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Acknowledgements

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Central America: a stagnant region in terms of budget transparency

In its 2021 edition, the Open Budget Survey (OBS) evaluated five countries in the Central American region: Costa Rica, El Salvador, Guatemala, Honduras and Nicaragua. The results show that the region still lacks sufficient budget transparency, with an average score of 54. Despite the fact that the OBS was conducted in the context of the 2020 pandemic, which forced sudden and significant budgetary changes and prompted governments and civil society to operate under lockdown conditions, the results do not show drastic drops in the levels of access to budget information, except in one case (El Salvador). In general, and like the rest of Latin America, the region has three countries with budget systems that generate and publish relatively sufficient information for citizens to understand how government funds are raised and spent (Costa Rica, Guatemala and Honduras); while two countries (El Salvador and Nicaragua) continue to show significant shortcomings in terms of budget transparency.



A market in Guatemala. Jeison Higueta / Unsplash

Graph 1. Central America: OBS ratings trend (2015-2021)

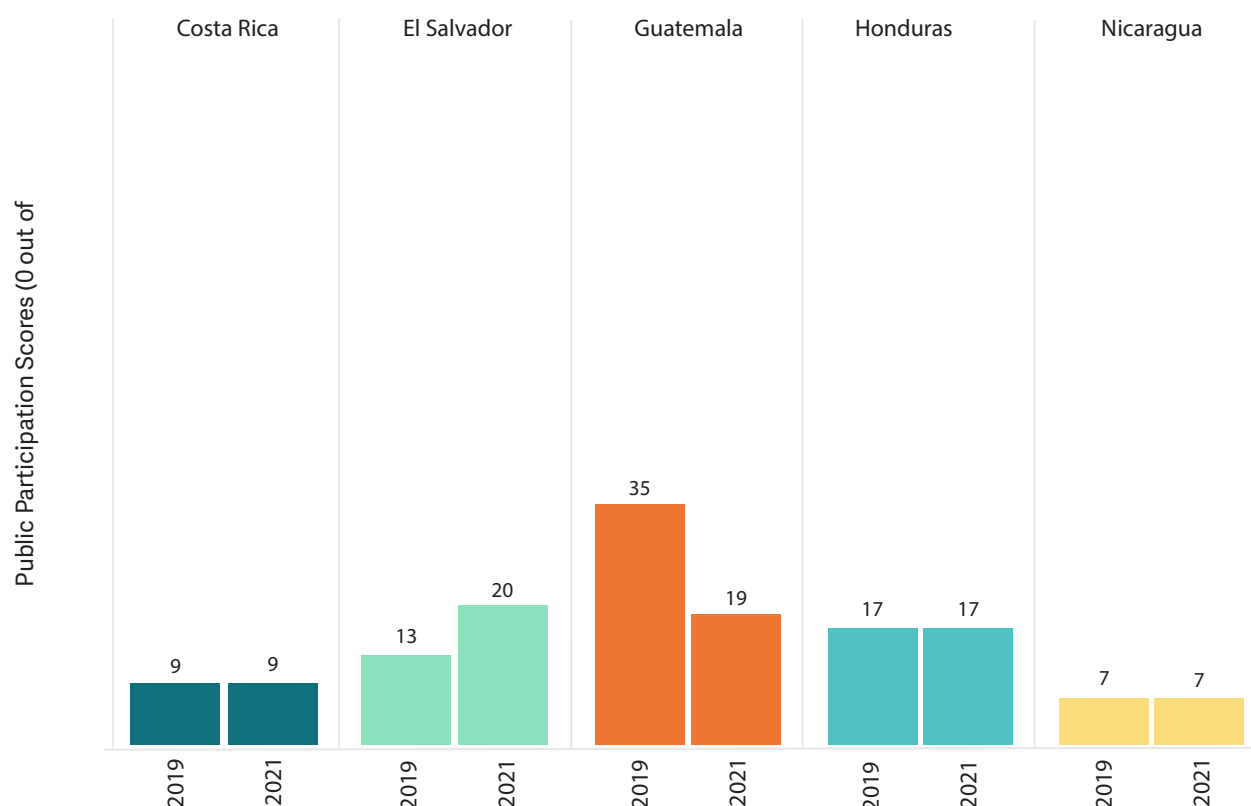


Source: Open Budget Survey 2021, IBP.

Only Costa Rica, Guatemala and Honduras exceed the threshold for providing sufficient budget information. But in general, for OBS 2021, no structural changes in transparency were observed in any country in the region.

Looking at public participation, OBS results continue to show a significant lack of institutional spaces and mechanisms for citizen involvement in budget discussions and execution in the Central American region. The regional average is 14 out of 100 points in this area: Participation opportunities are almost non-existent, which has been the case since the first editions of the survey — no country has made notable progress yet. In this matter, it is regrettable that the small advances observed in OBS 2019 were not sustained, as the current survey shows a serious reduction in participation spaces. Once again, it is imperative that countries in Central American implement changes so that their populations, particularly vulnerable groups, can actively participate in the budget, which will give greater legitimacy to the work of public administration.

Graph 2. Central America: OBS Public Participation Scores for 2019 and 2021



Source: Open Budget Survey 2021, IBP.

In terms of budget oversight, OBS 2021 finds that Central America remains a region with limited budgetary control and that there is a lot of room for improvement. With an average of 58 out of 100, it appears that the countries' legal and institutional budget oversight frameworks are in place, for both legislature and oversight bodies; but they are implemented in a timely and effective manner. In addition, the pandemic, alongside a decline in democratic institutions and the rule of law, continue to undermine the effectiveness of public budget control bodies and mechanisms.

OBS 2021 shows that the Central American region stagnated with insufficient levels of budget transparency. Although budget systems can generate some information in a timely manner, progress was not structural and remained vulnerable to democratic backsliding. The results show, above all, the urgency for Central American countries to recognize the importance of transparency and public participation in bringing legitimacy to the use of public resources and the government's work to support its citizens.

Guatemala: setbacks in participation and budget oversight

In OBS 2021, Guatemala's overall score is 64, which is close to its score in the 2019 edition. This is the highest rating in Central America and shows that Guatemala continues to belong to the segment of countries around the globe that make substantial information available.

These results were driven by the efforts of the Ministry of Public Finance (Minfin) to improve and innovate Internet portals providing fiscal information. These user-friendly portals give non-specialized audiences easy access to data on budget execution, public trust funds, non-governmental organizations, local governments, external loans and public procurement, among others. Additionally, the components of the Integrated Financial Administration System can be consulted online, and information can be downloaded in open data format. Despite these advances, access to and use online information remains a challenge and should be expanded so that more and more people can use it to participate in activities such as social audits.

“These results were driven by the efforts of the Ministry of Public Finance (Minfin) to improve and innovate Internet portals providing fiscal information.”

In terms of public participation, Guatemala's score fell to 19 in the 2021 survey, down from 35 in OBS 2019. This drop reflects the lack of evidence that citizens participated in the budget allocation hearings held by the Congress' Public Finance and Currency Committee.

In the region, this score is the second highest, mainly because the Minfin conducts open budget workshops, which started in 2016, and the Comptroller's Office website includes a section where citizens can file complaints, which can be used as input for audits.

Although the Minfin organized workshops, presentations and forums with some members of civil society, its failure to produce a document that systematizes contributions, suggestions and opinions received stands out among the weaknesses reported in OBS 2021. The impact of these contributions in the final version of the budget was not addressed either. Without these elements, open budget workshops and public hearings lose their potential for impact and undermine the confidence of the participants, as well as their credibility and legitimacy as spaces for budget transparency and openness.

As a result, there was no way to know whether, during the Executive's budget workshops or the legislative public hearings, the authorities had effectively given all potentially affected or interested people full and equal opportunities to participate; provided robust and timely information to stakeholders to let them engage effectively; and established and enforced clear rules to manage citizens' expectations. In addition, there was no record to prove that the opinions and proposals offered were ever listened to, considered or disseminated without bias. Finally, the absence of any record left in doubt whether the executive and legislative branches made sure that the engagement activities not only allowed citizens to get information but also express their views, collaborate and shape decisions.

In the budget oversight component, Guatemala's score is 46, down from 56 in OBS 2019, making it the country with the lowest score in the region. This result shows that oversight by the legislature and the Comptroller General's Office was limited. The findings also highlight that Guatemala lacks a fiscal institution that provides independent and non-partisan information throughout the budget process.

In accordance with the current legal framework (Political Constitution and Organic Law of the Legislative Branch), most of the legislative party blocs and the legislative working commissions supervise the execution of the budget by means of summonses or invitations to public officials and employees. However, in most cases, they did not publish reports of their findings or analyses, which prevented these evaluations from having an impact. The same occurs with the CFPM, which does not publish the required documents it receives.¹ In addition, legislators have not yet met their constitutional obligation to approve or reject the annual budget liquidation audit report, which is prepared by the Comptroller General's Office and is critical to evaluating recent public spending and to debating upcoming budget policy.²

¹ En las secciones que la página de Internet del Congreso de la República destina a cada una de las 38 comisiones de trabajo, únicamente están disponibles para consulta: datos generales e integración; actas; dictámenes y archivos relacionados; liquidación de fondos rotativos; las iniciativas de ley que deben analizar y dictaminar; y, noticias de sus actividades diarias. Salvo lo anterior, no está disponible ningún repositorio con documentos provenientes, por ejemplo, de audiencias públicas, mesas técnicas, citaciones o interpelaciones de funcionarios; al respecto, véase: https://www.congreso.gob.gt/comisiones_ordinarias#gsc.tab=0. En el caso de los bloques legislativos, únicamente se incluye información general sobre sus integrantes, sobre la administración de su fondo rotativo y sobre noticias de sus actividades; al respecto, véase: https://www.congreso.gob.gt/buscador_bloques#gsc.tab=0.

² Véanse los informes PEFA de 2018, <https://www.pefa.org/sites/pefa/files/assessments/reports/GT-May18-PFMPR-Public-with-PEFA-Check.pdf> (ID-31 Escrutinio legislativo de los informes de auditoría externa); de 2013, <https://www.pefa.org/sites/pefa/files/assessments/reports/GT-Feb13-PFMPR-Public.pdf>; y, de 2010, <https://www.pefa.org/sites/pefa/files/assessments/reports/GT-Jul10-PFMPR-Public.pdf> (ID-28. Escrutinio legislativo de los auditores externos). En el caso de los informes de auditoría de 2019 y 2020 ocurrió la misma situación descrita en las evaluaciones PEFA, en el sentido de que la CFPM aparentemente emitió dictamen pero no existen documentos disponibles para verificar si consiguieron las firmas suficientes para su aprobación, lo cual hubiera permitido eventualmente al Pleno del Congreso de la República debatir sobre la aprobación o rechazo del documento que entregó la Contraloría General de Cuentas; al respecto, pueden consultarse las siguientes actas de la CFPM: <https://www.congreso.gob.gt/assets/uploads/comisiones/actas/dc76c-acta-17-2021.pdf> y <https://www.congreso.gob.gt/assets/uploads/comisiones/actas/9d599-acta-20-2021.pdf>.

Costa Rica: the need to consolidate budget transparency

Costa Rica's overall score rose 6 points from OBS 2019, reaching 63. Ever since it was included in the survey, Costa Rica's rating has consistently improved.

The improvement in OBS 2021 is associated with the Ministry of Finance's publication of the "Monitoring Report on National Budget Management" in 2020. This report includes a mid-year budget review - a key document in budget transparency, and the 2020 edition showed an upgrade from previous years. It contained a review of the macroeconomic context, levels of execution, budget modifications and closing estimates; information about Covid-19's impact on programs, including the various budget adjustments that allowed agencies to protect supplies of public goods and services. Although these advances were notable, it is important that this type of report be published in an open data format facilitate their use and analysis; also, a citizens' version should be attached to the technical document to facilitate people's understanding.

Public participation is an ongoing challenge in Costa Rica: Its score is, once again, 9. This result is alarming because not only does it show that there was no progress since the last edition of the survey; it also shows that there are essentially no opportunities for citizen participation in the different stages of the budget cycle.

Citizen participation is missing during the stages of the budget process overseen by the Executive and the Legislative. Significant shortcomings in citizen participation also exist in the budget approval phase. Public hearings are held and citizens can attend in person or virtually, but the debate, the questioning and the submission of contributions only take place between legislators and the representatives of public entities (Costa Rica, Legislative Assembly, 1982). There is space for citizen participation during the audit phase because the Office of the Comptroller General of the Republic (CGR) institutionalized mechanisms for reporting and promoting citizen control over the budget. This engagement can be used by the CGR in its research and audit investigations. These mechanisms could be further strengthened with a formal feedback protocol for citizens to see how their complaints and contributions have been used in the budget auditing processes. Also, citizens should be given formal opportunities to actively and directly participate in comptrollership exercises.

On budget oversight, Costa Rica's score in OBS 2021 was 78, which is 4 points above the last survey and the highest score in the Central American region. This rating indicates that the oversight of the Legislative Assembly and the Office of the Comptroller General of the Republic on the budget process was adequate.



Plenary of the Legislative Assembly of Costa Rica. MotherCR / Wikidata

The CGR plays a key role in overseeing budget implementation, and its members are appointed by – and are accountable to – the Legislative. Costa Rica’s oversight score rose mainly because, in 2020, the Legislative Assembly took steps to follow through on the CGR’s recommendations stemming from its audit of the 2019 end-of-the-year accounts.

Legislative oversight begins when the preliminary draft budget is received, three months before the start of the new fiscal year. Albeit with some limitations, the legislature can make changes to the executive’s proposal. These modifications usually take place in the Fiscal Affairs Committee, which approves the budget and sends it, including any changes, to the whole Legislative Assembly for a vote. Once the budget is approved, the legislature maintains budgetary control, since any changes or supplementary budgets proposed by the executive require its approval.

Honduras reaches the threshold for sufficient budget transparency, but significant challenges remain

Honduras' overall score is 61, which is two points higher than in OBS 2019. In the area of transparency, the greatest shortcoming is the failure to publish the Mid-Year Review. In addition, the only document that has a published citizens' version is the Enacted Budget. Moreover, the statistical information in the various budget reports is not available as open data.

It is important to note that the Executive fomented confusion in 2020 when it created the State Secretary's Transparency Office (STD). Honduras, which has a Law on Transparency and Access to Public Information, already had an independent agency responsible for promoting transparency, the Institute for Access to Public Information (IAIP). The new office created by the Executive threw into question the responsibilities of the different agencies, causing some to call the move an attempt to weaken the IAIP.

At 17, the public participation component falls below the country's other scores and remains a persistent weak spot. This score reflects a lack of spaces for citizens to participate in the various stages of the budget cycle. While the budget calendar published by the Ministry of Finance in 2020 included three meetings with civil society, there is no evidence that these meetings took place. Going forward, the virtual tools developed in some contexts to promote participation during the Covid-19 pandemic, can facilitate citizen participation in budget discussions.

“The public participation component remains the lowest link in Honduras, with a rating of 17 points out of 100 possible, which shows a weakness that persists over time.”

When it comes to the National Congress of Honduras, there were no spaces for citizen participation during discussion and approval of the budget. Even budget discussions were not made public, preventing citizens from observing the parliamentary debate on the main instrument for improving people's lives, and the most vulnerable in particular: the public budget. Similarly, there were no mechanisms for citizens to participate in monitoring the execution of the budget.

On budget oversight, Honduras' score in OBS 2021 was 48, a rise of two points since the last survey. Despite this, Honduras has the second lowest score in the Central American region, only above Guatemala. The High Court of Accounts has been a key player in budget oversight, but it was not effective because it has been run by political partisans and has not acted independently even though, by law, it has institutional autonomy (Honduras, National Congress, 2002).

The court does not perform a financial or legal compliance audit of trusts. In 2017, the financial statements collected information on 69 trusts amounting to 16.4 billion lempiras, around 3% of GDP (IMF, 2021)³. In addition, this is the cause of financial disorder because they are not adequately recorded in the budget (IBP, 2021a).

Meanwhile, Honduras continued to underestimate revenue, a bad practice that undermines accountability by allowing the executive to use excess revenue without the National Congress' approval. This practice weakens the fiscal institutional framework around the budget (Icefi, 2019).

There is no evidence that the Ordinary Budget Commission — the committee responsible for reviewing the executive's draft budget — or the National Congress itself debated budget policy in 2020. Among other things, the commission failed to publish the document with its opinion on the budget, and the National Congress did not hold public hearings on budget execution. All told, both the High Court of Accounts and the National Congress did rather little to oversee the public budget.



A market in Honduras. Carli Jeen/Unsplash

³ FMI (2021). Honduras. Informe de asistencia técnica – Evaluación de transparencia fiscal. Informe de país N° 21/150. Washington D.C.

Nicaragua: how a planning tool ceased to be useful to the public

Nicaragua's scores in OBS 2021 must be analyzed against this backdrop: The published budget has, in recent years, contained cost projections that are far below actual expenses. This discrepancy forces multiple budget increases throughout the fiscal year to bring the amounts allocated in the accounting tools closer to the necessary expenditure levels. The budgets, which are submitted to the National Assembly for approval in the last months of each calendar year, have therefore regularly underestimated both the revenues needed to finance public policies as well as total allocations. The budget is then an unreliable model for the next fiscal year, and it is an ineffective tool for evaluating public policy positions. The end result is that the draft budget – which, in the current environment, is created without meaningful public participation or validation – fails to reflect in any serious way how the state will actually use public funds. The budget is merely an accounting instrument that sets expenditure ceilings for public institutions. These ceilings can, and have been, regularly modified throughout the fiscal year.

One of the fundamental problems with Nicaragua's budget process is the apparent absence of an internal planning process in the agencies. If this process exists, it remains completely opaque. Moreover, given that the budget has not been a document of real substance and has consistently had to be modified several times each year, any planning process would be more of a bureaucratic exercise regardless, not necessarily reflective of the expectations and work horizons of each agency in the fiscal year.

In this regard, of the existing medium-term fiscal frameworks (MTFF), which are mostly based on an extrapolation of the results expected in the current year's budget, have no real connection with long-term planning, nor do they fully identify the expected results or include the evaluation of the country's fiscal policy. MTFFs do not include the estimation of tax waivers due to tax noncompliance with any tax, the cost of preferential tax treatment, or other aspects related to the evaluation of tax policy, including tax productivity or the cost of tax compliance. They do not evaluate spending effectiveness, especially in relation to improving the use of resources and combating corruption, a significant problem in Nicaragua. According to the 2021 Corruption Perceptions Index, Nicaragua is the second country with the highest incidence of diversion of public funds in the Latin American region. Finally, the MTFFs have not evaluated whether fiscal policy is benefiting the population and driving better outcomes.

In terms of public participation, Nicaragua's OBS 2021 score is 7, which is the lowest in the Central American region. Nicaragua's score fell 11 points from the 2017 survey, indicating fewer opportunities for citizen participation in the process. Adding weight to this problem is the deterioration of democratic conditions in the country, as well as acts of persecution, including criminalization, against civil society, NGOs, academia and the media in recent years.

The absence of spaces for participation dovetails with limited access to information. The release of budget information is significantly restricted before the draft budget is submitted to National for approval; after that, it is again kept secret until it has been approved and published in the Official Gazette. The Ministry of Finance and Public Credit has improved its presentation of monthly and quarterly budget execution results on the institutional internet portal; however, these results are not yet presented in open data format - which limits its usefulness for evaluation and social auditing - and are published several months late, making them obsolete and unusable. In the area of participation, there has been no progress as far as producing simplified versions of budget reports, which runs contrary to the slogan of the party in power: "The People... President" and serves as a clear example of the government's conduct of carelessness in sharing budget information with its citizens.

As OBS 2021 found, Nicaragua's budget process is strongest in the area of oversight, earning a score of 59. This score is similar to the last survey and shows a limited level of oversight. The score is primarily driven by the Office of the Comptroller General of State Accounts, which publishes an annual review of public expenditures. This document, however, has been limited in scope, only validating that expenditures have been made and are documented in accordance with the established standards. The review does not include an evaluation of expenditures' results (e.g., have infrastructures been built and have they been built as per the required specifications?) or effectiveness, nor does it contain recommendations on how public resources are used, which has blunted any opportunity to use the oversight process as a way to improve the welfare of the Nicaraguan people. Overall, there is nothing in the survey to indicate that the future the use of public resources will improve.

El Salvador: the biggest setback and worst performance in the region

El Salvador's overall score in OBS 2021 is 41, a 5-point drop since the 2019 report. This decline is the greatest for the Central America region, and it puts the country at the bottom of the group (for the first time since the survey has been conducted).

This drop reflects serious setbacks in terms of transparency. For example, the Pre-Budget Statement was published late, less than a month before the presentation of the Executive's Budget Proposal to the Legislative Assembly. The Mid-Year Review continues to be inadequate as per OBS (and international) standards, despite the fact that the Ministry of Finance published a report midway through the fiscal year. The report was missing essential information, and it did not contain key elements such as information on macroeconomic assumptions, the status of financial obligations and rights, and social security obligations, among others.

Lastly, although the 2021 Enacted Budget and its annexes were published, they were not in open data format. In addition, the only citizens' version of key budget document referred to the Enacted Budget, and no simplification was attempted for other key budget documents.

Another cause for concern has been the weakening of the Institute for Access to Public Information and the increasingly common practice of declaring public information as reserved, therefore failing to comply with the criteria established in the current legal framework.

Looking at public participation, the country's score is 20, which is 7 points higher than OBS 2019. This increase was propelled by the Assembly's Finance and Special Budget Committee, which, in 2019 and 2020, gave representatives of civil society organizations opportunities to present their analyses and recommendations on the draft budgets.⁴ Unfortunately, with the change in legislature, these participation spaces were not created in 2021.

Even with the improvement, the country's participation score is low, reflecting a dearth of citizen participation opportunities in the various stages of the budget cycle, particularly those under the control of the executive and legislative branches.



*Blue Room, Legislative Assembly of El Salvador.
Pizzaking13 / Wikipedia*

On budget oversight, El Salvador's score in OBS 2021 is 61, the same as in the 2019 survey. The election of the Court of Accounts' judges by the Legislative Assembly does not necessarily guarantee their independence from political parties (El Salvador, National Constituent Assembly, 1983), and the Court of Accounts has not yet produced a full Audit Report on budget execution, although it is constitutionally obligated to do so (article 195, paragraph 5). Instead, it provides a review of the accounts integration process, that the Ministry of Finance uses to produce its own annual report on public finances. The Court of Accounts then forwards this report to the Assembly, but there is no evidence (in the reports and rulings of the Finance and Special Budget Committee) that the report is reviewed or discussed by any committee or during any plenary session of the Assembly. In addition, nothing indicates that members of the Court of Accounts are invited to testify or explain the results of their audits.

The Court of Accounts has the authority to audit all public funds, including those administered by private entities, and has unrestricted access to documents in the audit processes. Nevertheless, it has not fully exercised its authority. Funds allocated to item 54315 (known as the "secret item") or those destined to the State Intelligence Agency (OIE) have not been audited, under the argument of national security, which has no legal basis (El Salvador, Legislative Assembly, 1995).

In addition, there is no evidence that the executive branch has established any process for reporting on the steps taken to address Court's audit recommendations.

It is important to note that El Salvador has been moving more decisively to concentrate power and weaken checks and balances. For instance, it has passed laws that foster opacity and attacked the independent press and civil society organizations. These developments have the potential to hinder budget transparency.

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Recommendations

Regarding transparency:

- Costa Rica, Guatemala and Honduras should strengthen their efforts to publish budget information by enhancing the comprehensiveness of published documents and adopting open data publication practices.
- El Salvador and Nicaragua must improve their practices for the preparation and timely publication of the different budget documents, increase the completeness of the information included in the documents, and promote their dissemination and awareness among the public.

In terms of budget oversight:

- All the countries in the region must strengthen the institutional framework of the comptroller body, reinforcing its independence, guaranteeing its adequate financing and increasing compliance with and application of audit mechanisms established in the legal frameworks.
- The legislatures in Costa Rica and El Salvador need to improve budget control and auditing practices beyond the approval phase, and also create the necessary mechanisms to promote follow-up on the findings and adoption of the recommendations made by the comptroller.
- Legislative bodies in Guatemala, Honduras and Nicaragua must comply with the budget oversight processes and mechanisms that legally exist; at the same time, the results and findings of their implementation must be made public in a timely and relevant manner.

In terms of citizen participation, all countries in the region must:

- Create new formal mechanisms for citizen participation, strengthen existing ones and move towards their institutionalization at all stages of the budget cycle.
- Allow and prioritize the participation and involvement of vulnerable population groups and civil society organizations in the formulation of the budget, in the legislative debate around it and in the auditing processes.

The Open Budget Survey is online at
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