

# How Transparent are Governments When it Comes to Their Budget's Impact on Poverty and Inequality?

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## KEY POINTS

- Improving budget transparency practices is particularly important to enable the adequate monitoring and assessment of governments' efforts to tackle poverty and inequality, and to understand the impact that budgets have on different groups of people.
- Data from the Open Budget Survey 2017 show that most governments publish very limited information on these topics. The information that is made available is often scattered and incomplete. Reporting back on implementation and performance of relevant budget policies is weaker still.
- Examples of practices from better-performing countries, however, offer several interesting ways of presenting detailed and useful information on budget policies aimed at benefitting the poor and other disadvantaged groups, including women and children. Information on the impact of revenue policies is much harder to come by, as are more comprehensive assessments of the distributional impacts of budget policies.
- The information that governments publish should include: (a) a contextual analysis of poverty and inequality; (b) a summary of all policies aimed at reducing poverty and inequality; (c) a description of the objectives, planned activities, expected outputs and targets for each policy; (d) past and future data; (e) assessments of distributional impact; and (f) execution information using formats that allow for adequate tracking. Very few governments, even among those that scored well on the relevant OBS 2017 questions, fulfill these requirements.
- Detailed assessments on the impact of budget policies on poverty and equality should be promoted as well as a more structured dialogue around the information that is necessary to enable these assessments.
- Governments willing to pursue reforms in this area will be better able to communicate and justify their policy choices, encouraging a more productive dialogue with citizens and demonstrating how policies align with both domestic objectives and international commitments, such as those included in the Sustainable Development Goals.

## BACKGROUND

Government budgets affect the lives and well-being of ordinary citizens in several ways, and depending on how resources are raised and spent, they provide opportunities to address some of society's most pressing needs. These include the reduction of poverty in its many dimensions, a goal that is recognized and adopted by many governments and by the international community, including through the Sustainable Development Goals (SDGs). In recent years, tackling inequality has increasingly been identified as an important policy objective that governments should pursue, as wealth – and therefore power – have become increasingly concentrated in the hands of a few rich individuals and organizations. The SDGs have recognized this through the adoption of a specific goal focused on “reducing inequality within and among countries” (SDG 10). International organizations have stepped up their efforts in this direction, including those focused on monitoring fiscal policies like the International Monetary Fund (IMF). In a recent publication, the IMF has warned that “excessive inequality can erode social cohesion, lead to political polarization, and ultimately lower economic growth.”<sup>1</sup>

Analyzing if and how governments around the world publish information on the distribution of the costs and benefits that result from their fiscal policies is therefore important, and a key aspect of the social contract binding the state and its citizens. This principle is beginning to be recognized through several norms and standards on fiscal transparency and budgetary governance that have been recently released by international organizations and initiatives (see Box 1). These make it clear that governments have a general obligation to publish information, analysis, and explanations about the expected and actual impact of fiscal policy measures, including both revenue and spending. In some cases, this includes more specific disclosures about the budget's impact on social outcomes and on different categories of citizens.

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<sup>1</sup> IMF (2017). *Fiscal Monitor: Tackling Inequality*. Washington, DC: International Monetary Fund. Available at: <http://www.imf.org/en/publications/fm/issues/2017/10/05/fiscal-monitor-october-2017>

## BOX 1. INTERNATIONAL NORMS AND STANDARDS ON REPORTING THE IMPACT OF BUDGETS

### **GIFT High-Level Principles on Fiscal Transparency (2012)**

Principle 4: “Governments should communicate the objectives they are pursuing and the outputs they are producing with the resources entrusted to them, and endeavor to assess and disclose the anticipated and actual social, economic and environmental outcomes”.<sup>2</sup>

### **IMF Fiscal Transparency Code (2014)**

Principle 2.3.3: “The government provides citizens with an accessible summary of the implications of budget policies [...]” (Definition of recommended advanced practice: “*Government publishes [...] a detailed account of the implications of the budget for different demographic groups [...]*”).<sup>3</sup>

### **OECD Principles of Good Budgetary Governance (2015)**

Principle 4, point d): budget documents should ensure “the clear presentation and explanation of the impact of budget measures, whether to do with tax or expenditure [...]”.<sup>4</sup>

As part of a new stream of work related to how budgets can promote equity and justice, this paper looks at what kinds of information governments do – and should – make publicly available on the impact of budget policies on various groups, and on income distribution more generally. It draws on data from the Open Budget Survey (OBS) 2017 to investigate current practices around the publication of information on the distributional impact of fiscal policies as part of government budget documents around the world.<sup>5</sup> More specifically, it analyzes results from three questions in the OBS that specifically ask about such information (see Box 2). Countries scoring better on these questions are then analyzed in more detail, looking at the content of the budget document(s) being evaluated, in order to see the kind of information and the level of detail provided, considering both quantitative data and narrative descriptions and justifications.

<sup>2</sup> See [http://www.fiscaltransparency.net/ft\\_principles/](http://www.fiscaltransparency.net/ft_principles/) (accessed 6 August 2018).

<sup>3</sup> See <https://www.imf.org/external/np/fad/trans/> (accessed 6 August 2018).

<sup>4</sup> See <http://www.oecd.org/gov/budgeting/principles-budgetary-governance.htm> (accessed 6 August 2018).

<sup>5</sup> For more information on the Open Budget Survey and its methodology, see <https://www.internationalbudget.org/open-budget-survey/methodology/>.

## BOX 2. OBS QUESTIONS CONSIDERED IN THIS REVIEW

### **Question 52:**

Does the Executive's Budget Proposal or any supporting budget documentation present estimates of policies (both new proposals and existing policies) that are intended to benefit directly the country's most impoverished populations in at least the budget year?

### **Question 94:**

Does the Year-End Report present the differences between the enacted level of funds for policies (both new proposals and existing policies) that are intended to benefit directly the country's most impoverished populations and the actual outcome?

### **Question 36:**

Does the Executive's Budget Proposal or any supporting budget documentation present alternative displays of expenditures (such as by gender, by age, by income, or by region) to illustrate the financial impact of policies on different groups of citizens, for at least the budget year?

The purpose of this review, beyond looking at current practices, is to assess the extent to which existing OBS questions cover all relevant types of information that could provide adequate data and justification on the distributional impacts of budgets, and to start outlining more comprehensive standards that governments should adopt in this area. Such standards could in turn help citizens and other stakeholders put pressure on governments so that everyone can better understand how budget policies affect different groups and categories of citizens. They could also guide the efforts of governments interested in better communicating the expected impacts of their budget policies. At the same time, this paper will also consider some of the challenges that governments might face – both in terms of data availability and in terms of analytical capacity – in complying with these more comprehensive standards, and therefore help identify bottlenecks that might need to be addressed before transparency improvements can take place.

## BUDGET TRANSPARENCY AND THE BUDGET'S IMPACT ON POVERTY

OBS questions #52 and #94 focus on the information that governments publish on fiscal policies targeted at reducing poverty levels, in their proposed budgets and in their annual execution reports, respectively. The idea is

that if taxing and spending are important policy tools in the fight against poverty, then governments should state how much they intend to spend on poverty-alleviating programs, explain how they think fiscal policies will affect the poor, and report back on actual results. OBS answer options reward countries that provide both financial information and an explanatory narrative for all relevant policies, and gradually give lower scores to countries that provide only financial information, cover a more limited number of policies, or do not provide any information at all on pro-poor policies.

Table 1 summarizes the data for these two questions across the 88 countries in the OBS 2017 that published the Executive’s Budget Proposal. Most of these countries include at least some information on their policies intended to directly benefit the poor – this can be as basic as having some budget programs that include the terms “poor” or “poverty” in their title – but only 34 provide a more complete and detailed picture that includes some narrative explanation of the proposed financing and its expected impact. More interestingly, however, more than half (50) of these countries do not adequately report back on the implementation of these budget items, either because they do not publish a Year-End Report (YER) at all (19 countries) or because they publish information that is less detailed than what is included in their original proposed budgets. Only eight countries provide detailed information on their poverty-related spending in their budget proposal and, also, report back on it in a similarly detailed manner in their YERs: Argentina, Canada, Dominican Republic, France, Japan, Namibia, Slovenia, and South Africa.

**TABLE 1. NUMBER OF COUNTRIES PROVIDING INFORMATION ON HOW POLICIES AFFECT THE POOR**

		<b>Budget Proposal: Provides estimates of how policies are intended to benefit the poor? (OBS #52)</b>				<b>TOTAL</b>
		None	For some policies	For all policies	For all policies, with narrative	
<b>Year-End Report: Reports on differences between planned and actual outcomes for policies intended to benefit the poor? (OBS #94)</b>	None	8	24	1	17	<b>50</b>
	For some policies	1	9	0	6	<b>16</b>
	For all policies	0	3	2	3	<b>8</b>
	For all policies, with narrative	0	3	3	8	<b>14</b>
<b>TOTAL</b>		<b>9</b>	<b>39</b>	<b>6</b>	<b>34</b>	<b>88</b>

## COUNTRY EXAMPLES <sup>6</sup>

Looking through the budget documents of countries that provide at least some information on how their budget policies affect the poor, some important aspects of such transparency practices become evident, linked to whether governments: (a) provide general information about poverty levels and poverty reduction objectives and strategies; (b) provide a consolidated picture of pro-poor spending – as opposed to having such information scattered across various ministries or tables; (c) include non-financial information related to performance targets; and (d) report back on planned expenditure in formats that facilitate tracking and monitoring.

Only a few of the countries surveyed in the OBS provide specific data and information about the poverty situation in the country that allows them to better explain how budget policies will contribute to its reduction. In **Sri Lanka**, the 2017 Budget Speech highlights the “War against Poverty and a Strong Social Welfare Network” as one of the key objectives of government spending, and states: “*Our aim is to graduate at least 50 percent or around 2.1 million of the population earning less than USD 2 per day to a higher income bracket by 2020.*” It then outlines a strategy based on job creation and improved social safety net schemes. The details of such initiatives, however, are not very easy to identify in the detailed budget estimates. The Technical Notes on the 2017 Proposed National Budget in the **Philippines** provide a more detailed outline of how the government will prioritize expenditure so as to contribute to poverty reduction. In the section on Social Protection, it highlights additional investment in several transfer programs, setting a target for cutting poverty incidence to 16% by 2022.

In many countries, it is difficult to form an overall picture of the government’s anti-poverty agenda, because anti-poverty programs are scattered across many different ministries and agencies. In **South Africa**, for example, different Departments are responsible for numerous programs explicitly aimed at reducing different dimensions of poverty, from social protection programs disbursing grants to support children and the elderly, to the construction of affordable housing, to unemployment insurance. Information on both projected spending and expected benefits for each program is included in the relevant chapter of the budget proposal. Each Department also publishes an Annual Report, about six months after the end of the fiscal year, in which information on the actual spending and performance of these programs is provided. **Canada**’s Budget Plan has a special section on “Poverty Reduction, Health and Well-Being” that specifies commitments to improving access to services for indigenous communities – those often hardest-hit by poverty – and other social assistance programs. Planned investments are specified by Department, although with less detail than is available in South Africa. Departmental Results Reports do a good job at reporting back on how much was spent on each program, alongside a narrative on the program logic, on planned objectives and on the results that were actually achieved.

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<sup>6</sup> Details of the budget documents that were consulted as a source of information is provided in the Annex.

Other countries do a better job at presenting policies intended to benefit the poor in a consolidated manner. In the **Dominican Republic**, many of the government’s anti-poverty programs, including different kinds of cash transfers and subsidies for domestic fuel, are brought together, and managed by the Presidency, and are therefore more easily identifiable in the budget proposal. Budget documents provide both financial information and targets for the individual programs. Reporting in the YER is much more limited, however, with no information on actual performance. In **Ghana**, the budget proposal has an Appendix where spending in priority sectors including education, health and agriculture is classified as “poverty reduction expenditure” and shown as a share of total spending, to highlight the extent of the government’s commitment to poverty reduction. More detailed data on how funds are spent within each sector and on more specific programs is provided in the Budget Statement. **Fiji** has a similar chapter in its budget proposal, with more detailed information on individual programs rather than broad sectors, including details of programs targeting women, children, and people with disabilities. For each program, there is a brief description and the indication of the allocated budget resources. Finally, **Pakistan** provides another good example of a detailed breakdown of pro-poor expenditure. In a document called “Federal Medium-Term Estimates for Service Delivery”, which is part of the budget proposal and covers a three-year period, the government sets out, for several programs aimed at poverty alleviation, a discussion of policy priorities, expected outputs and budget figures for past spending and future allocations and projections. In a separate document called “Pakistan Economic Survey”, the government provides a more comprehensive overview of ongoing policies – with a chapter dedicated to poverty alleviation schemes – covering both financial and performance information over a period of eight years. For these last three countries, however, year-end reporting is either lacking or very weak, making it difficult to monitor the implementation of government commitments in a timely fashion.

## **COMMENTS AND CHALLENGES**

As the data and country examples presented above show, not many governments do a good job at providing information to the public about how budget policies affect poverty, even based on the basic requirements of the relevant OBS questions. Of course, poverty reduction does not have to be a priority for all governments, and budget documents are not the only places where relevant information on the links between budget policies and poverty reduction can be published. Nevertheless, it is worth highlighting several issues and lessons that emerge from the review of country examples.

- For governments interested in reducing poverty, providing relevant definitions and background data on the poverty situation in the country (including overall levels, key dimensions, and target groups, etc.) should be a priority, alongside an explanation of how specific programs are supposed to contribute to addressing specific aspects of poverty or reaching specific groups of poor people. Where such information is published in other documents, this should be duly referenced in the relevant budget proposals and reports.

- The degree to which governments can link specific budget items to poverty reduction depends on how the budget information is structured and presented, i.e. on budget classification systems and their level of granularity. Some governments may consider all spending in broad sectors like health and education to be pro-poor without providing further details, but this approach is not particularly informative or useful. A more disaggregated approach, however, might require a detailed program classification which not all countries have. Where program-based budgets do not exist, a detailed-enough sub-functional or sub-ministry administrative classification could suffice for the purposes of providing some basic information linking budgets and poverty. For example, being able to identify and track funding directed towards specific areas that are more likely to contribute to poverty reduction, like primary education or rural infrastructure, could be a good starting point.
- Apart from sufficiently detailed budget classification systems, governments' ability to explain how the budget affects poverty also depends on showing the outputs and outcomes that public spending intends to achieve, and report back on the extent to which those were achieved. Ideally, for each item of pro-poor spending, budget documents should provide a combination of financial and non-financial information, including performance targets, as is the case in South Africa, Canada, and Pakistan, for example.
- Budget policies intended to benefit the poor are by their nature multi-sectoral and involve a varying number of government agencies. Consequently, information is often scattered across numerous ministries and sectors, and is therefore not easily aggregated nor presented in a consolidated manner. Bringing that information together in summary form is very helpful in providing an overall picture of a government's anti-poverty efforts.
- Reporting on actual pro-poor expenditure lags far behind the publication of proposed or approved budget allocations. To facilitate tracking and monitoring of this spending, more effort needs to be invested in producing and publishing implementation reports that present information in formats and with levels of detail similar to those of approved budgets.
- While many governments only publish information for a single budget year, providing data for previous years and future projections allows for a much clearer picture of government efforts to reduce poverty. Even for countries that do not produce detailed forward-looking estimates, recording past data on budget execution alongside proposed estimates can greatly facilitate monitoring and accountability.
- A very large share of information published on anti-poverty programs only looks at the expenditure side of the budget, leaving out any assessment of how tax policy and revenue collection may affect poverty, such as the share of income that poor people pay in taxes, or how new tax measures are likely to affect different income groups. This is an important gap that needs to be addressed.

## BUDGET TRANSPARENCY AND ITS LINKS WITH DISTRIBUTION AND INEQUALITY

OBS question 36 moves beyond the more specific focus on poverty and pro-poor expenditure to probe the extent to which governments publish information in their budget proposals that illustrate the impact of budget policies on different groups of citizens, using alternative displays of expenditures (such as by gender, age, income, or region). Seeing how budgets affect different types of people is important for understanding the impact of fiscal policies on inequality and for assessing the distribution of their costs and benefits, many of which are not obvious in budget documents. Such information also allows different groups of people to get a better and more direct picture of what they can expect from their government’s budget policies.

Table 2 shows that out of the 88 governments in the OBS 2017 who published an Executive’s Budget Proposal (EBP), 58 did not provide any alternative displays of expenditures, while only 11 provided three or more such displays. This means that in a large number of countries citizens from a particular region or population group (e.g. black women, rural farmers, etc.), or the organizations that represent them, are not able to readily assess and monitor the impact that budget policies are likely to have on their incomes and well-being.

**TABLE 2. COUNTRIES PROVIDING ALTERNATIVE DISPLAYS OF EXPENDITURE IN THEIR BUDGET PROPOSAL**

<b>Number of alternative displays of expenditure in the EBP</b>	<b>Countries (among the 88 that published an EBP in OBS 2017)</b>
Three or more	Bangladesh, Brazil, Dominican Republic, Ecuador, France, India, Jordan, Mexico, Nicaragua, South Africa, Sweden
At least two	Argentina, Morocco, Nepal, Norway, Philippines, Spain, United Kingdom
One	Afghanistan, Bulgaria, Colombia, Ghana, Guatemala, Kazakhstan, Mali, Mozambique, Peru, São Tomé e Príncipe, Sierra Leone, South Korea
None	58 countries

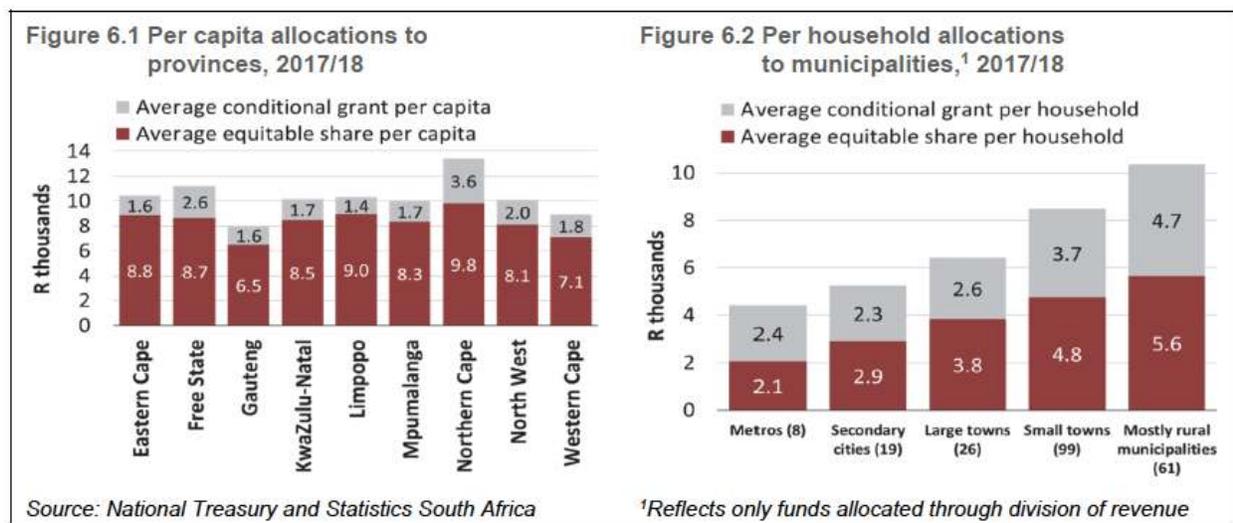
### COUNTRY EXAMPLES <sup>7</sup>

Among the countries that perform better on OBS question 36 there are some interesting examples of governments that present budget information in ways that do allow users to assess the budget’s impact on different groups of people, based on criteria including geographical location and gender.

<sup>7</sup> Details of the budget documents that were consulted as a source of information is provided in the Annex.

A few governments publish information on how resources are allocated across different sub-national territorial units to address regional inequalities. **South Africa**, for example, publishes a detailed annexure to the budget proposal explaining the criteria that are used for determining allocations of resources to provinces and municipalities. Resource allocation for some of the conditional grants is based on both need for additional public services and capacity to generate own revenues. The annexure includes comparative data on the distribution of these grants to subnational units (see Figure 1). As can be seen, in an attempt to address regional disparities, more affluent provinces like Gauteng and Western Cape and large cities receive smaller per capita/household allocations than poorer provinces and rural municipalities. The Government of **India** singles out transfers to Northeastern Areas, a particularly disadvantaged region. Most other governments only publish a simple list of intergovernmental transfers, without much explanation of the rationale behind resource allocations nor of their potential impact on regional imbalances.

**FIGURE 1. ALLOCATION OF BUDGET RESOURCES TO PROVINCES AND MUNICIPALITIES IN SOUTH AFRICA**



An increasing number of countries are also adopting different forms of so-called “gender budgeting” to assess the impact of budget policies on women and on gender-based inequality. **Bangladesh** has developed a sophisticated system to assess the proportion of public spending in each ministry that is meant to benefit women, based on a set of standards for assessing gender impact. The Gender Budgeting Report then presents this information alongside an explanation of underlying policies and strategies, descriptions of the activities to be undertaken by the various ministries, and the relevant indicators and targets. The report includes a table showing the percentage of total expenditure that goes to directly benefit women, which hovers around 26-27% over the past few years. As part of its budget proposal, **France** presents several so-called “transversal policies” which address varied themes like immigration, youth, and climate change. Among these, one is a 170-page document specifically aimed at promoting gender equality that details policies and interventions under six pillars, which include health, jobs, and

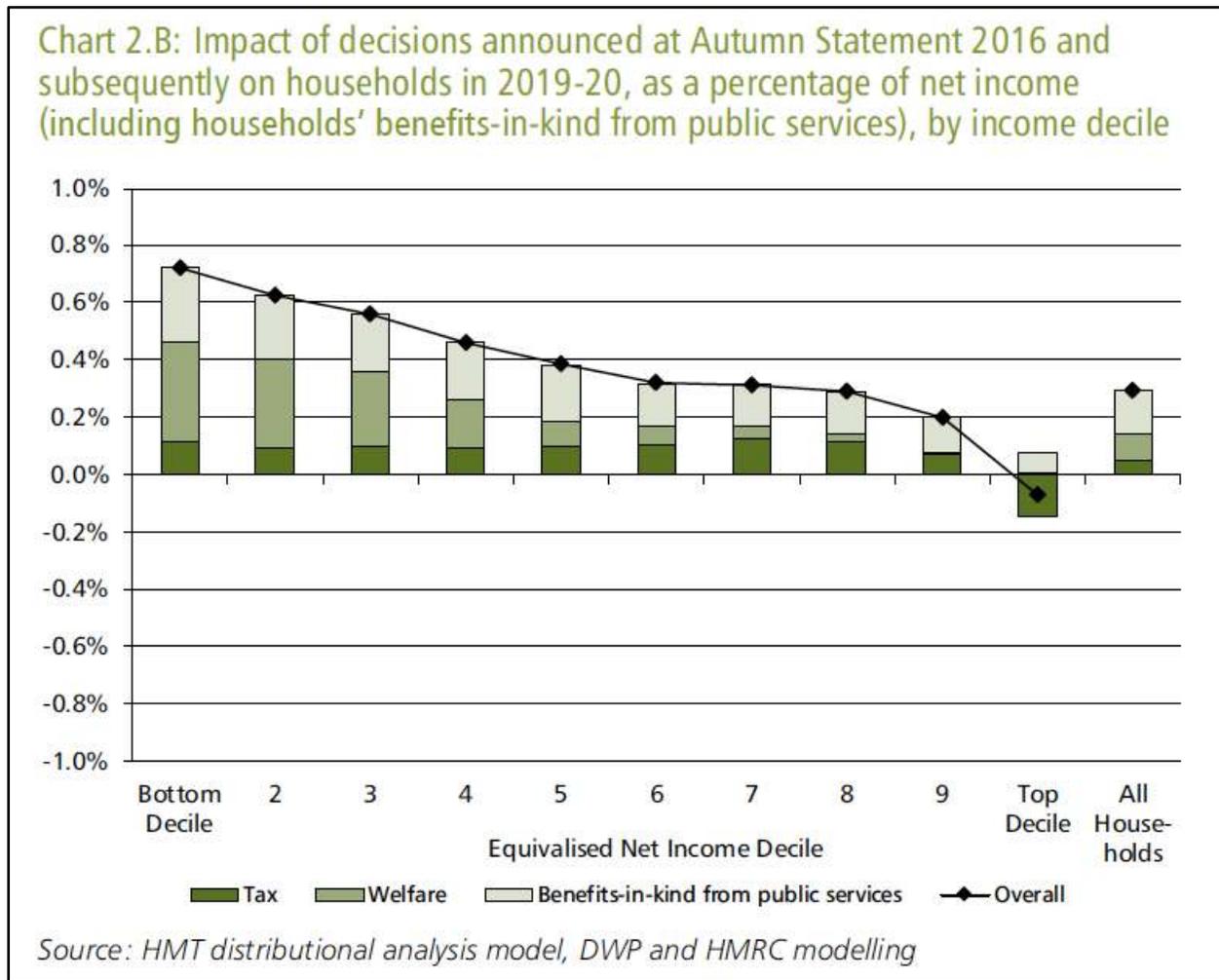
violence against women. For each pillar there is an assessment of the key issues and current indicators and an outline of planned interventions and expected impact, followed by a table detailing resources allocated to the transversal policy under various budget programs.

There are several other examples of governments presenting information on how the budget affects specific groups. For example:

- Alongside its gender budget, **Bangladesh** is developing a similar “Child-Focused Budget”, which details, ministry by ministry, activities aimed at fulfilling children’s rights, and the share of total spending that is devoted to those activities.
- **India** provides a detailed breakdown of budget allocations aimed at promoting the welfare of scheduled castes and tribes, while **Brazil**’s budget proposal includes scattered information on programs and activities specifically directed to benefitting indigenous communities. In both cases, however, more detailed narrative information is lacking.
- In **Mexico**, the draft expenditure law has a series of annexes which break down planned spending based on target groups such as women, youth, children and indigenous people and communities. Again, the only information available is financial, with no detail about the more detailed scope of each program.

In all the above examples, however, rather than fully assess the impact that budget policies will have on specific groups – considering both revenue and expenditure measures, and both direct and indirect effects – governments are simply providing a snapshot of specific spending items whose objective it is to benefit a specific target group. More comprehensive assessments are much harder to come by. One of the very few examples is from the United Kingdom, where twice a year, alongside its fiscal policy statement, the Treasury publishes a distributional analysis of budget policies being introduced. Using a microsimulation model based on household survey data, the document details how policy changes being introduced for both revenues and expenditures are likely to affect families at various levels of income. As can be seen in the chart shown in Figure 2, the policies being introduced have a net progressive effect on income distribution, with lower-income families benefitting from them more than richer ones. In fact, the overall impact of policy changes is negative only for families in the top decile of income distribution.

**FIGURE 2. UK DISTRIBUTIONAL ANALYSIS OF TAX, WELFARE, AND SPENDING DECISIONS**



**COMMENTS AND CHALLENGES**

The examples provided here demonstrate a variety of ways in which governments have gone about providing information to the public on the expected impact of budget policies on different groups of people. In many ways, this is an extension of our previous discussion in Section 2, as the poor are one such group, and budget programs can be designed to benefit poor people, but also women, children, and other vulnerable groups. Unsurprisingly, the ways in which governments go about presenting such information mostly relies on identifying specific budget items, based on their intended beneficiaries, and then organizing that information in ways that makes it more easily accessible to these groups (or to organizations representing their interests). Consequently, many of the comments and challenges presented in the previous section are valid here as well. For example, the capacity of governments to define policies, programs, indicators, and targets that facilitate monitoring, and to present

disaggregated information on spending targeted at specific groups will depend on the characteristics and level of detail of budget classification and performance measurement systems.

One of the key challenges when trying to assess the impact of budget policies on specific groups of people, including from an inequality perspective, is related to the inadequacy of simply looking at public spending on targeted programs. For example, while some budget programs may benefit vulnerable groups to a certain extent, other programs may benefit other, less vulnerable groups to a larger extent, therefore increasing rather than decreasing inequality. Furthermore, the benefits arising from targeted spending programs may be more than offset by tax measures. A proper, more comprehensive assessment of how budget policies affect specific groups of vulnerable people and the extent of their unequal treatment would need to consider a much broader set of factors and rely on information well beyond data on targeted spending programs. The trouble is that such distributional analyses can be very complex and data-intensive, which is why so few governments carry them out, let alone publish them. At a minimum, however, governments should provide some explanation of the rationale and expected impacts of policy measures on different groups, and some rough estimates of such impacts.

## LOOKING FORWARD: WHERE WE ARE AND WHAT NEEDS TO CHANGE

In order to monitor the extent to which public resources are being used to reduce poverty and inequality, specific types of budget transparency become particularly important. Assessing whether governments regularly disclose information on programs and activities aimed at benefitting poor and vulnerable groups, and at correcting different types of inequalities, is a first step towards ensuring that governments can be held to account for their performance in reaching these policy objectives. This paper has used results from the Open Budget Survey 2017 to provide a snapshot of budget transparency practices related to the reduction of poverty and inequality, and to collect interesting examples of such practices from more transparent countries. The results show that:

- Most governments included in the survey do not publish adequate information on the impact of their budget policies on specific groups of people (including the poor) and on overall inequality.
- Even for governments that do publish some, the information that is made available is often presented in unhelpful formats or lacks important details. For example, information is often scattered across different parts of budget documents, limited to financial data or single years, or too aggregated to be useful for monitoring purposes.
- Reporting back on the implementation of pro-poor spending is more limited still, as many governments do not publish Year-End Reports or publish them with fewer details than were included in their budget proposals.
- Moreover, most of the information that is published only covers spending programs that are directly or indirectly targeted at benefitting the poor and other disadvantaged groups. Very few governments publish

information on the distributional impact of revenue measures, let alone more comprehensive assessments of how budget policies as a whole affect different groups.

Such poor reporting performance is measured against fairly basic information standards. The relevant OBS questions are very general in their formulation, making it possible for a government to score well even when presenting limited information. For example, no indication is provided for the level of detail that the narratives accompanying numbers should cover for pro-poor policies. And, the providing of a few tables in budget annexes is enough to earn a top score on Question 36.

Ideally, but also drawing on some of the country examples presented above, it is possible to compile a more comprehensive list of the different types of information that should be included in budget documents to allow for adequate monitoring of a government's efforts to address poverty and inequality. Such a list should include:

1. Some general background information on the poverty and inequality situation in the country, with data disaggregated by different criteria and population groups (income, gender, age, race, etc.), or direct references to other documents where that information can be found.
2. A clear identification of policies, programs and activities included in the budget that are meant to benefit the poor and other disadvantaged groups. If possible, that information should also be summarized and provide an overall assessment of the government's commitment to reducing poverty and inequality.
3. For each of the above initiatives – and in fact for all major policies in the budget – a narrative explanation of the rationale and objectives, planned activities to be undertaken, expected outputs and outcomes, and explicit indicators and targets.
4. For each initiative – and again more in general – financial and performance information for past years and, where feasible and available, with future projections.
5. Where feasible, an assessment of the distributional impact of at least the most important new policies being introduced, including revenue measures.
6. Timely reporting on budget implementation that follows the same format and includes the same level of detail as proposed and approved budgets.

Clearly, not all governments will immediately be able to provide all the above types of budget-related information. Nonetheless, this list could be held up as something that governments agree to gradually comply with, based on their available systems and capacities. As highlighted in previous sections, developing and adopting a detailed program classification and related performance-related information is a complex reform that is likely to take quite a long time. And carrying out complex distributional impact analyses requires the availability of data and analytical capabilities which are often in short supply. In any case, the latter should not become a constraining factor or an excuse for not publishing any information relevant for assessing the impact of budget policies on different

disadvantaged groups. There is much that governments can still do even without having a fully functioning performance-based budget in place. Justifying and explaining the logic behind key policy choices and presenting information at sub-functional or sub-ministry level can already make some headway in rendering monitoring and accountability feasible.

To better guide government actions and civil society advocacy around this topic, the quality of a country’s budget transparency practices could be assessed as “Basic”, “Good”, or “Advanced,” based on the level of detail provided in their budget documents, as laid out in Table 3.<sup>8</sup> Such a checklist, against which current practices are evaluated, can guide efforts to promote more advanced levels of transparency around the impact of budget policies on poverty and inequality, above and beyond the more limited requirements currently included in the Open Budget Survey.

**TABLE 3. ASSESSING BUDGET TRANSPARENCY PRACTICES ON HOW BUDGET POLICIES AFFECT POVERTY AND INEQUALITY**

BASIC	GOOD	ADVANCED
<ol style="list-style-type: none"> <li>1. The budget proposal provides an overall picture of poverty and inequality, or relevant links to other documents.</li> <li>2. The budget proposal provides the policy rationale and broad objectives of all major policies, including interventions aimed at benefitting specific groups of people, including the poor.</li> <li>3. The budget proposal includes consolidated information on the funds allocated to various interventions (by sub-functional or sub-ministry classification) in a way that clearly shows efforts to reduce poverty and inequality.</li> <li>4. The budget proposal should include past data for all major policies.</li> <li>5. The year-end report reports back on these interventions with the same level of detail.</li> </ol>	<p><b>All of the basic practices, plus:</b></p> <ol style="list-style-type: none"> <li>1. The budget proposal provides a detailed picture of poverty and inequality, or relevant links to other documents.</li> <li>2. For all major policies, the budget proposal also identifies specific objectives and indicators to be monitored.</li> <li>3. The budget proposal includes consolidated information on the funds allocated to various interventions (by program and sub-program) in a way that clearly shows efforts to reduce poverty and inequality, and benefit specific groups (women, children, elders, etc.) or regions.</li> </ol>	<p><b>All of the good practices, plus:</b></p> <ol style="list-style-type: none"> <li>1. For all major policies, the budget proposal also identifies targets to be achieved.</li> <li>2. The budget proposal includes past data and future projections for all major policies.</li> <li>3. The budget proposal includes an assessment of the distributional impact of all new policies, including both revenue and spending measures, or relevant links to other documents.</li> </ol>

<sup>8</sup> This structure is similar to that followed by the IMF’s Fiscal Transparency Code and related evaluations.

In Annex 2, we present the findings of a preliminary analysis of recent budget documents in the three countries that received top scores in all the three OBS questions considered above – South Africa, France, and the Dominican Republic. As can be seen, based on these more stringent requirements, various gaps are found. These are mostly related to: (a) the inclusion in budget documents of information on the state of poverty and inequality in the country; (b) the provision of a consolidated picture of government efforts to tackle poverty and inequality; (c) the availability of future projections; and (d) lack of information on the distributional impacts of budget policies.

## CONCLUSIONS

This paper looks at the information governments provide on the impact of their budget policies on poor and disadvantaged groups – and on poverty and inequality more generally – based on three questions in the Open Budget Survey that hone in on these issues. Findings show that, on average, governments publish very little information on these topics, limiting the ability of citizens and civil society organizations to monitor their efforts in these areas and to hold them accountable, and, ultimately, preventing a well-informed debate on budget policies.

Several interesting budget transparency practices are highlighted from across a broad spectrum of countries, which could form the basis for a more specific and in-depth assessment. The basic elements of such an assessment are outlined and tested on three countries that perform well, highlighting existing gaps.

Based on similar assessments for various other countries, a broader and better-informed dialogue could be promoted on how to improve transparency practices in this important area, bringing together governments, civil society groups, and other relevant actors. Governments willing to pursue these practices would be able to better justify their policy choices, communicating their expected impacts and showing how they align with both domestic policy objectives and international commitments, such as those included in the Sustainable Development Goals.

## ANNEX 1. LIST OF BUDGET DOCUMENTS CITED IN THE REPORT (WITH HYPERLINKS)

Country	Documents
Sri Lanka	<a href="#">2017 Budget Speech</a>
Philippines	<a href="#">Technical Notes on the 2017 Proposed National Budget</a>
South Africa	<a href="#">Estimates of National Expenditure 2017</a> (see for example those for <a href="#">Human Settlements</a> ) <a href="#">Annual Report 2016/17</a> (Department of Human Settlements) <a href="#">Budget Review 2017</a> (see Chapter 6)
Canada	<a href="#">2018 Budget Plan</a> (section on <a href="#">Poverty, Health and Well-Being</a> ) <a href="#">2016-17 Departmental Results Report</a> (Indigenous and Northern Affairs Canada)
Dominican Republic	Proyecto de Ley de Presupuesto General del Estado 2017 ( <a href="#">Tomo I</a> and <a href="#">Tomo III</a> ) <a href="#">Informe de Ejecución Presupuestaria 2015</a>
Ghana	<a href="#">2016 Budget Statement and Economic Policy</a> <a href="#">2016 Budget Appendix</a> (see Appendix 9)
Fiji	<a href="#">Economic and Fiscal Update: Supplement to the 2016-2017 Budget Address</a> (see Chapter 5)
Pakistan	<a href="#">Federal Medium Term Budget Estimates for Service Delivery 2018-19 to 2020-21</a> <a href="#">Pakistan Economic Survey 2017-18</a> (see Chapter on <a href="#">Social Safety Nets</a> )
India	Union Budget 2018-19 – <a href="#">Expenditure Profile</a> (see Statement <a href="#">11</a> on Northeastern Areas and Statements <a href="#">10A</a> and <a href="#">10B</a> on scheduled casts and tribes)
Bangladesh	<a href="#">Gender Budgeting Report 2017-2018</a> <a href="#">Child Focused Budget 2018-19</a>
France	Projet de Loi de Finances pour 2018 – Document de Politique Transversale <a href="#">Politique de l'Égalité entre les femmes et les hommes</a>
Brazil	<a href="#">Projeto de Lei Orçamentária Anual - PLOA 2018</a>
Mexico	<a href="#">Proyecto de Presupuesto de Egresos de la Federación para el Ejercicio Fiscal 2018</a> (see Annexes 10, 13, 17, 18)
United Kingdom	<a href="#">Impact on households: Distributional analysis to accompany Autumn Budget 2017</a>

## ANNEX 2. BUDGET TRANSPARENCY PRACTICES ON THE IMPACT OF BUDGET POLICIES ON POVERTY AND INEQUALITY IN SELECTED COUNTRIES

### South Africa

Extent of transparency on budget policies' effects on poverty and inequality		
BASIC	GOOD	ADVANCED
Overall picture of poverty and inequality	Detailed picture of poverty and inequality	Assessments of distributional impacts of all new policies
Policy rationale and objectives for all major policies, including pro-poor interventions	Policy rationale, objectives and indicators for all major policies	Policy rationale, objectives, indicators and targets for all major policies
Consolidated information on pro-poor policies	Consolidated information on pro-poor policies (by program and looking at specific groups)	
Past data for all major policies		Future projections for all major policies
Detailed report back in year-end report		

KEY: ■ poor or no information, ■ some information, ■ detailed information

Source: 2018 Budget Proposal (<http://www.treasury.gov.za/documents/national%20budget/2018/default.aspx>); Departmental Annual Reports from various ministries.

South Africa ranked No. 1 in the Open Budget Survey 2017, together with New Zealand. The government publishes a very comprehensive budget proposal. Notably, its “Estimates of National Expenditure” provides very detailed information on all government programs, including those aimed at reducing poverty and targeted at specific groups (women, youth, disabled, etc.), explaining key objectives and providing indicators and targets. The implementation and performance of each program can be checked in Departmental Annual Reports, which are published on individual ministries’ websites. The estimates include past performance and projections for future years.

The budget proposal, however, does not include any overall information on the state of poverty and inequality in South Africa, despite the strong focus of the National Development Plan 2030 on these themes. Stats SA, South Africa’s national statistics institute, does publish regular and detailed reports on poverty and inequality<sup>9</sup>, but the reports are not even mentioned in the budget proposal. Moreover, information about programs that tackle poverty and inequality are scattered throughout the various budget votes and programs, with no consolidated

<sup>9</sup> See, for example: [http://www.statssa.gov.za/wp-content/themes/umkhanyakude/documents/South\\_Africa\\_Poverty\\_and\\_Inequality\\_Assessment\\_Report\\_2018.pdf](http://www.statssa.gov.za/wp-content/themes/umkhanyakude/documents/South_Africa_Poverty_and_Inequality_Assessment_Report_2018.pdf)

picture. Finally, distributional analyses of new policies are uncommon. For the 2018 budget proposal, the only mention of distributional impact is to assess the impact of a planned VAT increase, but without detailed incidence data.

## France

Extent of transparency on budget policies' effects on poverty and inequality		
BASIC	GOOD	ADVANCED
Overall picture of poverty and inequality	Detailed picture of poverty and inequality	Assessments of distributional impacts of all new policies
Policy rationale and objectives for all major policies, including pro-poor interventions	Policy rationale, objectives and indicators for all major policies	Policy rationale, objectives, indicators and targets for all major policies
Consolidated information on pro-poor policies	Consolidated information on pro-poor policies (by program and looking at specific groups)	
Past data for all major policies		Future projections for all major policies
Detailed report back in year-end report		

**KEY:** ■ poor or no information, ■ some information, ■ detailed information

**Source:** 2019 Budget Proposal (<https://www.performance-publique.budget.gouv.fr/documents-budgetaires/lois-projets-lois-documents-annexes-annee/exercice-2019/projet-loi-finances-2019>); 2017 Year-End Report (*Projet de Loi de Règlement*) (<https://www.performance-publique.budget.gouv.fr/documents-budgetaires/lois-projets-lois-documents-annexes-annee/exercice-2017/projet-loi-reglement-rap-2017>).

France scored 74/100 for transparency in the Open Budget Survey 2017 (10<sup>th</sup> in the global ranking, alongside the United Kingdom and Australia). The government publishes a very comprehensive budget proposal, made up of a varied set of documents which cover many aspects of budget policy, including macroeconomic projections, detailed expenditure estimates, and documents on so-called “transversal policies”. Government action is structured in missions and programs, for which detailed information is provided regarding rationale, objectives, indicators, and targets. These include some information on past performance, but no projections beyond the budget year.

Many programs are designed to benefit specific groups and tackle inequality, but information on these programs is not presented in a consolidated format. The 2019 budget proposal talks about a recently approved “Strategy to Fight Poverty”<sup>10</sup>, but it is not clear how such a policy initiative is reflected in the budget. The budget documents present some basic information on the state of poverty and inequality in the country, and some more detailed

<sup>10</sup> See <https://www.gouvernement.fr/action/strategie-de-prevention-et-de-lutte-contre-la-pauvrete>.

information on some aspects of it (e.g. in health or in regional disparities) but with limited evidence. An annex contains so-called “preliminary evaluations” of all new policies included in the budget law, but these fall short of a proper assessment of distributional impact, despite highlighting some of the expected impacts, for example, on gender equality, youth and the disabled. Annual Performance Reports follow a similar format to the budget proposal and report back on both financial and non-financial performance.

## Dominican Republic

Extent of transparency on budget policies’ effects on poverty and inequality		
BASIC	GOOD	ADVANCED
Overall picture of poverty and inequality	Detailed picture of poverty and inequality	Assessments of distributional impacts of all new policies
Policy rationale and objectives for all major policies, including pro-poor interventions	Policy rationale, objectives and indicators for all major policies	Policy rationale, objectives, indicators and targets for all major policies
Consolidated information on pro-poor policies	Consolidated information on pro-poor policies (by program and looking at specific groups)	
Past data for all major policies		Past data and future projections for all major policies
Detailed report back in year-end report		

**KEY:** ■ poor or no information, ■ some information, ■ detailed information

**Source:** 2019 Budget Proposal ([http://www.digepres.gob.do/?page\\_id=9117](http://www.digepres.gob.do/?page_id=9117)); 2017 Year-End Report (*Informe Anual de la Evaluación de la Ejecución Física y Financiera*) (<http://www.digepres.gob.do/wp-content/uploads/2018/07/Informe-anual-2017.compressed.pdf>).

The Dominican Republic scored 66/100 for transparency in the Open Budget Survey 2017. In the budget proposal, most programs aimed at reducing poverty are under the responsibility of the Presidency, facilitating a comprehensive view of the government’s anti-poverty efforts. Other targeted programs are housed within specific ministries dedicated to the advancement of women’s rights and of youth development.

While Volume III of the budget proposal includes indicators and targets for each of these programs, no detailed explanation of the policy rationale or objectives of these programs is provided. Information on past spending and future projections is provided only for some programs or at a more aggregate level. The budget proposal does not include any information on the state of poverty and inequality in the country and does not present an assessment of the distributional impact of new policy measures. Finally, the Year-End Report does not allow for tracking pro-poor and targeted spending in a clear and accessible way. For example, no details are provided on the implementation of the Presidency’s anti-poverty programs.