



OPEN BUDGET SURVEY 2017

OPEN BUDGET SURVEY 2017: EXECUTIVE SUMMARY

After a decade of steady progress, the International Budget Partnership's (IBP) Open Budget Survey (OBS) 2017 shows a modest decline in average global transparency scores. This means governments are making less information available about how they raise and spend public funds than they did in 2015. Halting progress toward greater transparency is particularly discouraging in light of the finding that roughly three-quarters of the countries assessed in this year's survey publish insufficient budget information. Given the inadequacy of the information that governments make available about public spending and revenue, this is the time for accelerated progress, not stagnation.

In addition to these transparency challenges, the OBS 2017 assessment of budget oversight finds that most countries have limited or weak legislative oversight practices, though most have the basic conditions needed for auditors to fulfill their roles. The OBS 2017 also reveals that most governments fail to provide meaningful opportunities for the public to participate in the budget process.

This combination of opaque budgets, limited oversight, and closed budget processes weakens public financial management. More important, it undermines democracy, weakening the link between citizen priorities and government action.

In recent years, there have been a number of signs that the bridge between citizens and states is weakening in countries around the world. In the wake of corruption scandals and rising inequality, many people are questioning traditional institutions of representative democracy or channeling their support to leaders whose commitment to democratic institutions is dubious. Instead of addressing the public's frustrations, many governments have tightened controls on civil society. Restrictions on civic spaces and media freedom signal a weakening of the key instruments of democratic accountability that should cause concern for people around the world.

Against this backdrop, the OBS 2017 findings constitute another signal of the erosion of the relationship between governments and citizens, but the findings also outline a way to begin to rebuild. While government abuses of power and a lack of accountability for the use of public resources have fueled democratic disengagement and widespread disillusion with government around the world, the centrality of government budgets to the relationship between citizens and states makes them an obvious focus for efforts to restore public trust and repair the citizen-state rift.

THE STATE OF GLOBAL TRANSPARENCY

Public finance systems that are transparent — with effective formal oversight and opportunities for public participation — are essential for the efficient and effective use of scarce public resources. Governments have a responsibility to be transparent in how they raise and spend public funds, and citizens have the right to participate in making decisions about budgets and monitoring how these decisions are implemented. While public participation in budget processes contributes to decision making and is critical to accountability, it cannot replace scrutiny by the legislature and the supreme audit institutions, which have formal oversight authority over governments.

Launched in 2006, the OBS is the world's only independent, comparative assessment of the three pillars of an open budget system: transparency, oversight, and public participation. The OBS 2017 is the sixth round

of this biennial assessment of the strength of budget accountability systems in countries around the world. IBP evaluated 115 countries across six continents in the OBS 2017.

Using a subset of OBS questions that assess the amount and timeliness of budget information that governments make publicly available, each country surveyed is given a transparency score between 0 and 100. IBP uses these scores to construct the Open Budget Index (OBI), which ranks the assessed countries.

In 2017, the average transparency score, as indicated by the OBI, was 42. Only 26 countries provide sufficient budget information (scoring above a 61 on the OBI). In general, countries tend to be more transparent about their overall expenditures and revenue than they are about debt or the fiscal risks facing the country.

More than 20 percent of the budget documents assessed across the 115 countries are produced by governments but not made available to the public online in a timely manner. (Governments use these documents for internal purposes, publish them late, or do not publish them online.) The documents could easily be published on existing websites at minimal cost.

THE DECLINE OF TRANSPARENCY IN GLOBAL BUDGET PRACTICES

The average OBI score fell from 45 in 2015 to 43 in 2017 for the 102 countries that were surveyed in both rounds (out of a possible score of 100). The overall drop, albeit modest, is particularly significant in this era of global distrust of governmental institutions.

An important driver of this year's deceleration is the reversal of previous gains in sub-Saharan Africa. Of the 27 countries in sub-Saharan Africa in both the 2015 and 2017 surveys, 22 saw their transparency scores fall in the OBS 2017. With the exception of Asia, other regions saw slower growth or modest declines in transparency.

TABLE 1. REGIONAL AVERAGE OBI SCORES, 2015-2017

Region	Regional Average OBI		
	2015	2017	Change*
East Asia & Pacific	41	44	3
Eastern Europe & Central Asia	54	55	1
Latin America & Caribbean	50	50	1
Middle East & North Africa	21	20	-1
South Asia	42	46	5
Sub-Saharan Africa	39	29	-11
Western Europe & the United States	74	73	-1
All countries	45	43	-2

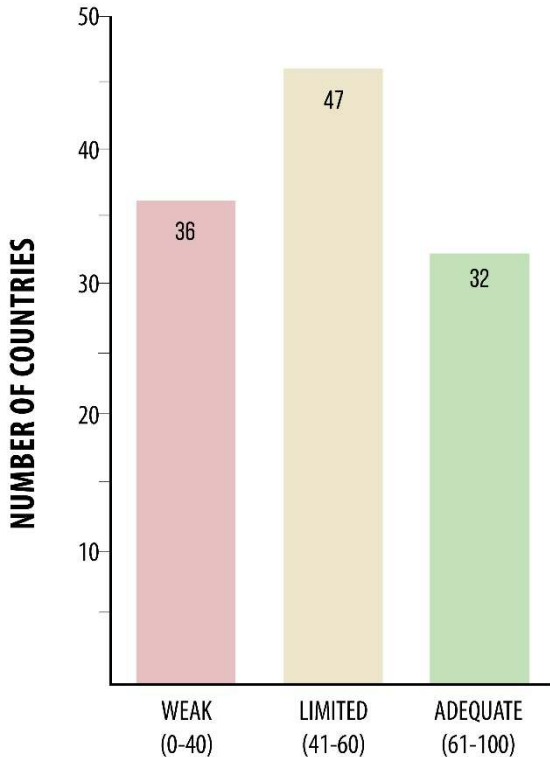
*Compares the 102 countries that were evaluated in both the 2015 and 2017 Open Budget Surveys.
Changes in Table 1 may not tally due to rounding.

The decline in scores mainly reflects governments' failure to publish key budget documents; the overall comprehensiveness of the documents that governments do publish rose marginally from 61 to 62 (out of 100).

LACK OF ADEQUATE OVERSIGHT

The OBS 2017 presents a somewhat mixed picture with regard to formal oversight institutions (i.e., legislatures, supreme audit institutions [SAIs], and independent fiscal institutions [IFIs]). The OBS 2017 evaluates whether legislatures and SAIs have the authority, independence, capacity, and resources needed to perform their oversight functions. The survey finds that only 32 countries' legislatures (28 percent) have adequate oversight practices, 47 countries (41 percent) have limited oversight practices, and 36 countries (31 percent) have weak oversight practices. Overall, legislatures engage in limited oversight practices, but they are able to provide somewhat more extensive oversight during budget formulation than implementation. Still, as an example of the ways in which legislatures exercise inadequate oversight, the survey found that 44 percent of the legislatures in the countries surveyed did not successfully make any amendments to the budget proposals presented to them by the executive.

FIGURE 1. COUNTRIES GROUPED BY 2017 LEGISLATIVE OVERSIGHT SCORE



SAIs assess whether funds are used in accordance with the law. The OBS shows that 75 out of 115 (65 percent) of the countries surveyed have the basic conditions needed for SAIs to carry out their oversight function. The survey also reveals that 24 countries (21 percent) have weak SAIs, and 16 (14 percent) have SAIs with limited scope. Countries with less transparency generally provide weak conditions in which SAIs

can function. Even where auditors carry out their work, they depend on legislatures to review it. Yet, more than a third of the legislatures surveyed did not review the audit reports issued by SAIs.

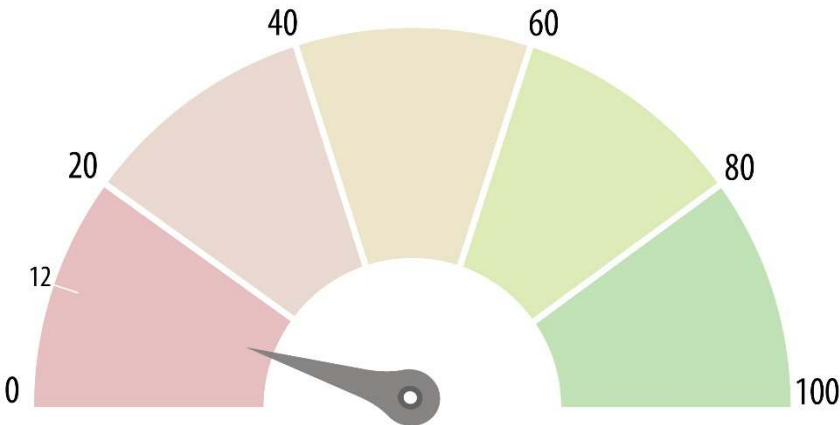
For the first time, the OBS assessed IFIs — independent, nonpartisan institutions that are attached to either legislative or executive branches of government. Establishing independent, well-resourced IFIs can help governments restore their credibility and improve legislatures’ and citizens’ confidence in a government’s ability to raise and spend public funds responsibly. The OBS shows that 18 countries have independent and well-resourced IFIs, 10 countries have IFIs that are not well-resourced or legally independent, and 87 countries do not have IFIs.

INSUFFICIENT PUBLIC PARTICIPATION OPPORTUNITIES IN EVERY COUNTRY

Providing opportunities for public participation in the budget process is key to creating a more inclusive democracy. Without citizens’ active participation — particularly citizens from marginalized or vulnerable groups — budget systems may only serve the interests of powerful elites.

The OBS 2017 finds that not a single country out of the 115 surveyed offers participation opportunities that are considered adequate (a score of 61 or higher). The average global score is just 12 out of 100, with 111 countries having weak scores (lower than 41). Only four countries have scores that indicate a moderate level of opportunity for public participation (between 41 and 60): Australia, New Zealand, the Philippines, and the United Kingdom.

FIGURE 2. AVERAGE PARTICIPATION SCORE



Yet, as the budget practices in a few countries clearly demonstrate, tested mechanisms for enhancing citizen participation do exist. The South Korean government has established a Waste Reporting Center, where citizens can register their complaints about the government’s inefficient use of resources. This has resulted in budget savings of \$16 billion over the past 16 years. The previous government in the Philippines made a concerted effort to work with civil society organizations (CSOs) through Budget Partnership Agreements, which have led to increased engagement, collaboration, and advocacy for reforms between the government and CSOs. While it is still unclear how this effort will fare under the current government, it provides a useful model for how governments can engage the public in budget planning.

THE GOOD NEWS

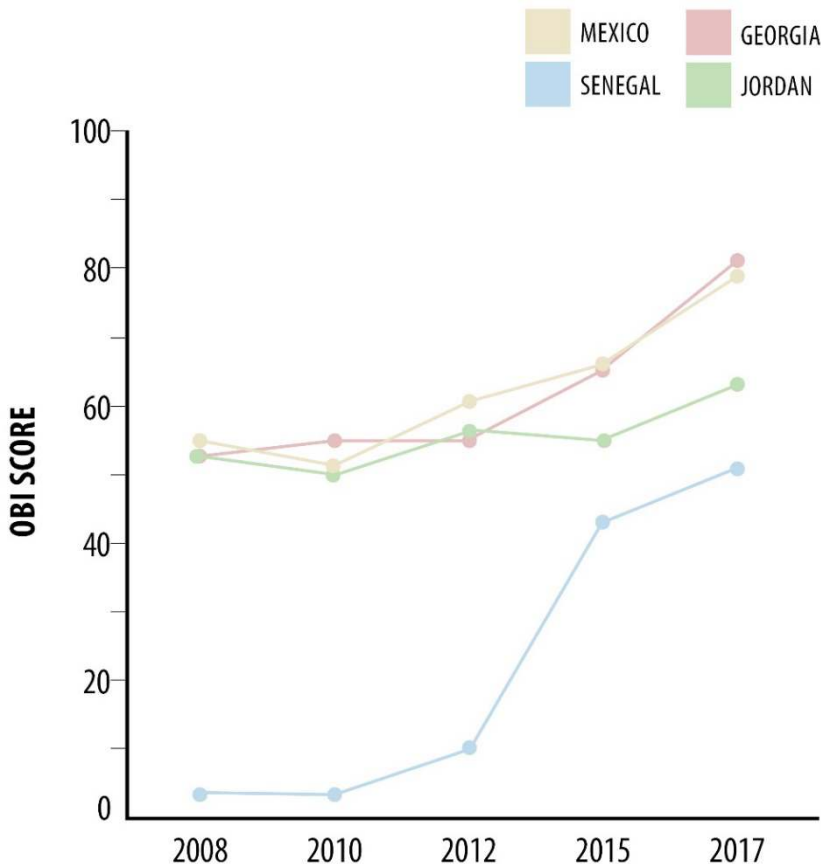
While overall global transparency has declined, the loss is still significantly less than the gains made over time that have been illustrated by previous rounds of the survey. Government budgets are considerably more transparent than they were a decade ago.

The number of publicly available budget documents reported has decreased in this round of the survey compared to 2015, but available budget documents contain more information now than they did in previous years. For example, information on debt, revenue policies, and multiyear spending in Pre-Budget Statements was more likely to be available in 2017 than in 2015. More information has also been made available in the Executive's Budget Proposals in 2017 in key categories such as transfers to state corporations and expenditures for the poor.

Finally, not all countries experienced a decline in transparency in the 2017 survey. Among those that improved in this round, four countries — in different regions of the world — experienced substantial gains in transparency over the last decade.

- Georgia: OBI score increased from 53 in 2008 to 82 in 2017.
- Jordan: OBI score increased from 53 in 2008 to 63 in 2017.
- Mexico: OBI score increased from 55 in 2008 to 79 in 2017.
- Senegal: OBI score increased from 3 in 2008 to 51 in 2017.

FIGURE 3. OPEN BUDGET INDEX SCORES, 2008-2017



These four countries show that any government can make significant improvements in budget transparency. So, whether a country is dependent on hydrocarbon revenue, like Mexico, or has a low average income, like Senegal, or is in a region with generally closed systems, like Jordan in the Middle East, or is a relatively new democracy, like Georgia, it can still register impressive gains in transparency. These gains are the result of efforts made by government champions, active and engaged civil society members and citizens, a vigilant media, and incentives from donors and the private sector.

RECOMMENDATIONS

There are a few simple ways that governments can make their budget systems more transparent and participatory and provide effective oversight to increase overall accountability.

- **Publish all budget documents online in a timely manner.** In 75 countries, governments publish at least one budget document online but produce at least one additional document that they fail to publish online. Countries can increase transparency by taking the small step of publishing all documents online in a timely fashion. These transparency gains will only be meaningful if governments sustain the practices and publish budget information consistently from one budget cycle to the next.
- **Establish or strengthen oversight institutions.** Legislative oversight could be strengthened during budget formulation and implementation. Countries should increase the capacity of SAIs and other oversight institutions to carry out their functions. Governments could consider setting up IFIs to ensure well-informed budget policies.
- **Expand the scope of participation opportunities and make these opportunities more inclusive.** Executive branches should reach out to historically disadvantaged or marginalized populations to encourage participation in the budget process and develop a more equitable society.

METHODOLOGY

The Open Budget Survey uses internationally accepted criteria developed by multilateral organizations from sources such as the International Monetary Fund (IMF), the Organisation for Economic Co-operation and Development (OECD), the International Organisation of Supreme Audit Institutions (INTOSAI), and the Global Initiative for Fiscal Transparency (GIFT).

The survey is a fact-based research instrument that assesses what occurs in practice through readily observable phenomena. The entire process took approximately 18 months between August 2016 and January 2018 and involved about 300 experts in 115 countries. The Open Budget Survey 2017 assesses only events, activities, or developments that occurred or should have occurred up to December 31, 2016. For the OBS 2017, the definition of publicly available documents was revised such that only documents made available online are considered published and the individual questions on public participation and budget oversight were substantially strengthened and updated. A discussion of these changes can be found in the Open Budget Survey Global Report (www.openbudgetsurvey.org).

Survey responses are typically supported by citations and comments. This may include a reference to a public document, an official statement by the government, or comments from a face-to-face interview with a government official or other knowledgeable parties.

The survey is based on a questionnaire that is completed for each country by independent budget experts who are not associated with the national government.

The draft responses to each country's questionnaire are then independently reviewed by an anonymous expert who also has no association with the national government. In addition, IBP invites national governments to comment on the draft responses and considers these comments before finalizing the survey results.

Researchers respond to comments from peer reviewers and their government, if applicable, and IBP referees any conflicting answers to ensure consistency across countries in selecting answers.