

Workshop Summary: Working Together to Improve Budget Credibility

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On February 7 – 8, 2019, the International Budget Partnership (IBP) gathered 45 representatives from government, civil society, international organizations, and the donor community to deliberate on the challenges of [budget credibility](#) – the extent to which government revenue and spending diverges from approved budgets.¹ Emerging research on the subject was presented at the event, which was designed as a brainstorming workshop to encourage the greatest possible exchange of perspectives and experiences by a wide range of participants.

HOW PREVALENT ARE BUDGET CREDIBILITY CHALLENGES? Using [data from the World Bank](#), IBP's Paolo de Renzio and Chloe Cho showed that overall budget deviations are significant and widespread. On average, the 32 countries in their sample under-spent close to 10 percent of their budgets in each available year between 2009 and 2017. Lower-income countries suffered from larger under-spending and variations. Deviations were much larger and negative for capital spending and capital-intensive sectors – e.g. economic affairs, which include investments in agriculture, energy, and roads. [Data from the Public Expenditure and Financial Accountability \(PEFA\) assessments](#) suggested that poor revenue forecasting might help explain the lack of budget credibility.

Civil society representatives reinforced this message by sharing research on credibility issues in their countries. Samuel Atiku from BudgIt in Nigeria pointed out that his government has long had severe budget credibility issues at both the national and subnational levels, with little evidence of improvement; the central government spent 84 percent of its budget in 2009, but only 73 percent in 2016. Similarly, Hasna Munas from Verité Research in Sri Lanka, noted that there are significant budget deviations in key sectors in her country, and particularly in agriculture where the under-spending ranged between 21 and 39 percent in the period 2015 - 2017.

Participants questioned whether the budget deviations are due to unrealistic revenue projections or un-spent available funds. Atiku's presentation suggests that the under-spending in Nigeria is often driven by legislative amendments that inflate the enacted budget and not necessarily by poor forecasting of oil revenues, as the government has indicated. Additional global quandaries were discussed: What part of the credibility problem is technical versus political? Is the problem due to poor capacity, or is it purposeful? To what extent could stronger oversight laws improve the situation?

¹Participants included: *Civil society representatives from:* Afghanistan, Argentina, Croatia, Dominican Republic, Ecuador, India, Indonesia, Kenya, Nigeria, Paraguay, Romania, Serbia, Sri Lanka, Uganda, Ukraine. *Government representatives from:* Afghanistan, Argentina, Colombia, Ghana, Kenya, Lesotho, Nigeria, Republic of the Congo, Rwanda. *International organizations / think tanks:* CABRI, GIFT, IMF, ODI, PEFA, UNDESA, UNICEF, World Bank. *Donor community:* Gates Foundation.

HOW DO WE ASSESS THE IMPACT OF BUDGET

CREDIBILITY? A major concern of meeting participants was how budget credibility affects actual service delivery. Many participants shared examples of how poor credibility compromised key targets. In a presentation begun by UNICEF's Ulla Griffiths, Emeriand Kibangou from the Republic of Congo's



Ministry of Health spoke about the challenges with executing the immunization budget in his country in the first three years after the donor pulled their funding, implying a significant impact on the provision of vaccines to the children who needed them. Jenny Maldonado from Grupo FARO discussed a scholarship program in Ecuador that spent less than 10 percent of its budget between 2014 and 2017 and consequently resulted in far fewer scholarships granted than originally planned. Importantly, the event highlighted the need for more work to delve into the link between budget credibility and the realization of performance goals. As one participating government official remarked, "What I've learned... is that it's not just the numbers... we need to see [their] impact on society."

HOW DO GOVERNMENTS EXPLAIN BUDGET DEVIATION TO THE PUBLIC? IBP's Jason Lakin and Guillermo Herrera, together with representatives from 12 of the 24 civil society organizations who participated in [an IBP-led study](#), discussed the findings of their research that looked at the extent and type of explanations that governments provide publicly on incidences of significant budget deviation. In a third of the 24 cases, partners could not find published reasons that explained the deviations in the area of the budget they researched. In the remaining cases, where partners did find explanations, they were usually too general or generic to lead to a full and adequate understanding of the issue.

This session prompted more thinking on how governments could improve the quality of their reasons for deviations. Here again participants stressed the value of linking financial data to non-financial performance to improve the understanding of how budget execution impacts actual outcomes.

HOW ARE CREDIBILITY CHALLENGES BEING ADDRESSED? Although challenges surrounding credibility abound, several participants in the meeting shared the steps their countries have taken to improve the situation. Zia-Ur-Rahman Haleemi, currently at the World Bank but recently in Afghanistan's Ministry of Finance, discussed his country's recent progress in executing the development budget, which historically recorded high levels of under-spending. Over the past five years, the execution of this budget has increased from 54 to 91 percent. Rahman noted that several factors drove the improvement, including the President and Ministry of Finance's prioritization of the issue, improved coordination among and within ministries, advancements in staff capacity, and the initiation of robust financial and procurement plans.

The Collaborative Africa Budget Reform Initiative (CABRI)'s Adil Ababou presented highlights from his organization's work with governments in Africa to address credibility problems. Recommending the use of a fishbone diagram to help clarify the root causes of the issue, Ababou suggested that effective efforts to reduce budget deviations were multidimensional and

required: collecting data with a clear mission; involving ministries, departments, and agencies (MDAs) in the work; tackling the problem incrementally; and learning from past cases where deviations were mitigated.

Litlhare Molemohi from the Ministry of Finance in Lesotho also described her country's success in strengthening its budget credibility. She mentioned that the factors that led to low budget execution included poor communication and coordination among stakeholders, lack of skilled staff, poor planning, complex donor requirements, and cumbersome procedures. To address these, Lesotho has improved coordination between the Ministry of Finance and MDAs and strengthened the quantity and quality of plans submitted.

WHAT CAN WE DO MOVING FORWARD? Already this first gathering yielded several ideas for future collaboration and research. Massimo Mastruzzi from the World Bank demonstrated the type of detailed analyses that would be made possible by greater data collection; he briefly presented preliminary findings that showed how under-execution varies by sector, as well as sub-nationally, and flagged the importance of considering how budget credibility affects equity. Jens Kromann Kristensen from the PEFA Secretariat highlighted the need to utilize existing data to further explore the impact of underlying Public Financial Management (PFM) challenges on budget credibility.

We hope that this meeting will inspire a vibrant Community of Practice, a collective effort that will focus on deepening our understanding of credibility challenges, addressing key bottlenecks that lead to low credibility, and establishing norms and guidelines pertaining to budget credibility. This year, IBP will advance this agenda through continuing research, dialogues at the country level, and a future workshop on credibility. To add to the powerful diversity of voices at this first gathering, the group suggested that insights from yet additional actors are important, too, such as legislatures, academia, media, and audit institutions. Finally, after the two-day session, participants from different corners agreed that budget credibility is best addressed by working together – “it is a problem that we need very many partners to improve” – and that already this workshop had built a “sense of community.”

