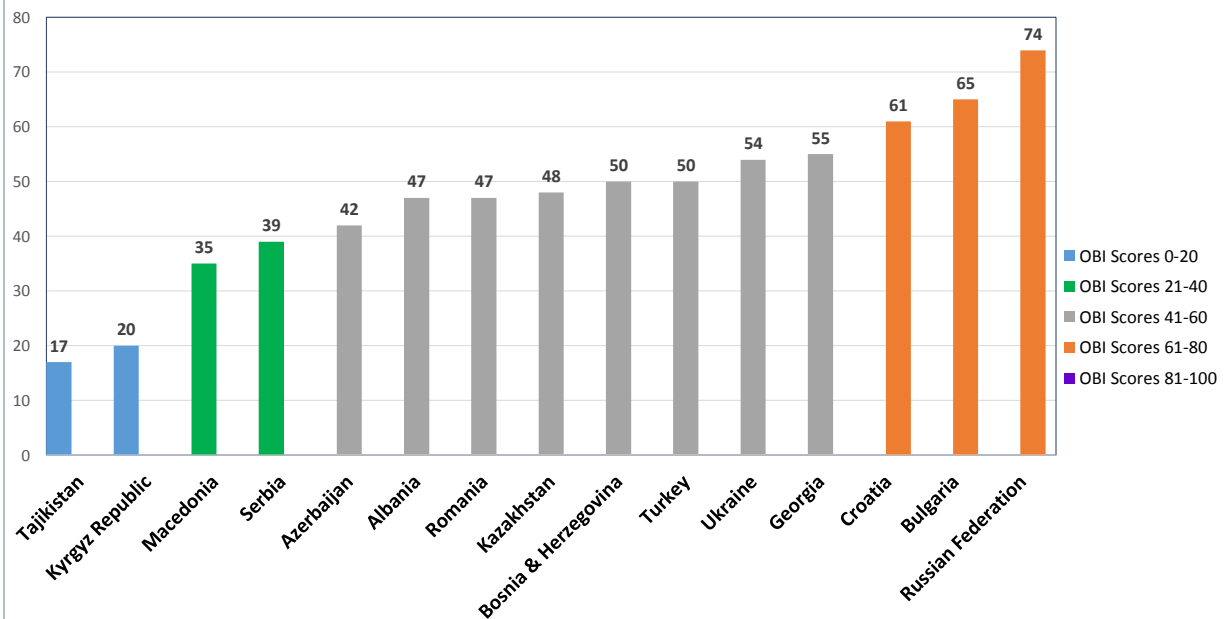
**Participation Index:** A simple average of answers to 12/125 questions focused on government efforts (Executive, Legislature, SAI) to involve citizens in budget decision-making and monitoring of execution.



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2012 OPEN BUDGET INDEX (OBI) SCORES [Max: 100, Average: 43]



### 3. What is the state of open budgeting practices in PEMPAL countries

**PEMPAL average slightly higher than OBI global average:**

Global: 43/100

PEMPAL: 46.9/100

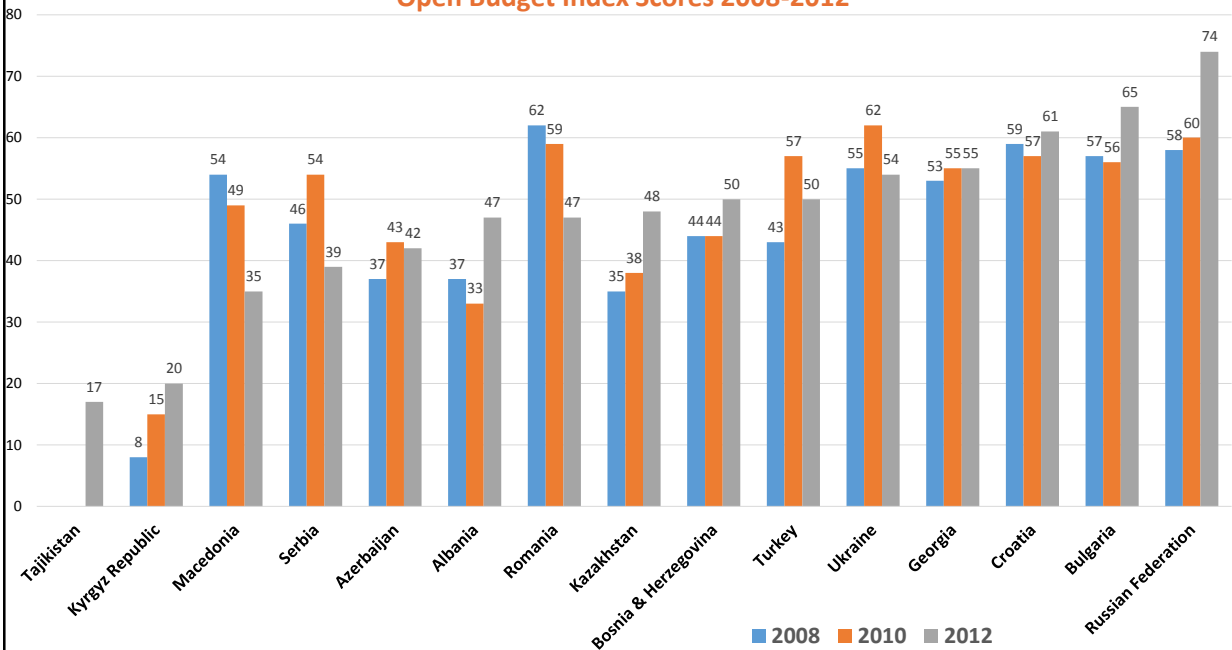
**PEMPAL scores more concentrated around “some” information:**

Global: Highest (NZ 93) and lowest (0)

PEMPAL: 8/15 countries score between 40 and 60; 3 countries between 60 - 80, no country with “extensive” information or zero score.



Open Budget Index Scores 2008-2012



## Changes in budget transparency: 2006 - 2012

### **OBS Average Growth Rate**

- 2006–2012 >> 40 countries improve by average 10 points
- Scores rise fastest between 2006-08, with major slowdown in 2010-12
- Sharpest rise seen in 14 low-scoring countries (avg. 16 point rise, e.g. Afghanistan, DRC, Honduras, Liberia)

### **PEMPAL growth 2008-2012**

- 2008-10 >> 10/14 countries improve by average 3.2 points
- Biggest increases: Albania (10), Kazak (13), Kyrgyz (12), Russia (16)
- Four (4) countries decrease score, three (3) constant in this period
- Pace of improvements slower between 2010-12

## The challenge

### **PEMPAL trend is positive, but considerable room for improvement**

- PEMPAL average and 9 of 14 countries still rank below 50%
- Steady but slow rise in budget transparency but growth slows 2010-2012
- 4 countries provide minimal or scant information
- 8 countries with “some” information still include significant gaps in information provision

### **What steps can PEMPAL take in next two years towards becoming a global leader in budget transparency?**

Country	Pre-Budget Statement	Executive's Budget Proposal	Citizens Budget	Enacted Budget	In-Year Reports	Mid-Year Review	Year-End Report	Audit Report
Albania	●	●	●	●	●	●	●	●
Azerbaijan	●	●	●	●	●	●	●	●
Bosnia & Herz	●	●	●	●	●	●	●	●
Bulgaria	●	●	●	●	●	●	●	●
Croatia	●	●	●	●	●	●	●	●
Georgia	●	●	●	●	●	●	●	●
Kazakhstan	●	●	●	●	●	●	●	●
Kyrgyz Rep.	●	●	●	●	●	●	●	●
Macedonia	●	●	●	●	●	●	●	●
Romania	●	●	●	●	●	●	●	●
Russia	●	●	●	●	●	●	●	●
Serbia	●	●	●	●	●	●	●	●
Tajikistan	●	●	●	●	●	●	●	●
Turkey	●	●	●	●	●	●	●	●
Ukraine	●	●	●	●	●	●	●	●

● Available to Public     
● Available for Internal Use     
● Not Produced

## How can PEMPAL make significant progress on budget transparency?

### 1. Meet Minimum Standards required by Open Government Partnership

- All PEMPAL countries to produce and publish Executive's Budget Proposal & Audit Report. To meet this standard, Tajikistan should publish the EBP and Audit Report, and Kyrgyz Republic the Audit Report. Both countries already produce these reports for internal use.

## Budget transparency action plan (cntd)

### 2. Publish More of the 8 Key Budget Documents (e.g., Citizens Budget, Mid-Year Review (MYR))

- Only Kazakhstan produces a Citizens Budget. Every country can produce this with already available information.
- 4 countries publish the MYR, 4 do not publish the MYR, and 7 do not produce the MYR.

### 3. Improve the comprehensiveness of EBP (and YER)

- The comprehensiveness of the EBP is a major driver of overall OBI score because of the substantial number of Survey questioned focused on the EBP.

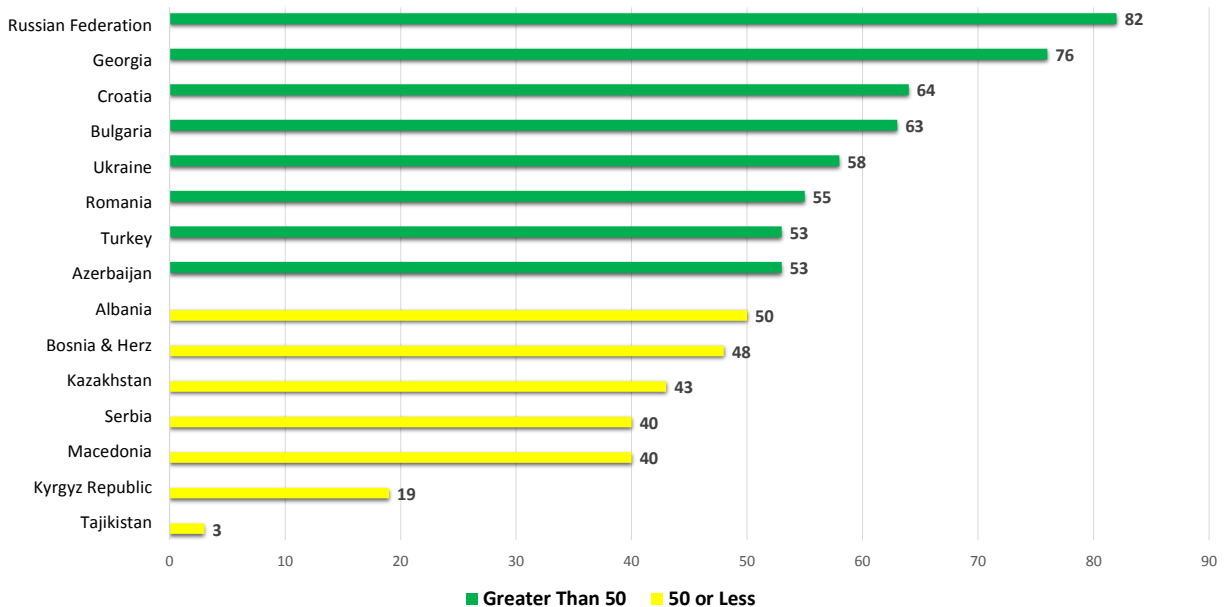


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### Comprehensiveness of Executive's Budget Proposal [Max Score 100]





## Executive Budget Proposal typical omissions

- **Narrative & quantitative macro-economic assumptions** (q15):
  - Data on inflation, real GDP, and interest rates
  - Sensitivity analysis showing impact of changing assumptions (11)
- **Contingent liabilities (e.g. government loan guarantees)** (q42)
  - Statement of purpose/rationale for each liability (7)
  - New guarantees or insurance commitments for budget year
  - Total outstanding guarantees or insurance commitments at end of period
- **Tax expenditures** (q45)
  - Statement of rationale, list of beneficiaries, estimate of revenue foregone (10)
- **Non-financial data (for all administrative units)**
  - Inputs, Outputs, and Outcomes
- **State owned enterprises**

## 4. What is the state of participation in PEMPAL Countries

*The link between transparency, participation, and accountability  
Consensus on importance of transparency exists, but participation clearly lags behind*

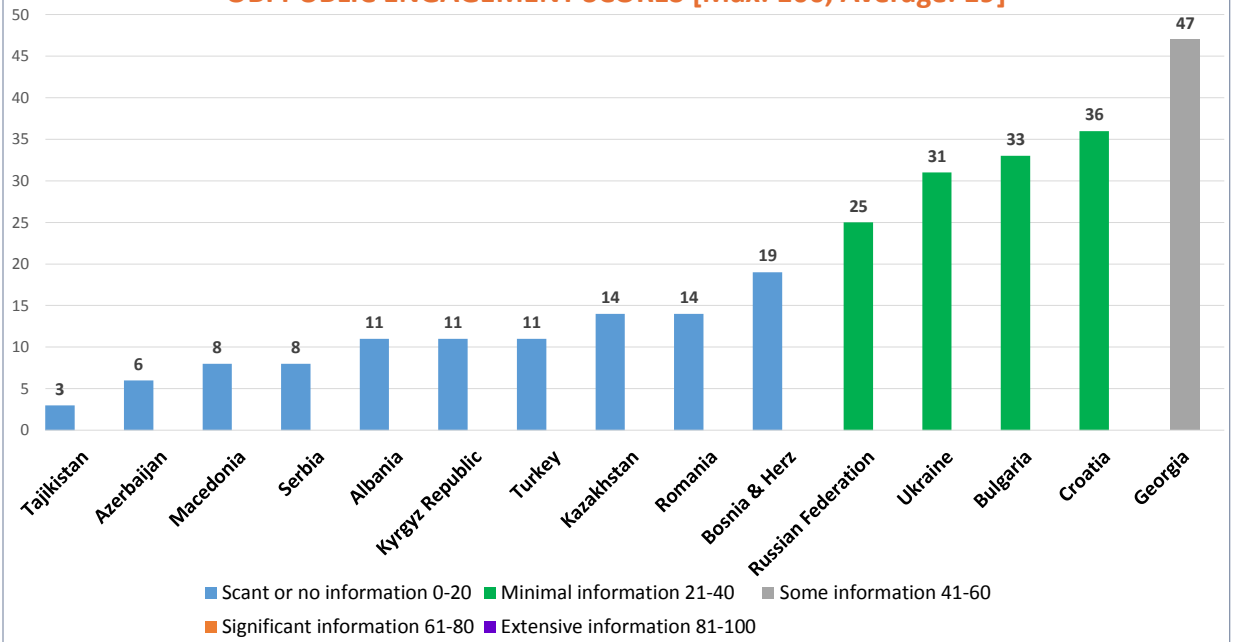
### Global average is extremely low >> 19/100

- Only South Korea provides for extensive participation (92/100)
- 83 countries provide very limited or no opportunities (33 or below)

### PEMPAL

- Similar to global scores, PEMPAL average = 18.5/100
- Georgia highest >> 47/100
- No country above 50/100; 10 countries under 20/100

## OBI PUBLIC ENGAGEMENT SCORES [Max: 100, Average: 19]



## How can PEMPAL make significant progress on participation in the budget process?

### Principles of good participation practices:

- Provide multiple mechanisms throughout budget process
- Involve all parts of government – Executive, Legislature, SAI, Ombud.
- Provide a legal basis for participation
- Publicize purposes in advance
- Provide feedback

## Emerging good participation practices

Despite the overall low scores, several countries (including PEMPAL countries) are pioneering effective participation practices.

- Three PEMPAL countries have strong formal requirements for participation (Romania, Russia, Ukraine)
- Three PEMPAL countries have strong SAI public communications (B-H, Bulgaria, Ukraine)

### What can PEMPAL learn from the rest of the world?



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## Adopting global good practices in PEMPAL countries

### • *Executive steps*

- Cross-country field trips to gather information on conditions on the ground from local officials and the public (South Korea)
- Ministerial and Sector consultation with public about budget priorities using traditional and new technologies (Kenya, South Africa)
- Consultations with public on budget implementation and service delivery through Citizen Report Cards, public consultations, tax evasion hotlines (New Zealand and India)

### • *Legislature steps*

- Hold open hearings in legislature to discuss Pre-Budget Statement and Budget Proposal; include opportunities for public comment and presentation of evidence
- Hold public hearings in legislature to discuss annual Audit Report
- Advertise hearings widely through local media and broadcast on community radio/TV



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## Adopting global good practices in PEMPAL countries (Cont.)

- **Supreme Audit Institution Steps**

- Citizen Audit Request System - SAI consults public to identify priority audit sites (South Korea), and trains public in audit follow-up (Columbia)
- SAI uses TV, printed media, and institutional magazines to publish accessible audit findings (Indonesia)
- Fraud alert system with public website showing summary of complaints, agency involved, subject of allegation, action, and outcome (Philippines)
- SAI works with public to conduct joint or parallel audits of public expenditures (India, Philippines)

## Improving budget transparency and participation in PEMPAL countries: An action plan

### Transparency

- **Initial steps:** Publish the EBP, Audit Report, MYR and Citizen's Budget
- **Intermediate steps:** Improve the comprehensiveness of the EBP, and Year-end Report, with special focus on transparency of SOE
- **Advanced steps:** Publish public servant salaries, asset disclosure; beneficial ownership of extractive industries

### Participation

- **Initial steps:** Open the legislature to public debate; SAI to introduce Fraud hotlines
- **Intermediate steps:** Executive to establish formal forum to gather citizen input on budget priorities, and citizen feedback on service delivery
- **Advanced steps:** SAI to establish joint or parallel audits with CSOs