

OPEN BUDGET SURVEY 2015

EXECUTIVE SUMMARY

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Executive Summary

The world's nations will soon gather for two convocations that may have global repercussions for decades to come. In late September, countries will come together at the United Nations to finalize the next generation of international development goals. Effective implementation of an ambitious set of goals would make significant strides toward combatting poverty and addressing many of the world's greatest development challenges. Then in late November an anticipated 40,000 country and civil society participants are expected to attend COP21: the Conference of the Parties to the United Nations Framework Convention on Climate Change.^{E1} The goal is to achieve the first legally binding agreement to combat climate change and ease the transition to low-carbon economies.

The ultimate effectiveness of either potentially sweeping new global agreement will depend in no small part on the national budget policies adopted to support their implementation, and whether the resources mobilized are spent in an effective and efficient manner. There is cause for concern. A key weakness of the current development goals has been the absence of sufficient budget information to monitor the investments necessary for their pursuit, and to hold government and donor agencies accountable for the results. If anything, there is even less information available on efforts to mitigate or adapt to climate change, which is constraining efforts to monitor the flows of climate funds.

Therefore, for either international initiative to be successful, it is imperative that comprehensive budget information be widely available, that meaningful opportunities for civil society and citizens to express their voice regarding budget decisions and oversight be provided, and that strong independent oversight from the legislature and auditors exists.

The centrality of budget transparency, participation, and oversight to address global and country challenges has become received wisdom among international institutions, many individual governments, and donors. Indeed since the last Open Budget Survey was published in 2012, the international standard setters in the fiscal transparency arena, including the International Monetary Fund (IMF), the Public Expenditure and Financial Accountability program (whose secretariat is hosted by the World Bank), and the Organisation for Economic Co-operation and Development (OECD), have each revised

their standards on effective public financial management to more fully embrace open budget systems and practices.

It is with this context in mind that the findings of IBP's Open Budget Survey 2015 of 102 countries should be interpreted. This report, the fifth of its kind, examines the three pillars of budget accountability: it considers the current state of budget transparency and how it has changed over time; the degree to which opportunities for public participation in the budget process are present; and the strength of the two formal oversight institutions, the legislature and the supreme audit institution.

On the one hand, the Survey results underscore how far countries have to go to meet basic standards. The report finds that the large majority of countries provide insufficient information for civil society and the public to understand or monitor the budget. Also, only a small fraction of countries provide appropriate mechanisms for public participation, and formal oversight institutions frequently face limitations in performing their function of holding governments to account. Among other consequences, these deficiencies could jeopardize the successful implementation of the new development goals or the wise allocation and spending of new funds aimed at addressing climate change.

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On the other hand, there is reason for optimism. The series of Open Budget Survey reports published over the past decade indicate there has been notable progress in budget transparency, with this progress continuing into 2015. Budget transparency has increased in nearly all parts of the world, and progress has been especially robust among those countries that provided the least budget information in the past. Advances have often been achieved quickly and at little cost by, for instance, governments simply publishing documents that they already produce for their own internal use. A significant number of countries have seen dramatic improvements brought about by a combination of government commitment and pressure from both inside and outside the country, as well as encouragement and technical assistance from donors and domestic and international civil society.

E1. See COP21 Main Issues <http://www.cop21.gouv.fr/en/cop21-cmp11/cop21-main-issues>

In fact, the 2015 Survey provides further evidence that any country – irrespective of geographical location or income level – can establish open and accountable budget systems if the political will exists to do so.

The Open Budget Survey

The Open Budget Survey is the world's only independent comparable measure of budget transparency, participation, and oversight. Other public finance assessments mostly rely on government self-reporting, but the Open Budget Survey is implemented by independent researchers based in each of

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the countries surveyed who conduct analysis to determine the answers to 140 factual ques-

tions, and the results are reviewed by an anonymous expert. Governments in all survey countries are also invited to review and comment on the results, and many do so.

The bulk of the questions examine the amount of budget information that is made available to the public through eight key budget documents. Based on the answers to 109 questions, each country is given a score between 0 and 100 on the Open Budget Index (OBI) – a broad, comparable measure of budget transparency. Previous results have been widely used by individual country governments and civil society organizations, as well as by multistakeholder and sector-specific transparency and accountability initiatives, to improve the disclosure of budget information. The Survey also consists of 16 questions examining opportunities for public participation in budget processes, and 15 questions examining the strength of the two formal oversight institutions, the legislature and the supreme audit institution.

In 2015 the Survey was revised to capture developments in accepted good practice, further harmonize it with other fiscal standards and tools, and strengthen individual questions based on insights that IBP had collected throughout many years of investigating the determinants of effective and accountable budget systems.

The State of Budget Transparency

Results from the Open Budget Survey 2015 reveal large gaps in the amount of budget information that governments are making available to the public. The average OBI score of

the 102 countries surveyed in 2015 is 45 out of 100. A large majority of the countries assessed – in which 68 percent of the world's population live – provide insufficient budget information. These 78 countries have OBI scores of 60 or less. A troubling 17 countries provide scant or no budget information, with scores of 20 or less.

The Survey found that around one-third of budget documents that should be available to the public are not. They were either not produced at all, produced for internal use only, or published too late to be useful. Of particular concern, governments in 16 countries failed to even publish the foundational document that describes the government's proposed budget policies, the Executive's Budget Proposal.

Many of the budget documents that are missing from the public domain are prepared, but remain off limits to the public. Budget transparency could be significantly advanced if governments were to take the simple step of releasing these already-prepared documents. Failing to publish information that is already being produced is clearly a question of political will, which donors and civil society can influence. In addition, the forthcoming global development and climate change agreements should require public reporting of investments toward meeting these commitments, a key step toward opening budgets.

The Survey also found that even when budget documents are published, they frequently lack sufficient detail. For example, the Executive's Budget Proposals that are published provide, on average, less than three-fifths of the desired information. Thus, to even further increase budget transparency, governments need to provide more comprehensive budget information. This can be an issue of a government's capacity, and so donors and civil society can support progress by providing technical assistance.

Characteristics of Countries with Different Levels of Budget Transparency

The report investigates some of the circumstances under which transparency appears more likely. Not surprisingly, it finds that the 24 countries assessed to be providing sufficient budget information tend to have higher levels of income, a freer press, and stronger democratic systems than the countries that provide insufficient budget information. Interestingly, more transparent countries are also typically perceived to be less corrupt.

But this investigation includes some surprising findings.

Countries that score between 41 and 60 are almost as likely to publish budget documents as those with scores above 60. The documents of the higher performing countries, however, tend to be much more comprehensive. The weakest performing countries (those with scores of 40 or below) actually have higher incomes, on average, than the countries with scores between 41 and 60. This likely reflects the many hydrocarbon revenue-dependent countries with very low levels of budget transparency.

Still, hydrocarbon countries, such as Mexico, and low-income countries, such as Malawi and Uganda, are among those that provide sufficient budget information. Such exceptions demonstrate that any government can, if it so chooses, make its budget appropriately transparent.

Improvements in Budget Transparency over Time

The Open Budget Survey has been conducted five times in the last decade, with previous rounds completed in 2006, 2008, 2010, and 2012. The number of countries included in the Survey has grown over successive rounds, meaning that simple global averages are not a good indicator of overall progress.

Between 2012 and 2015, the average OBI score for the 100 countries for which comparable data are available increased from 43 to 46. This increase in the global average would have been larger if the Survey had not been modified in 2015.^{E2}

This result masks considerable variation in progress across the countries surveyed. The largest improvements in budget transparency between 2012 and 2015 were made by countries that were among the least transparent. Countries that were at the bottom of the index in 2012, with scores of 40 or less, have improved markedly: their average OBI score rose from 18 in 2012 to 28 in 2015, a sizable increase of more than half.

Between 2012 and 2015, certain countries made remarkable progress in budget transparency. The Kyrgyz Republic's OBI score jumped from 20 in 2012 to 54 in 2015; Tunisia nearly quadrupled its score from 11 in 2012 to 42 in 2015. The transparency scores for countries in Francophone West Africa rose substantially from 2012 to 2015, continuing the rapid improvements from 2010 to 2012. These examples demonstrate how the commitment of governments accompanied by other favorable factors, such as donor support, international standards, and civil society pressure, can yield significant and rapid improvements in budget transparency.

This march toward progress holds up when looking at a longer time frame. A comparison between 2015 data and data from earlier Surveys shows that, on average, individual countries' scores increased by 10 points from the first year they joined the Survey, and that the greatest gains in budget transparency have been made by countries that were among the least transparent when first surveyed.

An examination of the publication of budget documents tells a similar story. For the 100 countries for which comparable data are available, on balance 51 more documents were published on

time in 2015 than in 2012 (a rise in the number of documents

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published of 10 percent). This adds to progress from previous years. Since the start of the Survey, 112 net additional budget documents have been published in the countries surveyed.

Enthusiasm about Progress Should Be Tempered

Enthusiasm over these signs of progress in budget transparency, however, should be tempered by four considerations. First, the progress is from a low base. So even after recent improvements, most countries fail to provide sufficient information for an adequate budget debate.

Second, certain data from the Survey indicate that considerably more countries have experienced declines in budget transparency since 2010 than they did in the four years prior to that. Of the 100 countries that were also surveyed in 2012, seven saw a

sharp decline in their OBI scores in 2015, with their

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scores falling by more than 10 points. Similarly, seven of the 93 countries surveyed in 2010 experienced large declines when their OBI scores were updated in 2012. In contrast, of the 78 countries that were also part of the 2008 Survey, just two saw their OBI scores fall by more than 10 points by 2010, and no countries surveyed fell by this amount from 2006 to 2008.

Third, far too many countries that were found to have unacceptably low levels of budget transparency when first surveyed are failing to advance reforms. For example, Algeria,

E2. See Annex B of this report for more information on changes to the Survey.

Bolivia, Cambodia, Chad, China, Equatorial Guinea, Fiji, Iraq, Myanmar, Qatar, Saudi Arabia, and Vietnam have been among the least transparent countries (with OBI scores of 20 or less) every single year they have been in the Survey. And, of the 25 countries whose scores placed them in the limited category when first surveyed (with OBI scores between 41 and 60), 19 either remain there or have fallen into lower categories in 2015.

A fourth and final reason to temper enthusiasm about progress pertains to the volatility in the transparency of many countries, which creates tremendous challenges to those attempting to understand or monitor national budgets. This phenomenon is illustrated by examining the changes in budget documents published among select countries. There are 10 countries where two or more documents have changed status at least three times over multiple rounds of the Survey. In Ghana, for example, the budget document that should be published at the end of the fiscal year to assess the actual outcome of the budget was not produced at all in 2006; was prepared for internal use only in 2008; was published for public use in 2010; was not prepared at all again in 2012; but then was again published for public use in 2015.

Public Participation

The importance of governments providing opportunities for the public to participate in budget processes has been increasingly recognized in recent years. Public participation was first included as a measure in the 2012 round of the Survey, and has since been incorporated into new standards issued by the IMF and the OECD. The Global Initiative on Fiscal Transparency (GIFT), a multistakeholder platform, is also playing a key role in the development and advancement of participation principles.

The Survey results indicate that most countries currently provide few opportunities for the public to participate in budget processes. Among the countries surveyed in 2015, the average score for participation is just 25 out of 100. This suggests that meaningful channels for the public to engage in the formal budget process are rare in the vast majority of countries.

Participation opportunities are typically insufficient at all stages of the budget process. Further, even when governments have established mechanisms for the public to participate, they often fall short of good practice. The most common way for governments to open up the budget

process to public participation is through legislative hearings. However, while more than half of the countries surveyed hold public hearings on budget issues, only 19 out of 102 countries allow the public to testify at both of the two key hearings (hearings on the macroeconomic framework, and hearings on the individual budgets of administrative units, such as health and education).

Despite the overall dearth of opportunities for participation, some countries have introduced innovative reforms to advance public participation. Such examples can help inform potential reforms in other countries. In addition to the Survey results, the report presents some of the findings of a series of case studies

GIFT has commissioned on innovative programs in countries such as Kenya, the

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Philippines, and South Korea. In South Korea, for example, a program to collect public input on wasteful spending and budget misappropriations has resulted in revenue increases of 13.5 trillion won (around 11 billion U.S. dollars) and expenditure savings of 2.3 trillion won (around 2 billion U.S. dollars).

Oversight by Legislatures and Supreme Audit Institutions

The formal oversight provided by legislatures and supreme audit institutions plays a fundamental role in the budget process. While civil society can act as an independent watchdog, it cannot replace the fundamental role of formal oversight institutions. Accordingly, the Open Budget Survey also contains questions that provide separate scores on the strength of the oversight that legislatures and supreme audit institutions are able to provide.

In 2015 the average score for legislative strength is 48 out of 100. Only 36 countries score more than 60, suggesting that they have adequate latitude to execute their responsibilities. Legislatures in the remaining 66 countries – the majority of those surveyed – have serious deficiencies in their ability to oversee the budget.

In almost a third of countries surveyed, legislatures are not provided with enough time to review the budget proposal before it has to be passed. In 55 countries, legislatures do not have adequate access to internal research and analytical capacity, such as a specialized budget research office. Further,

the executive branch is able to skirt legislative oversight once the budget is enacted in the majority of countries surveyed. In these countries, legislative approval is not required for redistributing resources or reallocating additional revenues and contingency funds.

Supreme audit institutions are tasked with scrutinizing the use of public funds. The average score for supreme audit institution strength in 2015 is 65 out of 100, indicating they are typically reasonably independent and have sufficient resources to carry out their work. Still, 43 countries score below 60, suggesting their supreme audit institutions are unable to adequately perform their responsibilities. Moreover, in the majority of countries, including those that score above 60, the quality assurance systems for supreme audit institution reports are either deficient or nonexistent.

The Accountability Ecosystem

The design of the Open Budget Survey is based on the premise that efficient, effective, and accountable budget systems rest on three pillars: budget transparency, public participation in the budget process, and oversight by strong formal government institutions. The absence of any one of these three components weakens the entire system.

Results from the 2015 Survey reveal that very few countries are solid across all three pillars. Of the 24 countries that score well on budget transparency, just four (Brazil, Norway, South Africa, and the United States) also score well across the participation and oversight dimensions (with scores above 60). A far larger number of countries (32) fail to meet the Survey's standard of adequacy on any of the measures.

A dismaying 12 countries (Algeria, Angola, Equatorial Guinea, Fiji, Liberia, Morocco, Myanmar, Qatar, Saudi Arabia, Sudan, Yemen, and Zimbabwe) fall into the weak performing

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of budget transparency, weak legislatures, weak auditors, and few or no opportunities for public participation. Their entire budget accountability ecosystems are deficient, which

category (with scores of 40 or less) across each of the measures. These countries are characterized by a lack

seriously undermines the effective management of funds and creates openings for corruption.

Recommendations

Unleashing a virtuous cycle, in which the three pillars of budget accountability are strengthened, ultimately requires governments to act. Building the political will of governments to do so, however, often requires the active, persistent, and mutually reinforcing engagement of a wide range of actors. For this reason, the recommendations included in this report are directed not just at governments but also international institutions, donors, investors, and civil society organizations.

The right package of reforms for any country will depend on the specific deficiencies present in its budget system. Accordingly, IBP has published individual country summaries with tailored recommendations for each country surveyed.^{E3} But the findings of this report also lead to some general recommendations that apply to different categories of countries and to actors engaged in more than one country.

Recommendation 1: Publish More Information

All actors should work toward increasing the number of published documents in countries with OBI scores of 40 or below, and increasing the comprehensiveness of documents in countries with scores between 41 and 60.

Recommendation 2: Institutionalize Gains in Transparency

All actors should ensure gains in transparency – whether publishing previously undisclosed documents or improving the content of budget documents – are not reversed. Preserving these gains allows countries to build on their progress and keep budget transparency on a positive trajectory.

Recommendation 3: Provide More Opportunities for Public Participation

Legislatures should support the establishment of open legislative hearings on the budget during which the public is permitted to testify. The executive branch should develop mechanisms such as participatory budgeting and social audits to obtain public inputs during the formulation and implementation of the budget.

E3. Country summaries with specific recommendations for each of the 102 countries surveyed are available at www.openbudgetsurvey.org

Recommendation 4: Empower Oversight Institutions

All actors should seek to improve legislative capacity to engage with the budget in a meaningful way through better access to research and analytical capacity.

All actors should support supreme audit institutions in establishing procedures to monitor audit processes and evaluate individual audits with the goal of increasing the quality and reliability of the reports they produce.

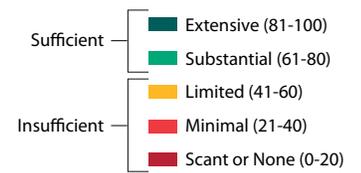
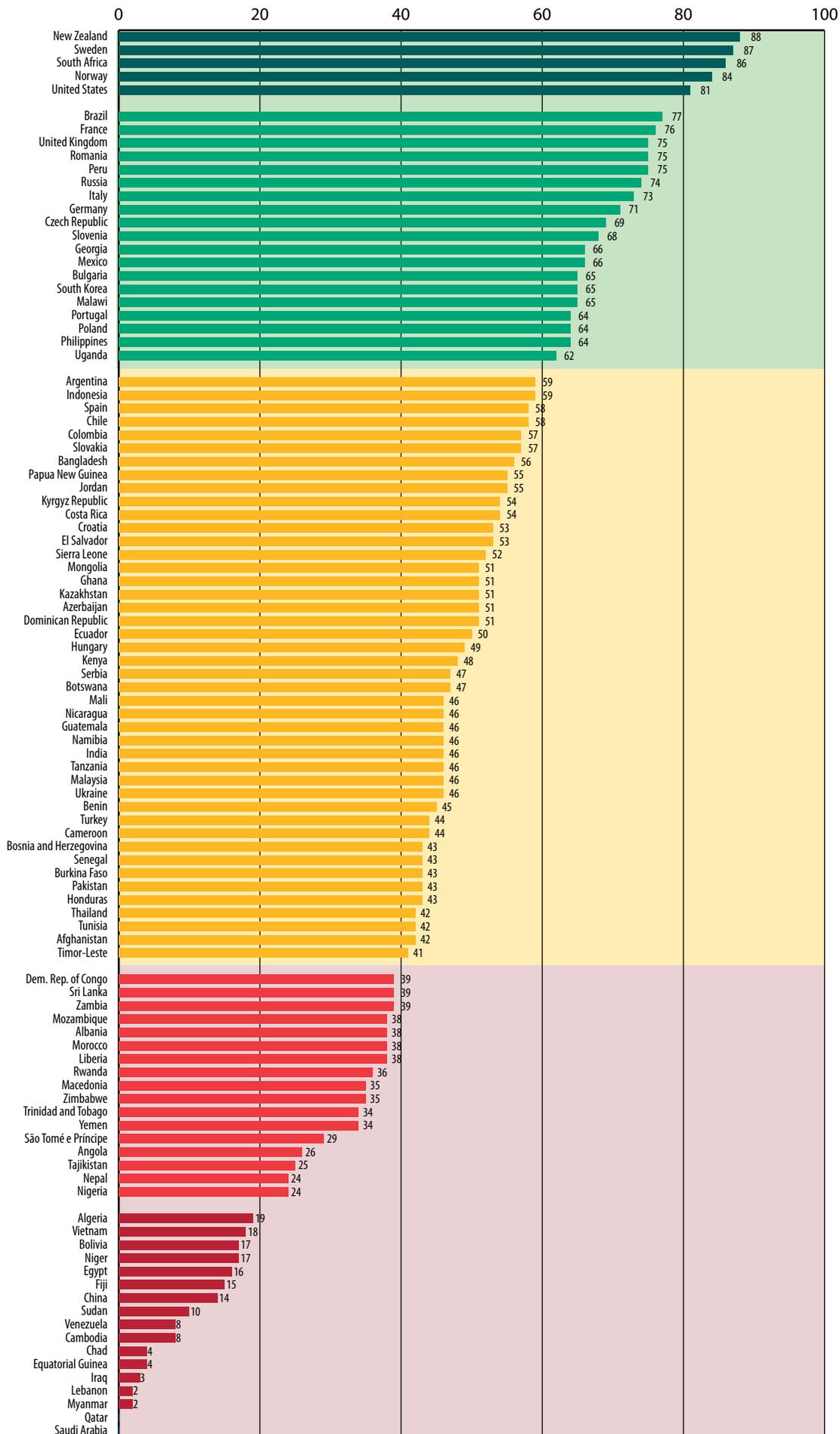
Recommendation 5: Promote the Development of Integrated and Accountable Budget Ecosystems

No one should be satisfied if a country has one strong pillar of budget accountability, or even two. All three pillars of budget accountability are needed to ensure appropriate checks and balances are in place.

Looking Forward

The overarching challenge is to translate the global discourse, which now almost universally embraces the role of accountable budget systems, into real and sustained improvements at the national level. Strong and coordinated efforts among all actors – domestic and external, government and nongovernment – could rapidly lead to the establishment of many more fully transparent and accountable budget systems. Such systems, in turn, would improve the collection and allocation of scarce national resources, and are critical to assuring the success of global initiatives – such as those that aim to reduce poverty and respond to the grave dangers of climate change.

The Open Budget Index 2015



How Many Countries Score Sufficiently Across all Three Pillars of Budget Accountability? (Transparency, Participation, and the Two Measures that Comprise Oversight)

0 out of 4	1 out of 4	2 out of 4	3 out of 4	4 out of 4
<i>(Number of measures on which countries score above 60)</i>				
Afghanistan	Albania	Botswana	Czech Republic	Brazil
Algeria	Argentina	Bulgaria	France	Norway
Angola	Bangladesh	Chile	Georgia	South Africa
Azerbaijan	Bosnia and Herzegovina	Colombia	Germany	United States
Benin	Chad	Costa Rica	Italy	
Bolivia	Croatia	El Salvador	New Zealand	
Burkina Faso	Dominican Republic	Indonesia	Peru	
Cambodia	Ecuador	Malawi	Philippines	
Cameroon	Ghana	Mexico	Portugal	
China	Guatemala	Mongolia	Russia	
Dem. Rep. of Congo	Honduras	Poland	Slovenia	
Egypt	Hungary	Romania	South Korea	
Equatorial Guinea	India	Tajikistan	Sweden	
Fiji	Kazakhstan	Trinidad and Tobago		
Iraq	Kenya	Uganda		
Jordan	Kyrgyz Republic	Ukraine		
Lebanon	Macedonia	United Kingdom		
Liberia	Malaysia	Vietnam		
Morocco	Mali			
Mozambique	Namibia			
Myanmar	Nepal			
Papua New Guinea	Nicaragua			
Qatar	Niger			
Rwanda	Nigeria			
São Tomé e Príncipe	Pakistan			
Saudi Arabia	Senegal			
Sudan	Serbia			
Tanzania	Sierra Leone			
Tunisia	Slovakia			
Yemen	Spain			
Zambia	Sri Lanka			
Zimbabwe	Thailand			
	Timor-Leste			
	Turkey			
	Venezuela			
32 Countries	35 Countries	18 Countries	13 Countries	4 Countries