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**THE OPEN  
BUDGET SURVEY  
2010**



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Warren Krafchik  
DIRECTOR



# Open Budget Survey 2010

## *EXECUTIVE SUMMARY*

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Over the past decade several developments have led to a growing emphasis worldwide on creating open budget systems.

Citizens have increasingly asserted that they should know how their governments are using public funds and other resources of their countries.

Experts have increasingly concluded that making budgets transparent and building adequate checks and balances into the budget process can enhance the credibility and prioritization of policy decisions, limit corrupt and wasteful spending, and facilitate access to international financial markets.

Budget transparency has become central to a number of international development discourses, ranging from the financing of climate change mitigation, to country-level actions to meet international development commitments like the Millennium Development Goals, to accounting for the revenues from the sale of natural resources, and to examining the amount of international aid given to developing countries and how it is spent.

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## For these reasons, the International Budget Partnership created the Open Budget Survey.

The Survey is the only independent and comparative measure of government budget practices, with its rigorous approach receiving substantial praise from international public finance experts. **This report analyzes the third implementation of the Survey, which yielded four main findings.**

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***Finding 1: The overall state of budget transparency is poor. Only a modest minority of countries can be considered to have open budgets while a large number of countries provide grossly insufficient budget information.***

The average Open Budget Index (OBI) score for the countries surveyed in 2010 is 42 out of 100 (see the text box on the next page for a description of the “OBI” and the chart at the end of this summary for each country’s score). Specifically:

- ➔ Only 20 of the 94 countries included in the Open Budget Survey 2010 had OBI scores above 60 and can be characterized as providing their citizens with enough budget data to enable them to develop a comprehensive analysis and understanding of their national budgets.
- ➔ About one-third of the countries (33) provide some information, scoring between 41 and 60, though this information is far less than what is required to obtain a clear understanding of the budget and to provide a check on the executive.
- ➔ In a plurality of countries (41), the amount of information provided is acutely inadequate. This includes 19 countries in which only minimal information is provided (those with scores between 21 and 40), as well as 22 countries in which little to no budget information is provided

(those with scores of 20 or less). The 22 countries are Algeria, Bolivia, Burkina Faso, Cambodia, Cameroon, Chad, China, Democratic Republic of Congo, Dominican Republic, Equatorial Guinea, Fiji, Honduras, Iraq, Kyrgyz Republic, Niger, Nigeria, Rwanda, São Tomé e Príncipe, Senegal, Saudi Arabia, Sudan, and Vietnam.

- ➔ In 21 of the 22 countries that provide little to no budget information, the Executive’s Budget Proposal — arguably the government’s most important policy document — is not even released.<sup>1</sup>

Even when budget documents are made public, essential information is often absent. Only 17 of the countries examined, for instance, provide comprehensive budget information on policies intended to alleviate poverty. Another 41 countries provide *no* information on extra-budgetary funds in their Executive’s Budget Proposals even though, on average, extra-budgetary funds account for nearly 40 percent of central government expenditures in transitional and developing countries.

Countries performing poorly on the OBI tend to share certain characteristics — such as low levels of income, low levels of democracy, geographical location in Africa and the Middle East, and dependence on aid and revenues from the sale of

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<sup>1</sup> One other country — which is not in this group — that fails to publish its budget proposal is Afghanistan. It receives an OBI 2010 score of 21.

## The Open Budget Survey and The Open Budget Index

The International Budget Partnership's (IBP) Open Budget Survey assesses the availability in each country of eight key budget documents, as well as the comprehensiveness of the data contained in these documents. The Survey also examines the extent of effective oversight provided by legislatures and supreme audit institutions (SAI), as well as the opportunities available to the public to participate in national budget decision-making processes.

The Open Budget Survey is not a perception survey or an opinion poll. The Survey uses internationally accepted criteria to assess each country's budget transparency and accountability. The Survey is compiled from a questionnaire completed for each country by independent budget experts who are not associated with the national government. Each country's questionnaire is then independently reviewed by two anonymous experts who also have no association to government.

Scores assigned to certain Open Budget Survey questions are used to compile objective scores and rankings of each country's relative transparency. These scores constitute the Open Budget Index (OBI).

hydrocarbons. These characteristics, however, are not necessarily deterministic of budget transparency. Countries that have the political will to become more transparent can make meaningful improvements relatively quickly.

***Finding 2: The general trend toward open budgets is nonetheless favorable. Budget transparency is improving substantially, especially among countries that provided little information in the past.***

The series of Surveys (2006, 2008, and 2010) record substantial, and sometimes dramatic, improvements in budget transparency practices over the past four years. When the 40 countries for which there are comparable data for 2006, 2008, and 2010 are examined, the average OBI score goes from 47 in the 2006 Survey to 56 in the 2010 Survey, an increase of nearly 20 percent in a relatively short period.

Progress has been particularly notable among several countries that previously performed very poorly on the OBI and are generally regarded as challenged by poverty and instability. The average OBI score for the 14 countries that performed worst in the OBI 2006 (and for which comparable data is available) has gone up from 25 to 40 in the OBI 2010. Notable improvers include Egypt, Mongolia, and Uganda. Similar improvements were also found in some of the countries assessed for the first time in the OBI 2008, including Afghanistan, Liberia, and Yemen.

Some of these governments — especially those that scored very low in earlier rounds of the OBI — largely achieved these improvements by taking one basic and inexpensive step: they began to make available on their websites the budget documents that they previously produced but had made available only to internal government audiences or to donors. In many cases, these governments began to publish their Executives' Budget Proposals. For example, the Liberian and Yemeni governments published their budget proposals for the first time in 2009.

## SIGNIFICANT CHANGES IN OBI SCORES SHOW THAT IMPROVEMENTS ARE HAPPENING

THE TABLE BELOW SHOWS A LIST OF ALL COUNTRIES WHOSE OBI SCORES INCREASED BY MORE THAN 10 POINTS FROM 2006-2010.

COUNTRY	2006	2008	2010
AFGHANISTAN	NA	8	21
ANGOLA	5	4	26
ARGENTINA	40	56	56
AZERBAIJAN	30	37	43
CROATIA	42	59	57
EGYPT	19	43	49
GEORGIA	34	53	55
GHANA	42	50	54
INDIA	53	60	67
LIBERIA	NA	3	40
MALAWI	NA	28	47
MONGOLIA	18	36	60
NORWAY	72	80	83
RUSSIA	47	58	60
RWANDA	NA	1	11
SRI LANKA	47	64	67
TURKEY	42	43	57
UGANDA	32	51	55
VIETNAM	3	10	14
YEMEN	NA	10	25

Even governments that did not score very low in earlier rounds of the OBI achieved improvements by increasing the comprehensiveness of their published budget reports, especially the Executive's Budget Proposal.

The IBP's initial investigation of what caused these changes suggests that a range of factors can lead to an increase in budget transparency, including:

- ➔ changes in government officials after elections that result in a new government or the appointment of a new official committed to greater transparency;
- ➔ pressure within a country from civil society organizations and legislatures;
- ➔ external factors like pressure exerted by donors and from specific initiatives like the Heavily Indebted Poor Countries Initiative and the OBI, and technical assistance provided to countries.

These hard-won gains in budget transparency should not, however, be taken for granted. The Survey also found that for each of the eight key budget documents, some countries moved in the wrong direction – i.e., they either stopped publishing these documents or began to provide less information in the published documents than in previous years. For example, Fiji no longer publishes its Pre-Budget Statement, Year-End Report, or Audit Report. The Executive’s Budget Proposal could not be accessed by the OBI researcher in Niger while in the previous round of the survey the OBI researcher was able to access a hard copy of this document from the government.

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***Finding 3: Budget engagement by the audit institutions and the legislature is typically weak and is strongly correlated to the lack of budget information made available to these institutions and the public.***

The Open Budget Survey 2010 finds that budget oversight is weak in a significant number of countries assessed. Legislatures in such countries often do not have adequate powers to amend the budget developed by the executive and are not provided sufficient time to comprehensively assess the Executive’s Budget Proposal before approving it into law. In only 27 countries do legislatures have unlimited powers to amend the budget presented to them. In 22 countries, legislators are provided with the Executive’s Budget Proposal less than six

weeks before the start of the budget year. In the implementation of the budget in 52 countries, the legislature does not have the power to prevent the executive from moving funds between administrative units, essentially ignoring legislative intentions.

The Survey finds that supreme audit institutions (SAIs) generally have some of the independence required for them to play a useful role in the budget process. Still, many lack the full independence from the executive that is desirable, and half report that they do not have sufficient resources to effectively undertake their audit mandates. The 2010 Survey also reveals that the overall strength of SAIs is relatively weak. Among all 94 countries in the 2010 Survey, the average score for questions assessing the strength of SAIs was just 49 of 100, up slightly from 2008.

Notable is the strong correlation between a country’s score on the OBI and the adequacy of its oversight institutions. Countries that perform well on the OBI tend to have the strongest legislatures and SAIs, and countries performing poorly typically suffer from weak oversight institutions. This correlation is not surprising in that countries that provide more information on their budgets enable better oversight, and thus we are likely to find stronger, more effective oversight institutions in these contexts.

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***Finding 4: There are many simple steps to opening up budgets that governments are failing to undertake. Such steps can be taken by the executive branch, the legislature, and the supreme audit institutions alike.***

In certain respects, improving a country’s budget system can be a complex, technical task. It can require creating new data systems or producing new reports for which the lack of technical expertise can be a barrier. But the Survey finds that budgets around the world can be opened up considerably if countries start with some relatively simple actions.



Most notably, governments are producing a surprisingly large number of documents for internal purposes or for their donors that they are not publishing. Of the budget documents that surveyed governments fail to publish, 42 percent are in fact produced but only used for internal purposes.

The differences between countries falling in different OBI categories when it comes to making public the documents that are produced are quite large. Most dramatically, the high scoring countries (OBI scores between 81 and 100) publish 100 percent of the documents they produce while the worst scoring countries (OBI scores between 0 and 20) do not make public the *majority* of budget documents produced.

The SAIs and legislatures are not using their existing legal authority to the fullest. SAIs typically score much lower on OBI questions assessing the comprehensiveness of their published Audit Reports than they do on those assessing their independence. This suggests that, even given their institutional limitations, SAIs could publish more information in their audit reports. SAIs can also do more to involve the public, for example, through establishing fraud hotlines or other systems to solicit suggestions that can be used to determine their audit agendas.

Legislatures in only 26 countries provide the public with formal opportunities to provide testimony during budget discussions. More disturbing is that in 35 countries, *all* discussions about the budget between the legislatures and the executive, including hearings, are entirely closed to the public (including the media), and no public record of such meetings is subsequently provided. In other words, legislatures themselves are often following practices that do not enable public understanding and participation, even though most legislatures could do more to foster engagement within their legal powers, such as holding public hearings.

## Recommendations

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*Specific recommendations for individual countries can be found in the separate reports for each country. Here are the IBP's general recommendations.*

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### **1. Countries should make public all of the eight key budget documents they already produce:**

This simple step would require virtually no additional effort or cost by the governments involved but would dramatically improve the openness of budgets in large parts of the world, particularly in low-scoring countries where the majority of budget documents produced are not made public.

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### **2. Budget documents should be widely available for free and on a timely basis:**

It is relatively easy to make budget documents widely available for free if governments simply publish them on their websites. Further, those governments that have already begun to publish information on their websites should use easily downloadable formats and develop an archive system for prior years' budget reports. Countries should also make hard copies of budget documents available in national and local libraries and in information desks maintained in government offices. In addition, the publication of budget documents should be timely. For instance, the Executive's Budget Proposal should be published well in advance of the budget approval dates, so that adequate review and discussion are possible, and Year-End and Audit Reports should be published within six months of the end of the fiscal year to be most relevant.

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### **3. The lowest performing countries on the OBI should work to meet certain minimum standards:**

The IBP recommends that, at the very minimum, countries that currently provide no or scant bud-

get information publish their Executive's Budget Proposal, Enacted Budget, and Audit Reports. The IBP also recommends that legislatures in these countries begin to organize public budget hearings prior to approval of the budget. The budget transparency practices in these countries are of biggest concern to the IBP and we will be monitoring developments in their budgeting practices over the next two years and reporting on their progress even before the release of the next OBI.

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**4. Countries providing minimal or some information should improve their performance on three key reports:**

The 52 countries that score between 21-60 on the OBI should increase the comprehensiveness of the Executive's Budget Proposal, which, though published by almost all countries, lacks essential information. They should both improve the comprehensiveness of Audit Reports and be sure to publish them (currently a third of these countries do not publish Audit Reports). They also need to begin to produce and publish Mid-Year Reviews, which countries in this category are typically not publishing.

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**5. The authority, independence, and capacity of budget oversight institutions should be strengthened. The voice of the public should be allowed as a complementary check and balance:**

Legislatures should have amendment powers, time to review the budget, and authority to influence changes in the budget once it is enacted, and SAIs should be independent and have adequate authority, capacity, and resources to fulfill their oversight responsibilities. To promote effective public participation, the legislature should convene open public hearings at each stage of the budget process and should allow civil society to provide testimony. Similarly, the public should be provided with opportunities to engage directly with SAIs in the evaluation phase of the budget process. There are many mechanisms, such as "fraud hotlines," for such engagement.

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**6. Donors should encourage and support aid-dependent countries to improve their transparency:**

Donors should strongly encourage budget transparency in the countries to which they provide aid by offering incentives to countries that demonstrate better budget transparency practices. Donors should also make certain that the general aid they provide is adequately reflected in recipient countries' budget documents and that they themselves provide full and accessible information about any project aid they provide. Donors also could provide technical assistance to increase the capacity of oversight institutions (legislatures, SAIs, civil society, media, etc.) to pressure executives to expand budget transparency and accountability.

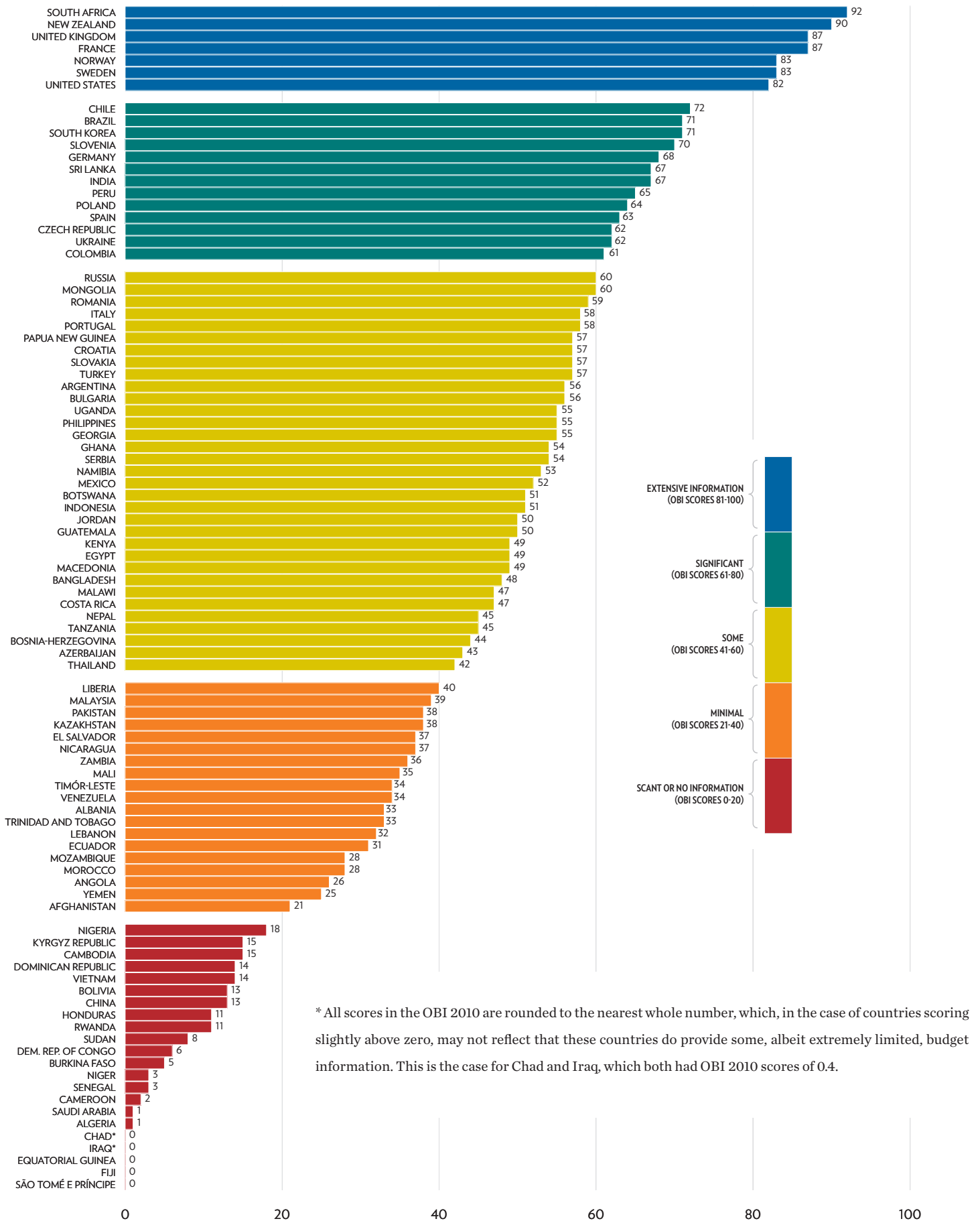
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**7. A movement to push for a global norm on budget transparency should be established:**

The alarming state of budget transparency documented by successive rounds of the Open Budget Survey — coupled with evidence that progress is possible — constitutes a compelling case for a major push from the international community for a global norm on budget transparency. Legislatures, SAIs, and governments (especially those that are committed to budget transparency) along with donors, professional associations on public finance management, and civil society organizations should all be involved. A budget transparency norm can codify broadly accepted principles and guidelines of appropriate government conduct with respect to transparency and public participation in the budget process. It is also important to note that the establishment and ratification of a global norm would provide civil society and legislatures with a powerful tool to leverage greater openness in their country's budget systems.

Taken together, progress on the above recommendations would be consistent with the right of the public to know their government's priorities and would improve the collection and expenditure of government funds. ■

# OBI 2010 SCORES



\* All scores in the OBI 2010 are rounded to the nearest whole number, which, in the case of countries scoring slightly above zero, may not reflect that these countries do provide some, albeit extremely limited, budget information. This is the case for Chad and Iraq, which both had OBI 2010 scores of 0.4.



## CHAPTER ONE:

# Introduction & Methodology

## The Importance of Open Budgets

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**A few years ago, Kheema Ram, a young man from rural India, was troubled by the poor quality of wheat being sold in government-run food shops in his community under the public distribution system.** He suspected corruption within the shops, which sell essential food supplies at subsidized rates to the poor. After the officials responsible for the shops ignored complaints from the local community, Kheema Ram decided to investigate, which led him to analyze reports on the shops produced by state government auditors. Kheema Ram's suspicions were confirmed by the audit reports, which identified many irregularities in the

operation of these shops and recommended that action be taken against the officials responsible. Despite these findings, the government had taken no action. Kheema Ram publicized the conclusions from the audit reports together with information on other irregularities he had found. The resulting public outcry caused the district administration to take action — and several shop officials were eventually suspended from their jobs.

In 2008 Fundar, a civil society organization (CSO) in Mexico, collaborated with other CSOs to launch an online database on farm subsidies in Mexico, which provides quick and easy access to government data about “who gets what” from the country’s agricultural subsidy programs. The farm subsidy database brought to light a key problem: the way in which the funds were distributed. Though many

farm subsidy programs claim to target the neediest farmers, in reality a small group of wealthy farmers had captured the vast majority of subsidy funds over time (the top 10 percent of recipients — mostly rich farmers — had received over 50 percent of the funds).

Armed with this evidence, Fundar was able to raise these issues and create a public debate about farm subsidy policy at a time when the global food crisis was already prompting questions about it. Responding to the public debate, the Mexican government implemented important reforms to cap individual payments and increase the amount provided to the smallest farmers. Public officials responsible for program operations have been questioned formally in the Mexican Senate, and several have been removed from office. The government also has begun to implement measures designed to regain control over the distribution of these funds, ensuring that program funds reach the targeted beneficiaries.<sup>2</sup>

These examples from India and Mexico demonstrate how the public and CSOs can use information available through open budget practices to improve public service delivery and public resource management. Access to budget information can be especially critical to poor and disadvantaged communities. These communities typically rely on government services, but their voices are often ignored by those in power.

These examples also begin to illustrate how transparency and public participation are the cornerstones of effective and accountable government. Without access to information, legislators, auditors, CSOs, media, and the broader public cannot participate effectively in decision making, nor can they hold the executive to account for the use of public resources.

<sup>2</sup> The Fundar example will be published on the IBP's website as part of a series of case studies on the impact achieved by civil society groups that are monitoring government budgets.

## BOX 1.

### Testing Citizen Access to Budget Data on the Millennium Development Goals

In 2010 a coalition of civil society organizations around the world put access to budget information to the test by submitting the same six questions to their national governments. The information requests sought practical budget data about how much governments are investing in key interventions related to fulfilling the Millennium Development Goals, such as maternal health and environmental protection. The requests also asked how much the governments either receive or donate in international development aid.

Researchers in 80 countries submitted letters to their Ministries of Health, Finance, Environment, and other government agencies, diligently following up on their initial requests when responses were not provided. After seven months and over 1,000 letters, phone calls, and visits to ministries, only one country, New Zealand, provided budget information that substantively responded to all six questions. The remaining 79 governments either ignored the requests, refused to provide an answer, failed to respond to some of the questions while answering others, or provided only some of the budget data requested when responding to questions.

This exercise demonstrates the difficulties citizens face in accessing budget data from their governments and makes a strong argument for governments to proactively publish comprehensive, timely, and useful budget information.

➔ For more information and country results, please visit [www.internationalbudget.org](http://www.internationalbudget.org).

Transparency and public participation, in turn, can enhance the credibility of policy choices and the effectiveness of policy interventions. Lack of transparency can lead to the selection of unpopular and inappropriate programs and corrupt and wasteful spending.

In addition to its impact on governance, budget transparency can benefit countries financially. Studies have shown that countries that have more transparent budgets tend to have better access to international financial markets and lower borrowing costs. Conversely, in at least some countries (like Greece), a lack of transparency and effective oversight of the vulnerability of government debt and deficits to external shocks contributed to the recent economic crisis.

Expanded budget transparency is also essential to monitoring progress toward the achievement of international development commitments, such as the United Nations' (UN) Millennium Development Goals (MDGs). Recently, the International Budget Partnership (IBP) and its partners requested specific budget information from 80 governments on MDG-related spending and resources from aid. The IBP and its partners obtained very little of the budget data they sought (see **Box 1**). Indeed, there is no requirement for governments to systematically report this information to the UN as part of the MDG process. But without access to such basic budget data, it is not possible for civil society, or even for the UN and donor organizations, to accurately analyze the status of government programs meant to support the achievement of the MDGs.

Finally, transparency in government budgets is key to a number of other development and governance discussions. While access to information on expenditures is especially important to these discussions, there is also a need for greater transparency in the funds that flow into government treasuries. There are several discussions taking place that are looking at this issue.

- ➔ The Extractive Industries Transparency Initiative is working to expand government transparency regarding revenues generated from the sale of minerals and hydrocarbons.
- ➔ The International Aid Transparency Initiative calls for transparent reporting of donor assistance to recipient countries.
- ➔ Discussions on climate change often focus on the funds needed to support developing countries' transition to low-carbon economies, and how to ensure that this flow of funds is transparent.

But what happens when these funds reach national treasuries? Given the reach and potential impacts of how governments manage and oversee the use of public resources, the international community must focus urgently on budget transparency, on both the revenue and expenditure sides. The production of timely, comprehensive, accurate, and accessible data on government budgets is a critical goal that needs to be on the agenda of governments, development institutions, and civil society. In this report, the IBP presents the collective steps that can be taken to ultimately achieve this goal.

### *The Open Budget Survey*

The IBP and its research partners around the world are committed to the idea that open budget systems are essential to creating free and just societies in which the public is empowered with the knowledge of how their government is managing their resources. Citizens can use this knowledge to hold their government to account for collecting and using public funds efficiently and effectively and to influence policies that improve the services they receive — and thus the quality of their lives. The IBP formulated the Open Budget Survey with this idea in mind. To promote greater openness in national government budgeting systems, the survey documents the current budgeting practices of governments; establishes standards for transparent, participatory, and accountable budget systems;

and identifies countries in varying contexts and with different characteristics that are meeting or are on their way to meeting these standards.

*The Open Budget Survey is a unique and valuable dataset for the following reasons:*

- ➔ it is the only independent and comparative measure of budget transparency around the world;
- ➔ it is published regularly in two-year intervals and covers the same set of countries (although new countries are added in each round); and
- ➔ it uses internationally accepted criteria to assess each country's budget transparency and accountability.

The IBP's first round of the Open Budget Survey examined 59 countries in 2006. A second application of the Survey in 2008 examined 85 countries (including the 59 countries that were assessed in 2006). Results from these previous surveys can be found on the IBP's website at [www.openbudget-index.org](http://www.openbudget-index.org). The 2010 Survey adds nine countries – Chile, Iraq, Italy, Mali, Mozambique, Portugal, Slovakia, Spain, and Timór-Leste – to the 85 that were assessed in 2008.

The Open Budget Survey uses criteria developed by the International Monetary Fund (IMF) in its *Code of Good Practices on Fiscal Transparency*, the Organization for Economic Cooperation and Development (OECD) in its *Best Practices for Budget Transparency*, and the International Organization of Supreme Audit Institutions (INTOSAI) in its *Lima Declaration of Guidelines on Auditing Precepts*. Although the large majority of indicators used in the Open Budget Survey draw on these international guidelines, it also assesses some issues that are not discussed – or not addressed in adequate detail – in the guidelines issued by the IMF, OECD or INTOSAI, including:

- ➔ the extent and nature of public hearings organized by legislatures during budget discussions;
- ➔ the extent and nature of public consultations undertaken by the executive when it is formulating the national budget;
- ➔ whether supreme audit institutions (SAIs) have formal communication mechanisms through which they solicit and receive complaints and suggestions from the public to assist in formulating and conducting audit programs;
- ➔ whether simplified budget data is available to the public through a Citizens Budget, summaries of various budget and audit reports, and budget glossaries, etc.; and
- ➔ the comprehensiveness of budget data published, specifically on policies and programs intended to benefit impoverished populations.

## BOX 2.

### The IMF and Citizens Budgets

Citizens Budgets were not part of any international guidelines when the Open Budget Survey was formulated, but the IBP nonetheless included them in the survey and has promoted them for more than a decade. In 2007 the International Monetary Fund (IMF) revised its *Code on Fiscal Transparency* to recommend the publication of simplified and popular versions of the official budget (i.e., Citizens Budgets). The IMF also developed a draft discussion paper that draws extensively on the IBP's Open Budget Survey recommendations and provides guidelines on how governments can develop Citizens Budget reports.



The Open Budget Survey is not an opinion or perceptions poll. Survey data is compiled from a questionnaire, which is completed for each country by independent budget experts who are not associated with the national government. For the 2010 Survey these experts completed the questionnaire's 123 multiple-choice questions based on the factual state of budget transparency in their countries as of 15 September 2009. As a result, national budget reports and documents published after this date — and any other developments in a country's budgeting system or practices occurring after this date — are not considered in the Open Budget Survey 2010.

Each country's completed questionnaire was independently reviewed by two anonymous experts who also had no association with government. In addition, the IBP invited the national government of 88 of the countries covered in the 2010 Survey to comment on the questionnaire completed for that country. Approximately half of these governments commented on their results; their comments are provided in the versions of the country questionnaires published on the IBP website.

IBP staff members reviewed the results for each country by checking the citations and comments provided by the researchers to justify the score for each question. Further, IBP staff members assessed the peer reviewers' comments and the comments from governments (when provided within the requested timeframe) and determined the final answer in consultation with the researchers. These determinations were made after considering such factors as cross-country comparability of data and consistency in the assumptions used by researchers to answer the questions.

## The Open Budget Index

*Ninety-two of the 123 questions in the Open Budget Survey questionnaire inquire about the public availability, timeliness, and com-*

*prehensiveness of a country's budget reports. Scores assigned to these 92 questions are used to determine an overall transparency score for each country surveyed. These scores are then compiled to create the Open Budget Index (OBI), an objective ranking of each country's relative level of transparency. The remaining survey questions assess the strength and effectiveness of legislatures and SAIs in each country studied.*

*Modern budgeting practices require governments to publish eight key and basic documents during a country's budget year. These documents are the focus of the Open Budget Index and cover different stages in the budget cycle and provide information on budget plans and results.*

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### The Eight Key Budget Documents

During budget formulation, the executive should issue two documents with at least a one month gap between them: the **Pre-Budget Statement**, which presents the assumptions used in developing the budget, such as the expected revenue, expenditure, and debt levels, and the broad allocations among sectors; and the **Executive's Budget Proposal**, which presents the government's detailed declaration of the policies and priorities it intends to pursue in the upcoming budget year, including the specific allocations to be made to each ministry and agency.

The **Enacted Budget** is the legal document that authorizes the executive to implement the policy measures the budget contains. The Enacted Budget is issued by the legislature after it approves (sometimes with amendments) the budget proposal presented to it by the executive.

There are two review documents that governments should publish during the course of budget execution. First, the executive should issue monthly or quarterly **In-Year Reports** on revenues collected, expenditures made, and debt incurred. Second, the executive should publish a **Mid-Year Review** for the first six months of the budget year to discuss

## Greece's Debt Crisis and its Budget Process

Inadequacies in Greece's budget system contributed to its recent debt crisis. An article in the *OECD Journal on Budgeting* found that Greece's "reported budget balance was affected by off-budget military spending and overestimated surpluses in social security funds." Similarly, Greece's reported debt and deficit levels have been revised almost every year since 2000, often by significant amounts, and its successive governments have been under severe criticism for the inaccuracy of their estimates and disclosure (Eurostat, 2004). Such flaws in its budget reports actually enabled Greece to join the euro currency in 2001 because it misreported its fiscal deficit numbers, claiming a budget deficit in 1999 that was less than three percent (a condition required to be met by countries wishing to join the common currency) when in fact its budget deficit exceeded that target by a substantial margin (BBC News, 2004). Studies have also indicated that Greece has weak oversight institutions, including its legislature. Presumably, such weaknesses allowed some of the flaws in the system to continue.

Greece was not one of the countries included in the Open Budget Survey 2010. Some of the problems identified above, such as the weak legislative oversight, would likely have been illustrated by the Survey. Many of the problems, however, relate to the inaccuracy of the information reported and the ongoing need for subsequent revisions, which would not have been directly captured by the Survey.

- The information presented here was drawn from the following sources: BBC News, "Greece Admits Fudging Euro Entry," November 2004; Eurostat, "Report by Eurostat on the Revision of the Greek Government Deficit and Debt Figures," European Union, 2004; Hawkesworth, Ian; Daniel Bergvall; Richard Emery; and Joachim Wehner, "Budgeting in Greece," *OECD Journal on Budgeting*, Volume 2008/3; and IMF Fiscal Affairs Department, "Greece: Report on Observance of Standards and Codes – Fiscal Transparency Module," IMF Country Report No. 06/49."

any changes in economic assumptions that affect approved budget policies.

After the end of the budget year, the executive should publish a **Year-End Report** summarizing the financial situation at the end of the fiscal year; this report should include an update on progress made in achieving the policy goals of the Enacted Budget. Good budgeting practices also require that a body that is independent from the executive, the SAI, issue an annual **Audit Report** covering all activities undertaken by the executive.

Since these budget documents are often highly technical, the IBP also recommends that governments publish simplified versions that are easily accessible for a broad audience. These popular versions of the budget are called the **Citizens Budget**.<sup>3</sup>

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### **Calculating the OBI Scores and Rankings**

Each of the 92 questions used to construct the OBI is assigned the same weight when calculating the OBI score for a country. The number of questions for each of the eight documents assessed, however, is different. (If a document is not publicly available, then all the questions pertaining to this document are automatically assigned a zero score.) As a result of this scoring system, some budget documents carry a greater weight than others. For example, 58 of the 92 questions used to construct the OBI are related to the Executive’s Budget Proposal, so if a country does not publish this document it receives a zero score on all 58 questions and its OBI score is likely to be very low. The emphasis on the Executive’s Budget Proposal is due to the fact that this is the government’s most important economic policy document. For each of the remaining documents, there are between one and 10 questions.

The OBI assesses budget transparency at the national or federal level of government. It assesses the comprehensiveness of information pertaining

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<sup>3</sup> For the purposes of the Open Budget Survey, the IBP assesses only the publication of simplified versions of the Executive’s Budget Proposal or Enacted Budget as Citizens Budgets.

to government revenues, expenditures, and debt, as well as performance-related data on budget targets and the actual realization of these targets.

The IBP’s analysis of the Open Budget Index places a country into one of five categories based on the overall OBI score for the country. Countries receiving a score between 81 and 100 are categorized as providing **extensive** information on their budgets; those scoring between 61 and 80 are categorized as providing **significant** information on their budgets; those scoring between 41 and 60, **some** information on their budgets; those scoring between 21 and 40, **minimal** information on their budgets; and those scoring between 0 and 20 are categorized as providing **scant or no** information on their budgets.

The OBI *does not* assess subnational budget systems, procurement issues, or any information provided outside of the eight documents by off-budget institutions and state-owned enterprises. The OBI also does not directly measure the accuracy of information contained in budget reports — whether the information provided is correct — or the degree to which government budgets are equitable and address the needs of their populace.

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### **Strength of Oversight Institutions**

In addition to measuring transparency, the Open Budget Survey examines the effectiveness of oversight provided by legislatures and SAIs and opportunities for public engagement in budget decision making and monitoring. Twenty-two of the 123 questions in the Survey assess how the legislature and the SAI contribute to budget transparency and accountability in a country.<sup>4</sup>

The average scores received on questions related to legislatures and SAIs are used to calculate a “strength” score for each institution. These measures of institutional strength should be used as

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<sup>4</sup> Fourteen questions in the Open Budget Survey are used neither to construct the OBI nor calculate “strength” of legislatures and SAIs. These questions are on miscellaneous budget issues that the IBP decided not to analyze for this report.

indicative data only, as the data on questions on the legislature and the SAI are not as comprehensive as is that on issues of public access to information.

More details on the methodology used by the IBP to complete the Open Budget Survey and compile the OBI are available on the IBP website.

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### **Determining Public Availability**

*“The budget should not have any loopholes because every piece of money matters. There should be a transparent implementation of the budget so that even the people living in the remotest part of the country will be aware of how his/her life is affected by the daily administrative activities of the government. But above all, the budget should aim at uplifting the life status of all the citizens.”*

— Bidushi Pokhrel - High School Student and Winner of the 2010 South Asia Open Budgets Essay Competition for Nepal

To be considered publicly available in the Open Budget Survey, a document has to meet two basic criteria:

- ➔ it must be published within a reasonable timeframe by the institution or agency responsible for producing the document; and
- ➔ it must be available at minimal cost to any person who wishes to access the document (i.e., the government must not make documents available selectively, or only to certain individuals or groups).

The Open Budget Survey specifies the timeframe within which each of the eight budget documents it assesses should be released. Guidelines issued by the IMF and the OECD recommend good or best practices for when different budget documents should be published by governments. The Open

Budget Survey draws on these guidelines but it also recognizes that not all countries are currently in a position to meet them. Therefore, the Open Budget Survey distinguishes between those governments that are publishing documents within a reasonable timeframe and those that are publishing documents so late after the recommended release period as to make public access to these documents almost meaningless. So, for example, even though best practice guidelines recommend that the Year-End Report and the Audit Report should be published within six months of the end of the budget year, the Open Budget Survey allows for a maximum of two years within which these documents must be published to be considered as publicly available. A complete list of the Survey’s timeframes for each of the eight key budget reports is available in the *Guide to the Open Budget Questionnaire 2010* on the IBP’s website (see **Box 4**).

Assessing whether a document is freely available to anyone who wishes to access it can be a complicated task for some of the researchers and peer reviewers working on the Open Budget Survey. When a government makes its budget reports available on the website(s) of the relevant agency(ies) responsible for producing these reports (typically the Ministry of Finance or Treasury) and the reports’ release dates are clearly identified (and fall within the specified timeframe), there is no ambiguity about the public availability of the document.

Many cases are not that straightforward. For example, while a majority of governments assessed in the Open Budget Survey 2010 make most of their published budget reports available on the Internet, in some cases, governments only make hard copies of these documents available. In other cases, it is unclear when a budget document was uploaded on the government’s website, so it is difficult to assess whether the document was publicly released within the timeframe used by the Open Budget Survey.

## Online Open Budget Survey Resources

The Open Budget Survey 2010 is published on IBP's website at [www.openbudgetindex.org](http://www.openbudgetindex.org). In addition to the 2010 Survey report, the website contains numerous other resources. These include:

- ➔ completed questionnaires and country summary reports for all 94 countries;
- ➔ data tables with analysis of the Survey results;
- ➔ a guide to the questionnaire;
- ➔ an Excel database of answers to the Survey;
- ➔ OBI rankings for all 94 countries;
- ➔ a press release on the Survey results;
- ➔ a report on the methodology used to complete the Survey; and
- ➔ a list of the researchers for each of the 94 countries.

The website contains similar information for the 2006 and 2008 surveys. Further, the website contains other information on budget transparency, including:

- ➔ a guide to budget transparency describing the information that should be contained in the eight key budget documents;
- ➔ case studies on how civil society groups have successfully used budget reports to monitor government budgets;
- ➔ multimedia products, including videos, podcasts, and other audio products (including the popular OBI song);
- ➔ a description of the Open Budget Initiative, including other projects supported by the Initiative; and
- ➔ information on an IBP program that is providing free technical assistance to national governments on open budget issues ([www.internationalbudget.org/what-we-do/mentoring-gov-program/](http://www.internationalbudget.org/what-we-do/mentoring-gov-program/)).

Numerous other resources on civil society budget work and information on the IBP's yearly reports and funding can be accessed at [www.internationalbudget.org](http://www.internationalbudget.org). You can sign up to receive our bimonthly e-newsletter on the website, as well.

A few examples of barriers to access to budget documents in countries included in the Open Budget Survey 2010 are described below. Despite these barriers, all the referenced documents were treated as publicly available by the Survey.

- ➔ In Kenya a copy of the Executive's Budget Proposal is available on payment of approximately US\$125. This document is not published on any government website; however, copies of the document are available for free in public libraries and at public information desks throughout the country.
- ➔ In Zambia a copy of the Executive's Budget Proposal is available on payment of approximately US\$50. But copies of this proposal are in short supply and sometimes not available even for purchase by those who can afford to pay this fee. The Executive's Budget Proposal is not published on any government website.
- ➔ In Mali hard copies of the budget documents can be examined at no cost at a national public library, but anyone wishing to have a personal copy must pay the cost of photocopying them. Since the Executive's Budget Proposal and supporting budget documents in Mali comprise more than 1,000 pages, photocopying these documents in their entirety can cost more than US\$100 – in a country with a per capita income of approximately US\$1,200. These documents are not published on any government website.
- ➔ In Malawi the Executive's Budget Proposal is available for free from the Ministry of Finance office on the day the budget is presented to the legislature. Typically, however, there are not sufficient copies of the document to meet demand. The Executive's Budget Proposal is not published on any government website.
- ➔ In Albania the Executive's Budget Proposal is published on the Ministry of Finance website when the document is presented to the leg-

islature. However, the ministry removes the document from its website when the budget is enacted into law and does not archive prior years' proposals.

- ➔ In Mongolia the SAI publishes Audit Reports on its website; however, the website was not working for almost a year during the Survey research period.

The IBP believes that many of these problems would not exist if governments simply published budget documents on their websites (and ensured that these websites function properly).

Even though the Open Budget Survey 2010 records all of the documents from the examples presented above as “available,” some are clearly more “available” than others. In future rounds of the Survey, the IBP intends to establish and apply more refined criteria regarding what constitutes “public availability” to ensure that all nuances surrounding availability are captured and to ensure true comparability across countries on this issue. It is possible that once these criteria are established, countries that continue to follow practices such as those cited above may not be scored as making certain documents “publicly available.”

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## *Structure of this Report*

The remainder of this report is divided into the following chapters. **Chapter two** presents the overall results for the most recent year examined. **Chapter three** discusses the changes in the OBI scores between the three applications of the Open Budget Survey. **Chapter four** assesses the relative strength of legislatures and SAIs and the opportunities available to the public to participate in budget decision making. **Chapter five** presents recommendations for measures that can lead to immediate improvements in budget transparency as well as those that can be implemented immediately but that may only yield results in the longer term. **Appendix A** provides brief profiles of the changes that occurred in several countries in which transparency significantly improved, or deteriorated, over the past few years. ■

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*“We know that the government is of the people, by the people, and for the people. But government funds are of the people, by the people, but not for the people.”*

—Bhavya Joshi, High School Student and Participant in the 2010 South Asia Open Budgets Essay Competition for India

உயிர் எழுத்துக்கள் - 12

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## CHAPTER TWO:

# Results for the Open Budget Index 2010

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This chapter reports the OBI results for 2010 and consists of four parts.

- I. The overall OBI 2010 scores that countries received
- II. Illustrative examples of the types of budget information governments fail to make available
- III. A deeper look at the Survey's assessment of the eight key budget documents in the countries studied, focusing on whether the documents were published
- IV. An analysis of how various characteristics of countries, such as their levels of aid or their dependence on hydrocarbons for revenues, correspond to their OBI 2010 scores

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### **Overall Scores Reveal Lack of Budget Transparency**

The Open Budget Survey 2010 reveals that the public in most of the 94 countries assessed has limited access to even basic information about their governments' revenue and expenditures and, therefore, limited ability to understand or influence their government's budget priorities.

The average OBI 2010 score of the countries surveyed was 42. In other words, on average, most

countries provided less than half of the budget information required to be transparent.

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### **Table 1 divides countries into the five OBI categories and shows:**

- ➔ Only 20 of the 94 countries (21 percent) included in the Open Budget Survey 2010 provide their citizens with enough budget data to enable them to develop a comprehensive analysis and understanding of their national budgets. These

are the countries providing significant or extensive amounts of information.

- ➔ Many of the countries providing the most budget information are western developed countries, but they also include South Africa, which received the highest OBI 2010 score. Also of note, several relatively low-income countries – such as India, Sri Lanka, and Ukraine – provided significant information.
- ➔ About one-third of the countries (33 of the 94) studied provide some information, scoring between 41 and 60 on the OBI. The budget systems in these countries should not be considered closed but they do need to improve considerably before true public discussion and understanding of budget policies and priorities can occur.
- ➔ Some developed countries in this category – such as Italy and Portugal – might have been expected to have more open budget systems. There are also some positive surprises in this category, including Mongolia, which in a short period of time has gone from being a country that provided scant budget information to one that provides much more comprehensive information (its score fell just short of placing it in the “significant information” category).
- ➔ In a plurality of countries (41 of 94), the amount of information provided is sorely inadequate. This includes 19 countries in which only minimal information is provided, as well as 22 countries in which scant – little to no – budget information is provided. In 21 of these 22 countries the Executive’s Budget Proposal is not even released. These 22 countries are Algeria, Bolivia, Burkina Faso, Cambodia, Cameroon, Chad, China, Democratic Republic of Congo, Dominican Republic, Equatorial Guinea, Fiji, Honduras, Iraq, Kyrgyz Republic, Niger, Nigeria, Rwanda, São Tomé e Príncipe, Saudi Arabia, Senegal, Sudan, and Vietnam. Three of these countries (Equatorial Guinea, Fiji, and São Tomé e Príncipe)

do not publish any budget-related information assessed by the OBI.

Many of the countries in these categories may not be surprising as they are countries where governance issues have often been flagged. Yet some, such as China, the world’s most populated country, or Saudi Arabia, a relatively high-income country, clearly have the institutional capacity or resources to provide more budget information if they choose to do so. Further, countries like Rwanda (which many experts cite as a model for development) and oil-rich Nigeria could be expected to do better on budget transparency, and newly democratic Iraq could be expected to do at least as well as newly democratic Afghanistan.

## Key Categories of Information Missing

*The nature of the information that government budget documents fail to provide is often significant. For example, almost half of the world’s population – more than three billion people – live on less than US\$2.50 per day. For these people, their country’s budget has a redistributive function to tackle poverty. Yet only 17 of the 94 countries assessed in the OBI 2010 provide comprehensive information on policies intended to alleviate poverty, and many of these are countries in which only a small section of the population suffers from acute poverty.*

Government budgets often lack not only data on poverty programs but also other information that can help explain the relationship between the government’s budget and its policy and macroeconomic goals. Further, data on outputs and outcomes expected and achieved are typically missing in budget reports; this information is important for those who are interested in monitoring the budget’s impact.

TABLE 1.

## DISTRIBUTION OF COUNTRIES BASED ON OBI 2010 SCORES

OBI SUBSCORES	NUMBER OF COUNTRIES	COUNTRIES
<b>EXTENSIVE INFORMATION</b> (OBI SUB-SCORES 81-100)	<b>7</b>	France, New Zealand, Norway, South Africa, Sweden, United Kingdom, United States
<b>SIGNIFICANT</b> (OBI SUBSCORES 61-80)	<b>13</b>	Brazil, Chile, Colombia, Czech Republic, Germany, India, Peru, Poland, Slovenia, South Korea, Spain, Sri Lanka, Ukraine
<b>SOME</b> (OBI SUBSCORES 41-60)	<b>33</b>	Argentina, Azerbaijan, Bangladesh, Bosnia, Botswana, Bulgaria, Costa Rica, Croatia, Egypt, Georgia, Ghana, Guatemala, Indonesia, Italy, Jordan, Kenya, Macedonia, Malawi, Mexico, Mongolia, Namibia, Nepal, Papua New Guinea, Philippines, Portugal, Romania, Russia, Serbia, Slovakia, Tanzania, Thailand, Turkey, Uganda
<b>MINIMAL</b> (OBI SUBSCORES 21-40)	<b>19</b>	Afghanistan, Albania, Angola, Ecuador, El Salvador, Kazakhstan, Lebanon, Liberia, Malaysia, Mali, Morocco, Mozambique, Nicaragua, Pakistan, Timór-Leste, Trinidad and Tobago, Venezuela, Yemen, Zambia
<b>SCANT</b> (OBI SUBSCORES 0-20)	<b>22</b>	Algeria, Bolivia, Burkina Faso, Cambodia, Cameroon, Chad, China, Democratic Republic of Congo, Dominican Republic, Equatorial Guinea, Fiji, Honduras, Iraq, Kyrgyz Republic, Niger, Nigeria, Rwanda, São Tomé e Príncipe, Saudi Arabia, Senegal, Sudan, Vietnam

In addition, there is very little transparency about activities that occur “off budget.” Extra-budgetary funds are government transactions that are not typically managed through the annual budget process and, therefore, are not subject to the same level of reporting, regulation, or audit as other public transactions. However, best practice guide-

lines recommend that information on these funds should be provided in the budget. Extra-budgetary funds traditionally have included pensions or social security funds, state-owned enterprises, and discretionary or secret funds. More recently they have also typically included donor aid, the proceeds of privatization, and arrangements for

public-private partnerships. On average, extra-budgetary funds account for nearly 40 percent of central government expenditures in transitional and developing countries. However, the OBI 2010 reports that 41 of the 94 countries surveyed provide *no* information on extra-budgetary funds in their Executive's Budget Proposals.

Quasi-fiscal activities are any activities undertaken by state-owned enterprises, and sometimes by private sector companies at the direction of the government, in which the prices charged are less than usual or the "market rate." Examples include subsidized bank loans provided by the central bank or other government-owned banks and noncommercial public services provided by state-owned enterprises. In recent years there has been an increased emphasis on governments having a balanced budget and low levels of debt. Such prescriptions may increase incentives for governments to use quasi-fiscal activities that mask the true cost of their policies, and thus make their fiscal position look better than it really is. The OBI 2010 reports that 69 countries provide *no* information on quasi-fiscal activities in their budget proposals.

Contingent liabilities are debts that the government may owe, but whose existence and total cost depend on future events. For example, a government may guarantee a loan, but it will only be liable to make the payment if the recipient of the loan does not repay the loan. Pensions and government guarantees are common forms of contingent liabilities. The recent global economic crisis has put a spotlight on the funding that governments have provided to private banks and other corporations affected by the crisis. While governments' decisions to offer aid to private corporations were generally made in the absence of a legal obligation on the part of government toward the corporations receiving the aid, governments are legally bound to make good any loans taken by private and public corporations that the governments have guaranteed. The OBI 2010 reports that only 11 governments provide

extensive information in their budget proposals on their contingent liabilities, while 55 governments provide no such information.

The paucity of information on extra-budgetary funds, quasi-fiscal activities, and contingent liabilities means that a large portion of government activities are carried out without scrutiny. Thus the public is unable to discern the government's true fiscal picture.

## Document Results

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*The OBI 2010 scores reflect whether countries publish eight key budget documents and the nature of the information contained within them. This section examines the publication of these documents and their comprehensiveness.*

*"In Indonesia, there is no In-Year Report made available to the public, and there is no Year-End Report and Citizens Budget. We believe that these three documents are really important to conducting public debates on the budget. And why is public debate important? It's important because the budget is not the government's; it has to spend the public's money on the public's needs."*

— Siti Fatimah - Open Budget Survey 2010 researcher from the Bandung Institute of Governance Studies, Indonesia

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### **Many documents are not publicly available**

The Open Budget Survey 2010 found that when all the documents for all the 94 countries assessed are considered, some 42 percent — or nearly half — of the key budget reports considered were not even available to the public.

**Table 2** shows that not one of the eight budget documents is published everywhere, and several documents are published in just a minority of

countries. The Enacted Budget is the most commonly published document: only 13 percent of the countries surveyed failed to issue this document. About one in every four countries fails to make public the Executive’s Budget Proposal, In-Year Reports, or Year-End Report. In these countries, the public has at best scant information on what budget policies the executive branch proposed, how the budget is being implemented during the year, or how, in the final analysis, public funds were spent or revenues collected.

Two of every three countries do not issue a Pre-Budget Statement or release a Mid-Year Review. Five in six countries do not publish a Citizens Budget.

**Many of the unpublished documents actually are produced for internal purposes**

Most of the budget documents that are not published by governments are not produced at all. In such instances, not only the public but also the government itself may not understand key aspects of the budget picture. For instance, in 11 countries no In-Year Reports are produced, and in 40 countries no Mid-Year Reviews are produced. In such countries, the government’s own understanding of how the budget is being implemented is significantly constrained. As a result, its ability, for instance, to make necessary corrections is quite limited.

Further, when a document is not produced, the barriers to improving budget transparency are high. Countries likely need to be convinced that it is worth the effort to produce the documents, and the institutional infrastructure needed to produce them might need to be created.

However, a surprisingly large share of documents are produced by governments but are used only for internal purposes. *Of the budget documents that surveyed governments fail to publish, 42 percent are in fact produced.*<sup>5</sup> In these instances, the barriers

<sup>5</sup> The 94 governments covered cumulatively publish 436 of the 752 budget documents (or approximately 58 percent) whose availability is assessed by the Survey. Of the 316 documents that are not pub-

TABLE 2.

**MANY BUDGET DOCUMENTS ARE NOT AVAILABLE**

DOCUMENT	PERCENTAGE OF COUNTRIES THAT FAIL TO PUBLISH
PRE-BUDGET STATEMENT	65%
EXECUTIVE’S BUDGET PROPOSAL	23%
CITIZENS BUDGET	83%
ENACTED BUDGET	13%
IN-YEAR REPORTS	25%
MID-YEAR REVIEW	70%
YEAR-END REPORT	22%
AUDIT REPORT	35%

to improving budget transparency are lower. The issue becomes convincing countries that these internal documents should be made public.

The data presented in Chart 1 indicate that, with the exception of the Citizens Budget, each of the individual budget documents is often produced but not made publicly available. Of special note, all 22 countries that fail to release the Executive’s Budget Proposal to the public *do* produce this document for internal purposes. Similarly, in the majority of instances where countries do not make their Enacted Budget, Audit Report, or Year-End

lished, 134 — or 42 percent — are produced but are used for internal purposes only.

Report available to the public, these documents are prepared for internal purposes.

Of particular interest is that the differences between countries falling in different OBI categories when it comes to producing documents are fairly modest. For example, the best scoring countries produce 93 percent of the eight key budget documents while the worst scoring countries produce 73 percent. The big differences between countries falling in different OBI categories are in making those documents available to the public. Most dramatically, not a single document produced by the high scoring countries (those with OBI 2010 scores between 81 and 100) is used for internal purposes only, while the *majority* of budget documents produced by the worst scoring countries are not released to the public.<sup>6</sup> In other words, low-scoring countries (those with OBI 2010 scores between 0 and 20) could substantially improve their levels of budget transparency if they simply began to publish documents they already produce.

### **How Comprehensive Are the Reports that Are Published?**

*“Since a country’s citizens fund the government, they should have a right to know how the government is spending their money. This is essential as an incentive for the government to effectively use public funds for the benefit of its people. The budget provides important information on the government’s activities in the year ahead, but often this information is too perfunctory to be of adequate use; governments need to make more detailed information easily accessible for public scrutiny.”*

— Faraz W. Rahman – High School Student and Winner of the 2010 South Asia Open Budgets Competition for Bangladesh

<sup>6</sup> Among countries with OBI scores falling between 0 and 20, some 60 percent of the documents produced were not actually made public.

Looking at the different budget documents that are actually made public, the average amount of information provided varies substantially. When the Pre-Budget Statement, Enacted Budget, Citizens Budget, and In-Year Reports are published, they also typically provide extensive information (see **Table 3**).

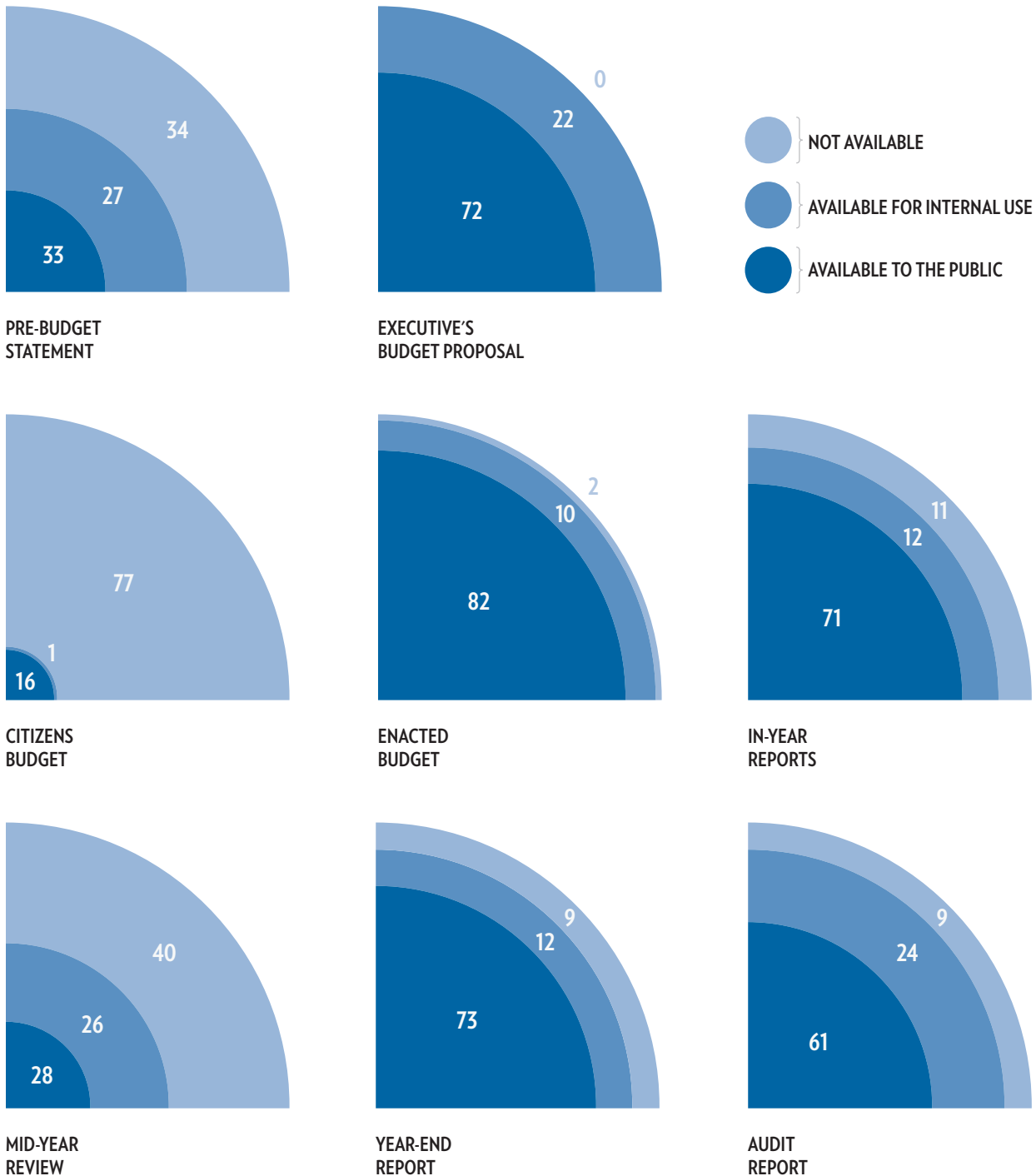
TABLE 3.

## **PUBLISHED BUDGET DOCUMENTS VARY IN THE AMOUNT OF INFORMATION THEY PROVIDE**

DOCUMENT	AVERAGE OBI 2010 SUBSCORES FOR COUNTRIES THAT PUBLISH
PRE-BUDGET STATEMENT	81
EXECUTIVE’S BUDGET PROPOSAL	58
CITIZENS BUDGET	86
ENACTED BUDGET	80
IN-YEAR REPORTS	76
MID-YEAR REVIEW	63
YEAR-END REPORT	42
AUDIT REPORT	52

Governments that publish an Executive’s Budget Proposal and Mid-Year Review, by contrast, provide an average of just three-fifths of the information required by the OBI. The published Year-End Reports and Audit Reports are the least comprehensive of all, providing half or less of the information required.

# GOVERNMENTS PRODUCE MANY KEY BUDGET DOCUMENTS BUT DO NOT PUBLISH THEM



## Country Characteristics and Budget Openness

*What is it about countries that lead them to score high or low on the OBI? We do not attempt to answer this question fully, but we do test a number of key characteristics of countries to see how they correlate with budget transparency.<sup>7</sup>*

As expected, and as also found by the 2008 Survey, countries performing poorly on the OBI 2010 tend to have low income levels, be located in Africa and the Middle East, be dependent on foreign aid, rely on revenues from the sale of hydrocarbons, and are quite likely to have authoritarian or hybrid systems of government. Many of these relationships overlap because, for example, sub-Saharan African countries tend to be poor and also tend to be more reliant on aid.

There are, however, important exceptions to these general correlations or relationships. As discussed below, budget transparency has been achieved in a wide variety of country contexts.

### **Relationship Between Transparency and Income**

The Open Budget Survey 2010 finds that countries that are very transparent on their budgets are generally high-income countries, while countries that lack transparency generally have low income levels (see **Table 4**). This is not an unexpected finding since high-income countries are typically countries with well-established public finance management systems, while countries that are very poor typically do not have mature public finance management systems.

There is, however, no inevitable link between low incomes and poor transparency practices; countries with low incomes can achieve relatively high levels

<sup>7</sup> The IBP has commissioned studies to assess these correlations more rigorously and the results from these studies will be published shortly.

of budget transparency. As **Table 4** also shows, countries providing “some” information on their budgets are not on average all that much richer than countries providing “minimal” or “scant” information. Further, well-off countries like Equatorial Guinea (per capita GDP adjusted for purchasing power parity of US\$18,600 in 2009), Saudi Arabia (\$23,221), Trinidad and Tobago (\$19,818), and Malaysia (\$13,770) perform very poorly on the OBI 2010. In contrast, low-income countries like India (GDP per capita of \$2,941), Sri Lanka (\$4,769), and Ukraine (\$6,340) perform relatively well.

TABLE 4.

## INCOME LEVELS AND TRANSPARENCY

OBI 2010 SCORES	AVERAGE GDP PER CAPITA 2009 PPP INCOME IN US\$
EXTENSIVE INFORMATION (OBI SCORES 81-100)	34,308
SIGNIFICANT (OBI SCORES 61-80)	16,783
SOME (OBI SCORES 41-60)	8,770
MINIMAL (OBI SCORES 21-40)	6,322
SCANT OR NO INFORMATION (OBI SCORES 0-20)	4,698

Source for Income Levels: IMF World Economic Outlook April 2010

### **Relationship Between Transparency and Geographical Region**

The United States and countries located in Western Europe receive the highest average scores in the OBI 2010 (see **Table 5**). The regions of the world



with very low levels of budget transparency are the Middle East & North Africa and sub-Saharan Africa. The other four regions of the world — East Asia & Pacific, Eastern Europe & Central Asia, Latin America & Caribbean, and South Asia — fall in the middle.

These average tendencies again obscure interesting exceptions. Some countries in these regions receive much higher scores in the OBI 2010 than the average scores for their regions. For example, two countries in the Middle East & North Africa — Jordan (OBI score of 50) and Egypt (OBI score of 49) — receive scores that are more than triple the average scores for the other countries in this region in the OBI 2010. Similarly, a few countries in sub-Saharan Africa — such as South Africa (OBI score of 92), Uganda (55), Namibia (53), and Botswana (51) — received scores that are significantly more than double the average scores for the other countries in this region. Further, countries like Chile (OBI score of 72), South Korea (71), and Slovenia (70) received scores that are comparable to the average scores for the U.S. and countries in Western Europe.

### ***Relationship Between Transparency and Dependency on Revenues from Natural Resource Extraction***

Of the 94 countries included in the Open Budget Survey 2010, 14 countries are heavily dependent on revenues from the sale of minerals and 24 countries are heavily dependent on revenues from the sale of hydrocarbons. The 2010 Survey finds that the average OBI score of the countries that are heavily dependent on revenues from the sales of hydrocarbons (just 26 out of 100) is much lower than the average OBI scores of the countries that are dependent on revenues from the sale of minerals or that are not dependent on revenues from the sale of natural resources.

Studies discussing the “oil curse” have shown that hydrocarbon regimes, especially those that

are autocracies, are particularly susceptible to corruption because of the nature and size of the revenue streams.<sup>8</sup> In these countries, there is an even greater need for budgets to be transparent and the Open Budget Survey 2010 findings on the dismal state of budget transparency in these countries are of great concern.

TABLE 5.

## **OBI 2010 SCORES VARY BY REGION**

REGION	NUMBER OF COUNTRIES INCLUDED IN OBI 2010	AVERAGE OBI 2010 SCORES
EAST ASIA & PACIFIC	13	42
EASTERN EUROPE & CENTRAL ASIA	18	52
LATIN AMERICA & CARIBBEAN	16	43
MIDDLE EAST & NORTH AFRICA	8	23
SOUTH ASIA	6	48
SUB-SAHARAN AFRICA	24	28
WESTERN EUROPE & THE U.S.	9	74
<b>OVERALL PERFORMANCE</b>	<b>94</b>	<b>42</b>

Once again, however, there are exceptions to the general correlation between transparency and the

<sup>8</sup> See, for example, Ross, Michael, “Does Oil Hinder Democracy?,” *World Politics*, Volume 53, Number 3, April 2001, pp. 325-361; and Kolstad, Ivar and Arne Wiig, “Transparency in Oil Rich Economies” U4 ISSUE 2:2007.

TABLE 6.

## COUNTRIES DEPENDENT ON HYDROCARBON EXTRACTION TEND TO BE LESS TRANSPARENT

NATURAL RESOURCE DEPENDENCY	NUMBER OF COUNTRIES	AVERAGE OBI SCORES	COUNTRIES
<b>MINERAL</b> (COAL, COPPER, DIAMONDS, GOLD, PLATINUM, SILVER OR TIN)	13	49	Botswana, Chile, Democratic Republic of Congo, Ghana, Jordan, Kyrgyz Republic, Liberia, Mongolia, Namibia, Papua New Guinea, Peru, South Africa, Zambia
<b>HYDROCARBON</b>	24	26	Algeria, Angola, Azerbaijan, Bolivia, Cameroon, Chad, Colombia, Ecuador, Equatorial Guinea, Indonesia*, Iraq, Kazakhstan, Mexico, Nigeria, Norway, Russia, São Tomé e Príncipe, Saudi Arabia, Sudan, Timór-Leste, Trinidad and Tobago, Venezuela, Vietnam, Yemen
<b>NOT RESOURCE DEPENDENT</b>	57	48	Others

*Source: Countries are categorized based on the IMF Guide for Revenue Transparency 2007.*

*Countries are considered rich in hydrocarbons or mineral resources on the basis of the following criteria:*

*(i) An average share of hydrocarbon or mineral fiscal revenues of at least 25 percent of total fiscal revenues during the period 2000-2005 or*

*(ii) An average share of hydrocarbon or mineral export proceeds of at least 25 percent of total exports proceeds during the period 2000-2005.*

*Indonesia is also a mineral producer but their dependency on oil production is more significant*

country characteristic examined. Certain countries that are heavily dependent on revenues from the sale of hydrocarbons – such as Colombia (OBI score of 61), Mexico (52), and Indonesia (51) – receive OBI 2010 scores that are significantly more than double the average scores receive by all the other countries that are dependent on revenues from the sale of hydrocarbons.

### **Relationship Between Transparency and Aid**

Countries that receive a significant amount of donor aid tend to perform poorly on the OBI 2010. Eighteen of the 94 countries included in the 2010 Survey receive donor aid that constitutes more

than 10 percent of their gross national income; these countries receive an average OBI 2010 score of 30. Fourteen countries receive donor aid that constitutes between 5 and 10 percent of their gross national income; these countries receive an average OBI score of 31.

Both categories of aid-dependent countries fared significantly worse than countries that are not aid dependent. Fifty-one countries included in the 2010 Survey receive aid constituting less than five percent of their gross national income; these countries received an average OBI 2010 score of 44.

This is one area where the results differ modestly

from the results of the Open Budget Survey 2008. In the earlier survey, the most aid-dependent countries did receive lower scores than the moderately aid-dependent countries, and the gap in the scores of aid dependent countries and those countries not dependent on aid was even larger.<sup>9</sup>

### Relationship Between Transparency and Democracy

The Open Budget Survey 2010 finds that countries that have democratic governments receive on average much higher OBI scores than those of countries that do not have democratic governments. For purposes of this assessment, the Economist Intelligence Unit’s Democracy Index 2008 is utilized; this Index classifies countries into four categories based on their levels of democracy. According to the Democracy Index, *full democracies* have free and fair elections, well-functioning government institutions, and their citizens are able to participate freely in the political sphere. *Flawed democracies* are characterized as having lower levels of political participation than in full democracies and their democratic cultures are typically weak. *Hybrid regimes* lack the necessary political participation and functioning government institutions to be classified as democracies. Finally, *authoritarian regimes* do not conduct credible elections; they also have low levels of political participation and inefficient government institutions.

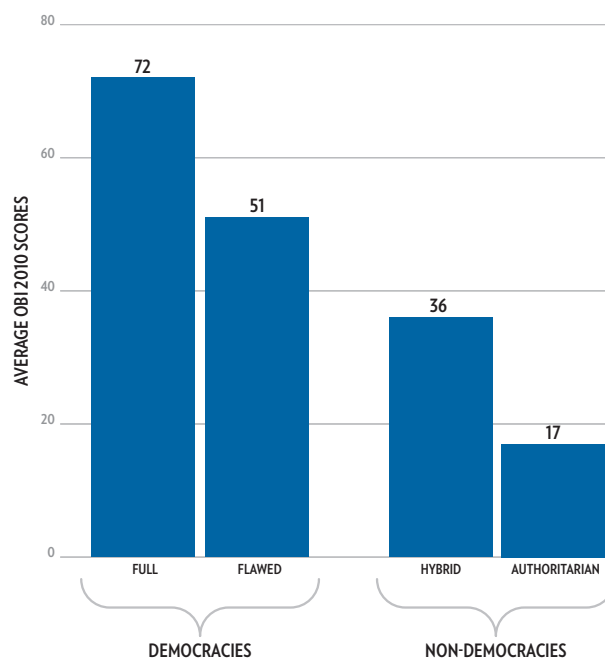
Even though it may appear that democracy and transparency are to some degree tautological, the specific indicators assessed by the Democracy Index and the Open Budget Index are different. Therefore, an assessment of the correlation between whether a country is classified as a “democracy” based on its score on the Democracy Index and its

<sup>9</sup> The 2008 Survey found that countries in which donor aid constituted more than 10 percent of their gross national income received the lowest overall average scores on the OBI (16 countries in this category of aid dependency received an average OBI 2008 score of 21). The 2008 Survey also reported that the 13 countries in which donor aid constituted between 5 and 10 percent of their gross national income received an average OBI 2008 score of 33, or modestly better. Forty-nine countries included in the 2008 Survey received aid that constituted less than five percent of their gross national income; these countries received an average OBI 2008 score of 42.

transparency level based on the OBI 2010 is not an assessment of identical criteria.

CHART 2.

## DEMOCRACIES MUCH MORE LIKELY TO BE TRANSPARENT

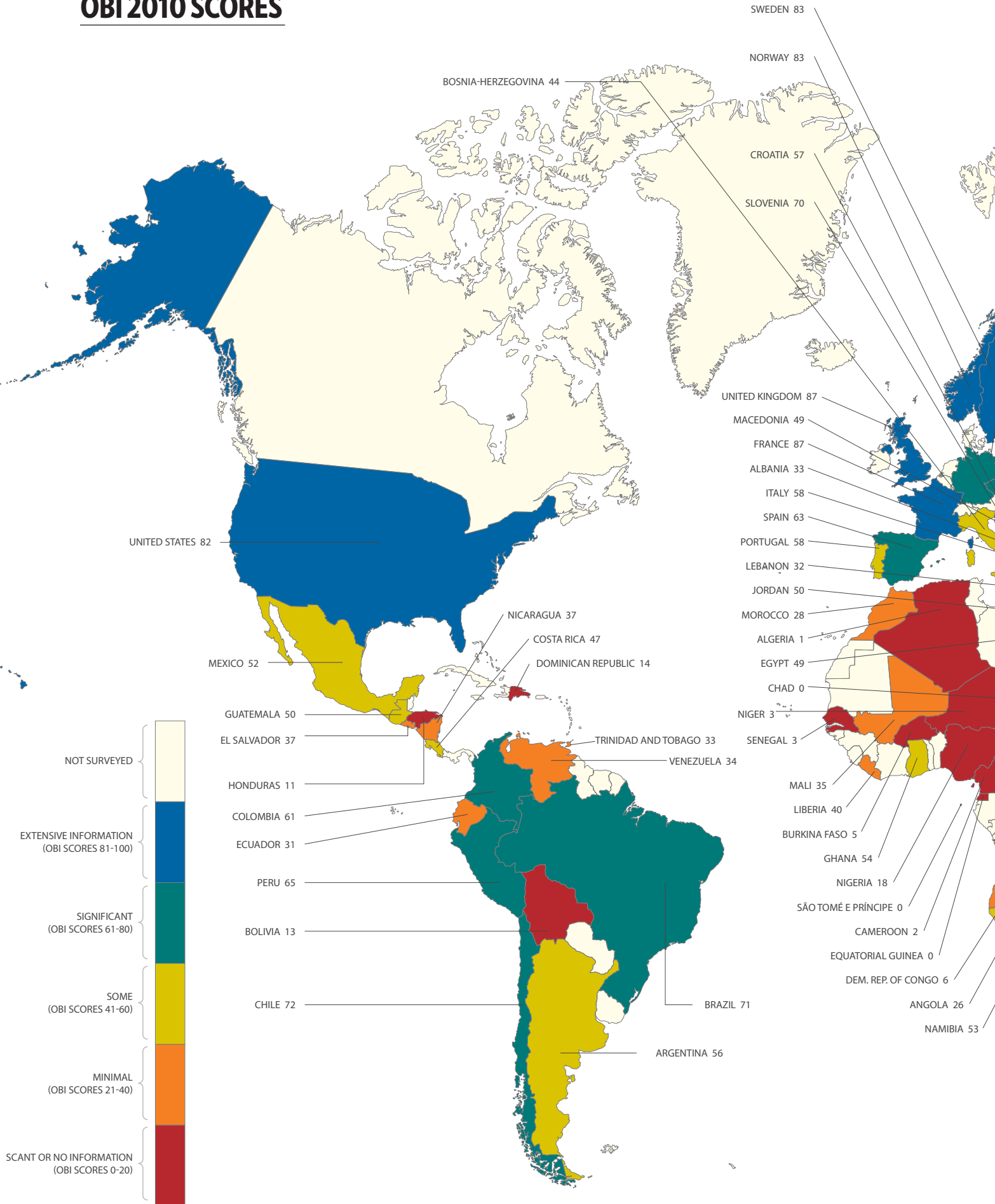


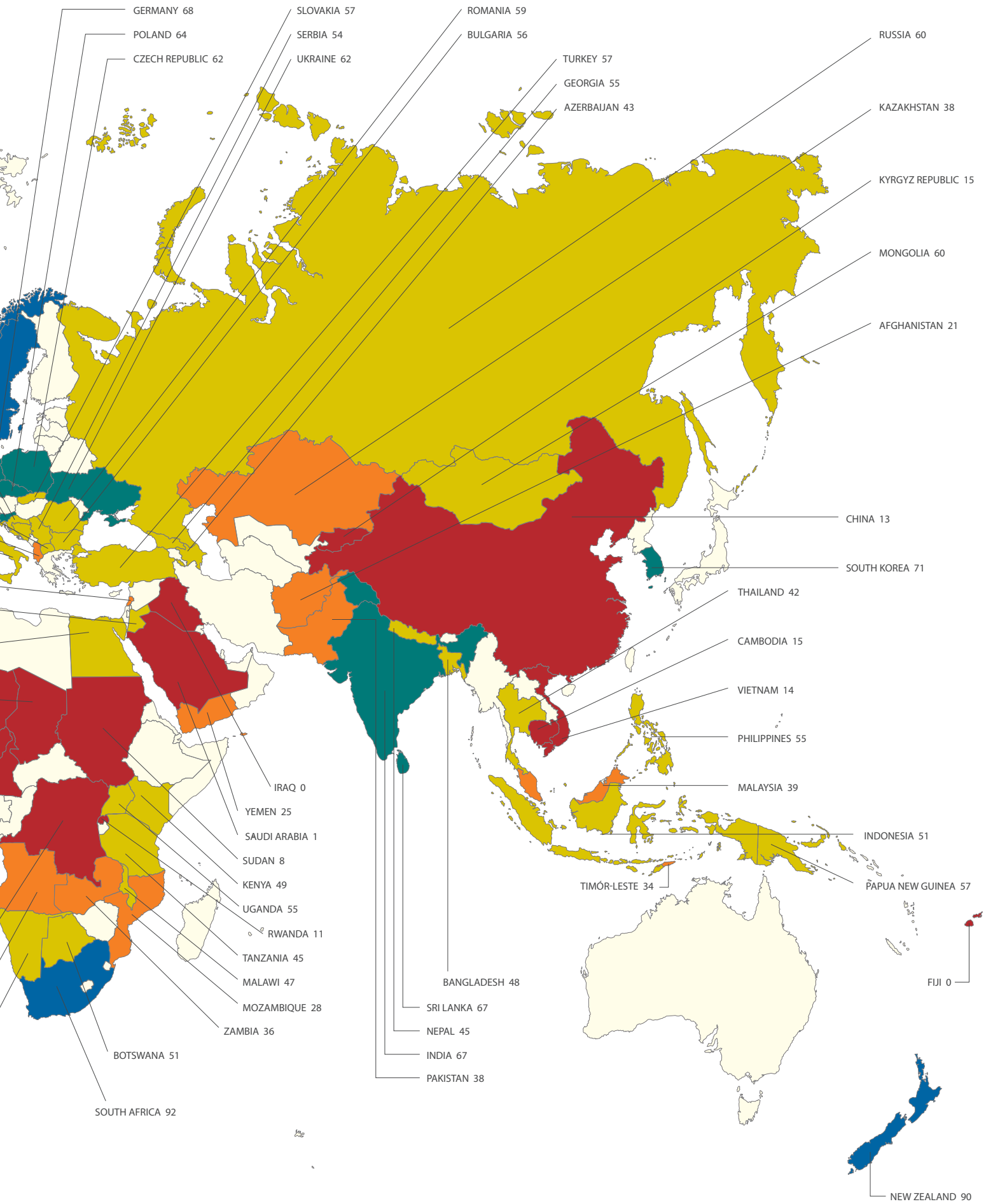
Source: Economist Intelligence Unit’s Democracy Index 2008

The Open Budget Survey 2010 includes 14 countries that are classified as “full” democracies by the Democracy Index; these countries received an average OBI score of 72 out of 100. The Survey also includes 33 countries that are classified as “flawed” democracies; these countries received an average score of 51 on the OBI 2010. Twenty-five countries in the Survey are classified as “hybrid” regimes, and they received an average score of 36, which is more than double the average score received by the 21 countries that are classified as “authoritarian” regimes, which received an average OBI 2010 score of 17 out of 100.<sup>10</sup> ■

<sup>10</sup> The 2008 Democracy Index does not cover one country, São Tomé e Príncipe, that is part of the 2010 OBI.

# OBI 2010 SCORES







## CHAPTER THREE:

# Changes over Time

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The 2010 Survey marks the third time the IBP and its partners have implemented this research instrument. While the time span covered is somewhat limited — the other surveys were conducted in 2006 and 2008 — interesting patterns have begun to emerge. These patterns are the subject of this chapter.

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### ***OBI Scores Have Risen Generally and Have Risen Sharply Among Low-Scoring Countries***

Even though the 2010 Survey reports major constraints in public access to basic budget data (a finding that is consistent with the findings of the previous surveys) the survey series records im-

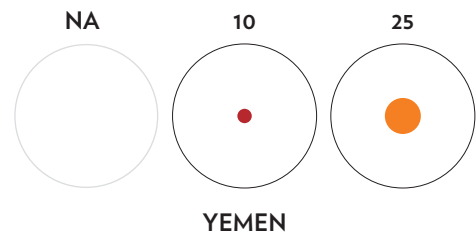
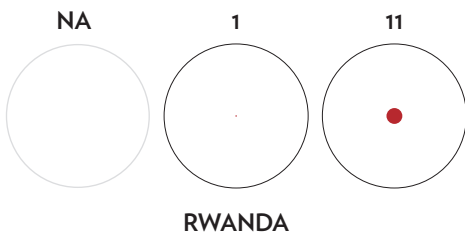
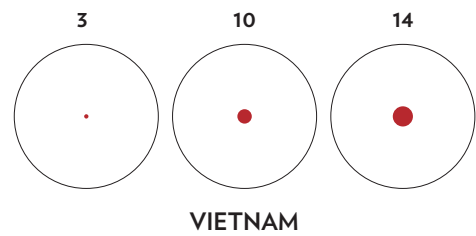
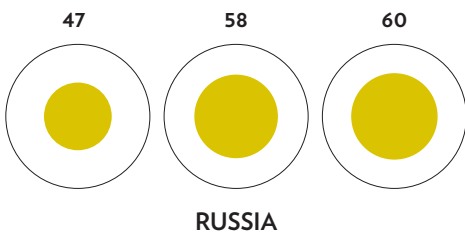
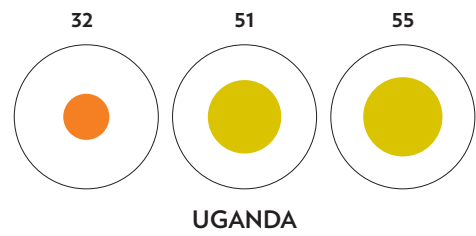
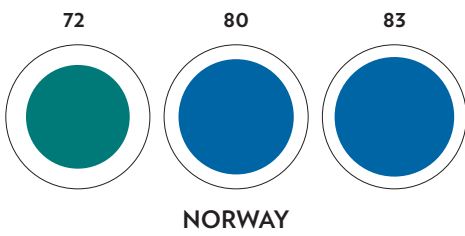
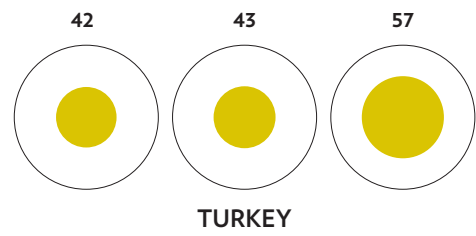
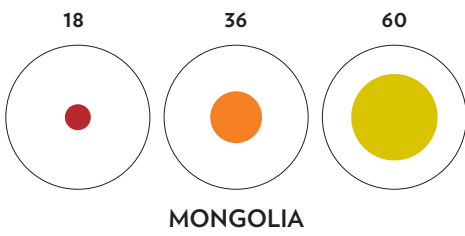
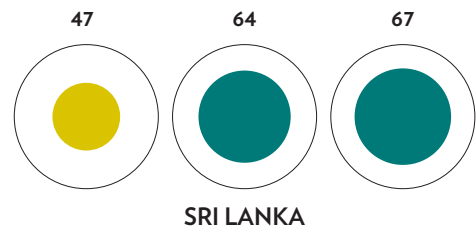
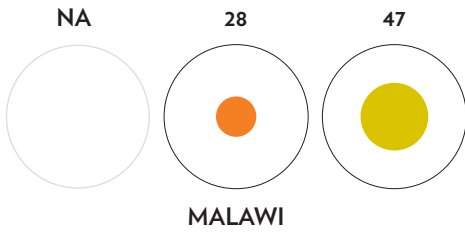
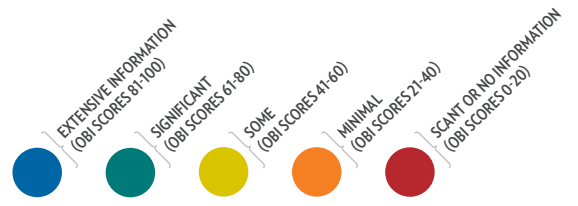
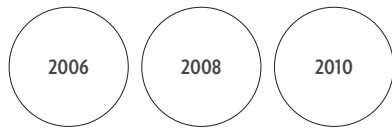
provement in budget transparency practices over the past four years. The average score received by 40 countries for which comparable data is available across the three surveys was 47 out of 100 in 2006. The average scores received by these same 40 countries went up to 54 in the 2008 Survey and to 56 in the 2010 Survey.

TABLE 7.

## CHANGES IN OBI SCORES BETWEEN 2006 AND 2010 SHOW THAT SIGNIFICANT IMPROVEMENTS ARE HAPPENING







Similarly, the average scores for 78 countries that were included in the 2008 Survey for which comparable data is available has gone up from 40 to 43 in the 2010 Survey.

The changes in OBI scores were found in countries that had been in different OBI categories in preceding surveys (see **Table 7**). For example, some countries like Afghanistan and Yemen were classified as providing *scant* information (OBI scores between 0 and 20) on their budgets in the OBI 2008 but moved up to the next higher level of providing *minimal* information (OBI scores between 21 and 40) in 2010. Azerbaijan and Egypt went from the scant information category in the OBI 2006 to the *some* information category (OBI scores between 41 and 60) in 2008. India and Sri Lanka went from providing *some* information in 2006 to providing *significant* information (OBI scores between 61 and 80) in the OBI 2010. There were improvements in the top categories, as well, with Norway moving from the *significant* information category in the OBI 2006 to the *extensive* category (OBI scores between 81 and 100) in 2010.

Some governments — especially those that scored very low in earlier rounds of the OBI —largely achieved these improvements by taking one basic and inexpensive step: they began to make available on their websites the budget documents that they had been producing but making available only to internal government audiences or donors. In many cases, these governments began to publish their Executive’s Budget Proposal, arguably the most important domestic policy document produced by any government. For example, the Liberian and Yemeni governments published their budget proposals for the first time in 2009. These examples provide hope that the 22 governments included in the 2010 Survey that are not currently publishing their Executive’s Budget Proposals can easily and quickly improve their own level of budget transparency.

Other governments that did not score very low in earlier rounds of the OBI improved by increasing the comprehensiveness of their published budget documents, especially the Executive’s Budget Proposal and Audit Reports. For example, India, Colombia, and Sri Lanka increased their OBI scores and moved up from the *some* information category to *significant* mainly by publishing more comprehensive budget proposals.

Progress among countries that previously performed very poorly on the OBI and are generally regarded as challenged by poverty or instability has been especially noteworthy. The average OBI score for the 14 countries that were the bottom two categories of the OBI 2006 (and for which comparable data is available) has gone up from 25 to 40 on the OBI 2010. Notable improvers in the OBI series include Egypt, Mongolia, and Uganda. Similar improvements were also found in the OBI 2010 for some countries assessed for the first time in the OBI 2008.<sup>11</sup> These countries, including Afghanistan, Liberia, and Yemen, increased their scores substantially.

While none of the countries scoring poorly in previous surveys have yet to meet best practices for budget transparency, they have been able to expand transparency by implementing simple, low-cost measures — demonstrating that the achievement of budget transparency depends primarily on a government’s will rather than its resources. Perhaps nothing illustrates this central point more than the fact that Mongolia modestly outperforms high-income countries like Italy and Portugal.

Understanding a government’s behavior and its motives for changing practices requires an in-depth study of the political economy (and other factors) in the country. The IBP is supporting the development of a set of comprehensive case studies in 8-10 countries that will attempt to place changes in levels of budget transparency into each country’s

<sup>11</sup> The average score for the 21 countries that were assessed for the first time in 2008 and that received OBI 2008 scores below 40 went up from 14 to 17 in the 2010 Survey.

broader political and economic contexts; these case studies are to be completed by 2011.

However, based on the changes observed over the survey series, the IBP has had some preliminary conversations with researchers and international budget experts to develop some initial hypotheses about why changes occur. Three profiles of countries that have had substantial changes in budget transparency are presented below and additional profiles can be found in the appendix to this report.

The initial investigation of what caused these changes suggests that a range of factors can lead to an increase in budget transparency.

- ➔ Changes in government. Improvement can occur after elections that result in a new government or the appointment of a new official committed to greater transparency. For example, in Ukraine a new finance minister changed a policy to require more documents to be published in order to improve discipline in the ministry, and in Azerbaijan a new head of the SAI made the national Audit Report public.
- ➔ Internal pressure. Budget transparency can increase due to pressure from within a country from legislatures and CSOs. For example, in Liberia legislators have been supporting demands for greater transparency, and in the Democratic Republic of Congo civil society groups have been successful in advocating for greater transparency.
- ➔ External pressure. Improvements in budget transparency can result from external pressure exerted by donors and from specific initiatives like the Heavily Indebted Poor Countries Initiative and the OBI. For example, in Angola and Mongolia pressure from international institutions and donors appears to have resulted in improvements in budget transparency, while in Malawi and Yemen, the Ministries of Finance may have begun to publish some budget reports

when they realized that this could improve their scores on the OBI.

- ➔ Technical assistance. Budget transparency improvements can be facilitated by technical assistance provided to countries. For example, experts from international development agencies or donor funding to support greater transparency helped advance public finance management reforms in Afghanistan, Nicaragua, and Rwanda.

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*“We recently organized a public event where we discussed the importance of government budgets to a group of women from a local community in Astana. Initially, they seemed very skeptical about the issue and its relevance to their lives. Their young children were with them and we asked why their children were not in school. They replied that there was no space for their children in the local school. Once we began to discuss the budgets for schools it became clear to the women why they needed to know how much money was being allocated towards schools and how budget transparency was such an important issue for them.*”

—Janar Janova - Sange Research Centre, Kazakhstan

## Three brief profiles of countries that increased transparency substantially

### *Afghanistan*

Afghanistan's OBI score increased from 8 in the 2008 Survey to 21 in 2010, a jump of 13 points. This improvement is a result of the government's decision to publish budget documents not previously published, including the Mid-Year Review and the Audit Report. Although the government's decisions to publish these reports is a very positive development, the government's continued failure to publish the most important budget document, the Executive's Budget Proposal, ensures that the country's OBI score remains low.



The improvements in budget transparency observed in Afghanistan can be attributed to the increased technical capacity of staff within the Ministry of Finance, as well as to the assistance the country receives from international advisors and experts funded by international development agencies. The OBI 2008 found that the Afghan government produced many of the key budget documents but was not publishing them. After the results were published, the local OBI researcher held discussions with the Ministry of Finance to explain the OBI's

budget transparency criteria and encouraged the government to publish the budget data that they were already producing. These discussions may have contributed, at least in part, to the government's decision to publish some reports that were not published earlier.

Since 2002 several donors have worked closely with the Ministry of Finance and provided technical assistance to help the government manage donor funds more effectively and in a more transparent manner. For instance, the government used the World Bank's support to install and operate the Afghanistan Financial Management Information System. The Ministry of Finance has been using this financial management system on an ongoing basis to manage the core operating budget of the government and produce detailed monthly reports on the execution of the budget (which are made available online). While such improvements to the public finance management system have been ongoing during the past few years, the result of these efforts in the form of timely, comprehensive, and accessible budget reports has become visible more recently.

Further, at a donor conference in Kabul in July 2010, the international community committed itself to channeling up to 50 percent of its assistance through the Afghan government budget if they begin to meet certain conditions, including improving transparency mechanisms and reducing corruption during budget execution. In addition to its efforts to enhance the transparency of the government-funded budget, the Ministry of Finance is also making substantial efforts to enhance the transparency of the donor-funded external development budget (which comprises a significant share of public sector spending), through a development assistance database and an annual donor financial review.

## *Liberia*

Liberia's score on the OBI increased from 3 in the 2008 Survey to 40 in 2010, a remarkable jump of 37 points. The improvements came about because the government published a number of documents it was not publishing earlier, including the Executive's Budget Proposal, In-Year Reports, the Mid-Year Review, and the Audit Report.

The improvements in Liberia's OBI score were driven by a strong, deliberate reform effort after the formation of a new government in 2006 that led to major transitions, including within the Ministry of Finance. The changes also should be seen in the context of broader developments taking place in the country. First, in 2007 the government began to implement reforms in its public finance management systems, which are yielding results in the form of increased budget transparency. The reforms were prompted in part by the government's desire to join the Heavily Indebted Poor Countries Initiative and benefit from debt cancellation. Liberia also wishes to attract more direct budgetary support from donors.

Second, the legislature in Liberia has been active in supporting budget transparency. In 2008 the Liberian legislature enacted a Public Finance Management (PFM) Law that clarifies the budget system to be followed by the government. The legislature also approved a law that limits the amount of funds the executive can transfer from one administrative unit to another at its own discretion; large transfers from one administrative unit to another now require prior authorization from the legislature.

Third, the Liberian SAI has been exceptionally active in promoting budget transparency and accountability. The SAI has begun to publish



its Audit Reports, as well as press releases on the Audit Reports, on the same day it submits these reports to the legislature. The SAI has also begun to distribute copies of its Audit Reports to civil society organizations and make them available in schools and public libraries. The SAI holds open forums in various provinces and invites communities to ask questions and provide suggestions. The SAI has established a hotline that people can call, and many of the SAI's audits are undertaken in response to recommendations from the public.

The passage of the PFM law and the establishment of the principle that budget documents should be published are very positive signs for the future of open budgets in Liberia. Liberia's desire to attract direct budgetary support also is a clear incentive to maintain these achievements and make further progress. However, the precise direction and pace of future reforms will depend in part on the outcome of elections scheduled for 2011 and the commitment of the new administration to continued reforms.

## Mongolia

Mongolia's score on the OBI doubled from 18 in the 2006 Survey to 36 in 2008 and further increased by 24 points to 60 in the 2010 Survey. The remarkable improvement in Mongolia's OBI score is primarily due to the fact that the govern-



ment began to publish budget documents that had previously not been available to the public, including the Executive's Budget Proposal in 2007 and the reintroduction of public Year-End Reports in 2008. Moreover, between the 2008 and 2010 Surveys, the Executive's Budget Proposal was expanded from a 50-page document to a 300-page document, thus providing more comprehensive information on revenues and expenditures. Additionally, the Mongolian SAI recently began making its Audit Reports available to the public on its new website.

These improvements are attributable to a combination of technical changes instituted by the government, the commitment of individual public officials, including the Minister of Finance and head of the Budget Department, and pressure exerted by donors and civil society. Budget reforms implemented since the mid-2000s have received technical or financial support from international partners, notably the World Bank, the IMF, and the Asian Development Bank. For example, the World Bank is implementing a governance assessment

program at the Ministry of Finance, which has helped create fiscal information databases.

Some of the advances in budget transparency made by the Mongolian government have arguably been "easy wins," such as the publication of the Executive Budget Proposal, which was produced only for internal use prior to 2007, when the government began posting it on a government website. But given the erratic dissemination of such budget documents as the Year End Report and Audit Report, which were made available in 2004 but not again until 2008, there is cause for concern about the sustainability of Mongolia's achievements in budget transparency. This is heightened by the lack of legal requirements in the 2002 Public Sector Management and Finance Law, which requires disclosure of budget information to Parliament and other government bodies but does not specifically require dissemination to the public. Nor has Mongolia passed a Freedom of Information law despite intense domestic and international pressure since the early 2000s.

Passage of the proposed Integrated Budget bill, part of recent IMF conditions attached to aid, promises to redress the lack of legal requirements for public dissemination, as well as the absence of channels for public participation in the budget process.

Demands for greater access to information by citizens and civil society groups have played a critical role in enhancing transparency in Mongolia's mining sector, which has become the main contributor to economic growth and an important source for government revenue. Despite the noted improvements in the level of transparency, Mongolian CSOs remain particularly concerned about the continuing lack of transparency in government procurement practices.

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## *Changes in Documents Published: A Mixed Story Emerges*

The overall number of budget documents that was published by the 78 countries covered in the 2008 Survey for which data is comparable remains the same in the 2010 Survey. The 2008 and 2010 Surveys both reported that these 78 countries cumulatively published 368 of the 624 documents whose availability was assessed.<sup>12</sup>

Some governments moved forward and have begun to produce and publish budget documents for the first time. For example, Afghanistan, Egypt, France, Liberia, and Zambia began to publish Mid-Year Reviews between 2008 and 2010.

However, some countries began to produce budget documents for the first time but are not publishing them. For instance, Liberia, Trinidad and Tobago, and Yemen have begun to produce Pre-Budget Statements but do not publish these documents.

Unfortunately, some countries took backward steps and their scores on the Open Budget Index declined between 2008 and 2010. Below we profile two countries (Niger and Fiji), which stopped publishing some budget documents that were published in earlier years. As with the previous three case studies, these case studies are a result of preliminary discussions and hypotheses that will be tested further by the IBP through more rigorous studies in 8 to 10 countries.

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### *Niger*

Niger's score on the OBI decreased from 26 in the OBI 2008 to 3 in the OBI 2010, a drop of 23 points. This drop can be primarily attributed to the lack of access to the Executive's Budget Proposal during

the research period for the OBI 2010; further, the government also has not published its Year-End Report. At the time of the Open Budget Survey 2008, these documents were available. Since Niger has not had a parliament since 2009 (when it was dissolved), the Executive's Budget Proposal and the Year-End Report could not be approved by the legislature, and, without this approval, they could not be published.

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### *Fiji*

Fiji's score on the OBI decreased from 13 in the 2008 Survey to 0 in the 2010 Survey. This decline reflects the government's decision to no longer publish a Pre-Budget Statement or a Year-End Report. Further, the national SAI is not publishing an Audit Report, which was previously published.

Fiji's decline in the OBI can be attributed to the abrogation of the country's constitution in April 2009. Since that event, the government has also been heavily censoring the media and placing restrictions on the judiciary, thereby broadly curtailing the public's access to information.

In addition to the declines noted in Fiji and Niger, seven governments that were found in the OBI 2008 to have published Citizens Budgets have not published these documents in subsequent years.

These developments show the instability of budget transparency in some countries and are a cautionary note that hard-won gains in budget transparency cannot be taken for granted. Strong budget oversight systems depend on consistent publication of reports and civil society organizations and citizens need to be vigilant in ensuring that their governments do not regress in their commitment to budget transparency. ■

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<sup>12</sup> Similarly, the 2008 Survey reported that these 78 countries cumulatively produced 117 budget documents that they did not publish. The 2010 Survey finds that these 78 countries produced 107 budget documents that they did not publish. Also, the 2008 Survey found that the remaining 139 budget documents were not produced by these 78 countries even for their internal use while the 2010 Survey finds that the remaining 149 budget documents were not produced.





## CHAPTER FOUR:

# Strength of Oversight Institutions

Traditionally, budget processes have been dominated by the executive, specifically the finance ministry or treasury. Not only was very little information on budgets made public but the decision-making processes typically were also closed. However, the emergence of new public finance management practices emphasizing greater openness in government budgeting practices and the need for strong oversight institutions have created systems in which three organs of the state — the executive, the legislature, and the SAI — have a formal role in the budget process. The reason these three organs exist in all modern public finance systems is to provide effective checks and balances and, thereby, ensure that funds are collected and spent

in a manner that reflects national priorities and promotes development.

Typically, legislatures are required to approve the budget presented to them and are expected to hold government to account for its performance in executing the budget. A second agency, which may report to the legislature and assist it in conducting oversight of the budget, is the SAI. SAIs check whether revenues are being collected and expenditures made by the executive in a manner that is consistent with the Enacted Budget and with applicable financial management regulations. Generally, SAIs submit their Audit Reports to legislatures, which then may organize hearings

## Audit Origins

The term “audit” originates from the Latin word *audire*, meaning “to hear.” *Audire* in ancient Rome referred to the “hearing of accounts,” a process in which one official compared his records with those of another official. As many of the parties interested in the audit findings were illiterate, audits were presented orally.

Modern public finance systems require the existence of an entity to oversee public expenditures. Known generally as supreme audit institutions, they may have such names as Office of the Auditor General, Board of Audit, or Court of Accounts.

*Definition of Audire is from Harper, Douglas, Online Etymology Dictionary. www.etymonline.com*

to discuss the findings contained in Audit Reports. Based on these hearings, legislatures may make recommendations to the executive for remedial action. Ideally, the legislature will then assess whether the executive has complied with these recommendations, thus closing the accountability loop.

In order to conduct effective oversight of budgets, legislatures and SAIs require legal — preferably constitutional — authorities specifying their functions and the nature of their relationships to the executive. Legislatures and SAIs can be most effective when they have a combination of legal powers, research capacity, and comprehensive information on public finances.

The growth of civil society organizations in countries around the world that are analyzing and monitoring government budgets and their impact on the lives of citizens offers an opportunity for legislatures and SAIs to augment their oversight capacity. These civil society organizations can provide new information and analyses for use by legislatures and SAIs on how the executive is managing public funds. They also can help pressure the executive to take corrective action on problems identified by legislatures and SAIs.

The Open Budget Survey assesses the strength of legislatures and SAIs and opportunities for public engagement offered by these institutions. Findings from the Survey pertaining to these two entities are presented below.<sup>13</sup>

### *Strength of Legislatures*

The Open Budget Survey measures legislative strength based on a number of criteria that assess the legal authority of the legislature to approve budgets at the start of the year and to approve any amendments made to the budget over the course of the fiscal year. Other criteria measure the length of time available to a legislature to discuss and approve a budget and the level of detail available in the proposed expenditure budget approved by a legislature. Further, the Open Budget Survey assesses the openness of budget discussions conducted by the legislature, including the extent of the opportunities that individuals and civil society organizations have to testify at public hearings organized by the legislature and to be present during legislative hearings at which the executive testifies on its proposed budget.

In the 94 countries covered in the 2010 Survey, the average score for “strength of the legislature” is 44 out of 100. As shown in **Table 8**, only 16 of the 94 countries surveyed are considered to have strong legislatures, scoring 67 or more. A larger

<sup>13</sup> Five of 22 questions in the Open Budget Survey regarding the strength of legislatures and SAIs are also used to calculate the Open Budget Index.

TABLE 8.

## OVER ONE-THIRD OF LEGISLATURES FOUND TO BE WEAK IN THE BUDGET PROCESS

SURVEY SUBSCORES	NUMBER OF COUNTRIES	COUNTRIES
<b>STRONG</b> (SUBSCORES 67-100)	<b>16</b>	Czech Republic, France, Germany, Italy, Mali, New Zealand, Norway, Poland, Portugal, Russia, Slovenia, South Africa, South Korea, Sri Lanka, Sweden, United States
<b>MODERATE</b> (SUBSCORES 34-66)	<b>43</b>	Afghanistan, Albania, Argentina, Bolivia, Botswana, Brazil, Bulgaria, Burkina Faso, Colombia, Costa Rica, Croatia, Egypt, El Salvador, Georgia, Ghana, Guatemala, Honduras, India, Indonesia, Jordan, Kazakhstan, Kenya, Kyrgyz Republic, Liberia, Macedonia, Mexico, Mongolia, Mozambique, Niger, Nigeria, Peru, Philippines, Rwanda, Serbia, Slovakia, Spain, Thailand, Trinidad and Tobago, Uganda, Ukraine, United Kingdom, Venezuela, Zambia
<b>WEAK</b> (SUBSCORES 0-33)	<b>35</b>	Algeria, Angola, Azerbaijan, Bangladesh, Bosnia, Cambodia, Cameroon, Chad, Chile, China, Democratic Republic of Congo, Dominican Republic, Ecuador, Equatorial Guinea, Fiji, Iraq, Lebanon, Malaysia, Malawi, Morocco, Namibia, Nepal, Nicaragua, Papua New Guinea, Pakistan, Romania, Saudi Arabia, São Tomé e Príncipe, Senegal, Sudan, Timór-Leste, Tanzania, Turkey, Vietnam, Yemen

number, 35 countries, have weak legislatures, scoring 33 or less.

The Survey reveals that weakness in the legislature’s role can result from a number of factors. First, legislatures may not have adequate time to review the Executive’s Budget Proposal. For example, in 22 of the 94 countries surveyed, legislatures receive the Executive’s Budget Proposal less than six weeks before the start of the budget year. International best practice calls for the budget to be presented

at least three months prior to the start of the budget year, but this standard is met in only 47 of the countries surveyed. In other words, in half of the countries assessed by the 2010 Survey, the annual budget is approved into law by the legislature without adequate time to review and debate the proposed budget.

Second, even though budgets are typically enacted into law on an annual basis by legislatures in each of the countries included in the 2010 Survey, in

33 countries legislatures either have very limited or no powers to amend the Executive's Budget Proposal; in only 27 of the 94 countries surveyed do legislatures have unlimited powers to amend the budget presented to them.

Third, legislatures in the majority of countries surveyed are not adequately empowered to exercise effective oversight of the implementation of the budget. This can create situations in which the executive arbitrarily changes the budget approved by the legislature. In 52 countries included in the 2010 Survey, legislatures do not have any opportunity to stop the movement of funds among administrative units before such deviations from the approved budget have been made. Further, in 31 countries supplementary budgets are either not approved by the legislature at all or approved only after the funds contained in them have already been spent. Similarly, in 58 of the 94 countries surveyed, expenditures made from contingency funds (funds that are set aside for use in emergencies) are either not submitted to the legislature for approval or such approval is sought only after the money has been spent by the executive. In all these circumstances, the executive can circumvent the enacted budget law, and the will of the legislature, in spending decisions it makes during the year.

### *Changes from Open Budget Survey 2008*

The average score on legislative strength for the 85 countries included in the Open Budget Survey 2008 was 42.<sup>14</sup> The average score for these same countries has gone up slightly to 44 in the Open Budget Survey 2010. Notable improvers include Afghanistan, Cambodia, Kenya, Kyrgyz Republic, Mongolia, South Africa, and Sri Lanka — countries in which legislatures began to approve supplementary budgets or the movement of funds among administrative units during the budget year, or in which

legislatures began to conduct public hearings on the budget proposals they were considering. On the other hand, legislative strength declined in some countries, including Chad, El Salvador, Fiji, Nepal, and Romania — countries in which legislatures no longer organize public hearings on their budgets or in which legislatures have reduced their level of oversight over the budget execution phase.

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### *Strength of SAIs*

The Open Budget Survey's measures of the strength of SAIs assess the level of independence of an SAI from an executive. Independence is measured based on such factors as the nature of the procedure for removing the head of the SAI and the level of discretion provided in law to the SAI to audit whatever it wishes. Other criteria assess whether an SAI's annual budget is adequate to enable it to meaningfully exercise its mandate and whether specialized staff is available within an SAI to audit the security sector. Further, SAI strength is graded on criteria that assess the timeliness of the release to the public of Audit Reports on the final expenditures of national departments, as well as the nature of the communication between the SAI and the public. Finally, the Survey assesses the comprehensiveness of legislative scrutiny of audits issued by the SAI, as well as the comprehensiveness of any follow-up reports released by the executive, legislature, or the SAI on the steps taken by the executive to address audit recommendations indicating a need for remedial action.

The average score of the countries included in the 2010 Survey on the strength of SAIs is 49. As shown in **Table 9**, only 24 of the 94 countries surveyed have strong SAIs while 32 countries have weak SAIs.

The Survey finds that the majority of SAIs are independent from the executive on at least some measures. For example, SAIs in 83 of the 94 countries surveyed have significant or full discretion in law to decide which audits to undertake during the year. Further, the heads of the SAIs in the major-

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<sup>14</sup> The data for questions on legislative and SAI strength are comparable across all 85 countries that were assessed in the 2008 and 2010 Surveys. This is in contrast to the questions used to construct the Open Budget Index for which data is comparable for only 78 of the 85 countries (see Chapter Three).

TABLE 9.

## ONLY ONE IN FOUR SAIs FOUND TO BE STRONG

SURVEY SUBSCORES	NUMBER OF COUNTRIES	COUNTRIES
<b>STRONG</b> (SUBSCORES 67-100)	<b>24</b>	Bosnia, Botswana, Brazil, Chile, Colombia, Costa Rica, Croatia, Czech Republic, France, Germany, India, Italy, Macedonia, New Zealand, Norway, Poland, Russia, Slovakia, Slovenia, South Africa, South Korea, Sweden, United Kingdom, United States
<b>MODERATE</b> (SUBSCORES 34-66)	<b>38</b>	Albania, Argentina, Bolivia, China, Ecuador, El Salvador, Georgia, Ghana, Guatemala, Honduras, Indonesia, Iraq, Kazakhstan, Kenya, Kyrgyz Republic, Liberia, Malaysia, Mali, Mexico, Mongolia, Namibia, Nepal, Pakistan, Peru, Philippines, Portugal, Romania, Rwanda, Spain, Sri Lanka, Tanzania, Thailand, Trinidad and Tobago, Turkey, Ukraine, Venezuela, Vietnam, Zambia
<b>WEAK</b> (SUBSCORES 0-33)	<b>32</b>	Afghanistan, Algeria, Angola, Azerbaijan, Bangladesh, Bulgaria, Burkina Faso, Cambodia, Cameroon, Chad, Democratic Republic of Congo, Dominican Republic, Egypt, Equatorial Guinea, Fiji, Jordan, Lebanon, Malawi, Morocco, Mozambique, Nicaragua, Niger, Nigeria, Papua New Guinea, São Tomé e Príncipe, Saudi Arabia, Senegal, Serbia, Sudan, Timór-Leste, Uganda, Yemen

ity of countries surveyed — 70 of the 94 — can be removed only by the legislature or the judiciary. Of course, in the 24 countries in which the executive can remove the head of the SAI without seeking final consent from the legislature or the judiciary, the SAIs may feel constrained from releasing Audit Reports that detail anything negative in the management of funds by the executive (i.e., the SAI's employer).

The 2010 Survey finds that SAIs in many countries surveyed face more general problems that can compromise their ability to play an effective oversight role. For example, in 45 of the 94 countries surveyed, the annual budgets of the SAIs are less than the amounts they reportedly require to perform their oversight roles effectively; further, in 19 of these countries, the SAI's budget is actually determined by the executive (which can limit the SAI's ability to implement its audit agenda by set-

ting a budget limit for the institution that is below its requirements to function effectively).

Further, there are other measures used in the Open Budget Survey to assess SAI strength, particularly those measures that assess the openness of the SAI, on which the SAIs in the majority of countries score poorly. In 49 countries, Audit Reports are either not published at all or are published more than a year after the end of the budget year for which they were produced – thereby greatly reducing the opportunity for these reports to be used to compel corrective actions. Further, legislatures in many countries make limited use of the Audit Reports submitted to them by the SAIs. Thus, in 40 of the 94 countries surveyed, legislatures do not scrutinize any Audit Reports or they scrutinize only a few.

Finally, in 70 countries, the public receives no report on how the executive has responded to recommendations for remedial action made in SAI Audit Reports. These findings are troubling in that they point to the lack of seriousness or adequate follow up on the part of the executive to engage with findings contained in Audit Reports, including those that recommend remedial action regarding the manner in which public funds are managed.

#### *Changes from Open Budget Survey 2008*

The average score on SAI strength for the 85 countries included in the Open Budget Survey 2008 was 45. The average score for these same 85 countries has gone up slightly to 48 in the Open Budget Survey 2010. Notable improvers include Afghanistan, Brazil, Democratic Republic of Congo, Ghana, Kazakhstan, Liberia, Sudan, and Tanzania. In these countries, SAIs were able to exercise greater discretion in determining their audit agenda than was found to be the case in previous survey rounds, SAIs improved the timeliness of the release of their Audit Reports, or SAIs conducted more comprehensive audits on national security budgets than was documented in previous survey rounds. On the other hand, SAI strength declined in some countries, includ-

#### BOX 6.

## The OBI and International Standards for Supreme Audit Institutions

The IBP's suggestions for strengthening best practices in openness and accountability in SAIs were recently incorporated into the International Standards for Supreme Audit Institutions developed by the International Organization of Supreme Audit Institutions. In keeping with the IBP's recommendations, these standards encourage SAIs to be more transparent regarding their funding and the degree of their discretion to undertake audits. These standards also encourage SAIs to maintain formal mechanisms through which they can communicate to the public and engage the public in the audit process.

*Source: International Organization of Supreme Audit Institutions, "Decisions on Comments Provided on the International Standards for Supreme Audit Institutions 20 and 21," INTOSAI, 2009.*

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*"Some corrupted people just swallow these funds for their own profits and what is left for us is to only dream of better schools, education, and a better future."*

—Priyanka Yadav - High School Student and Second Place in the 2010 South Asia Open Budgets Essay Competition for India

ing the Dominican Republic and Fiji. The SAIs in these countries experienced reductions in their powers to determine their agendas; additionally, the timeliness of the release by these SAIs of their completed Audit Reports deteriorated.

### ***Budget Transparency and Strength of Oversight Institutions***

Countries that have low OBI scores also typically suffer from weak oversight institutions. **Table 10** shows that the 22 countries that were found in the 2010 OBI to provide scant or no information on their budgets also had the lowest average scores on legislative strength and SAI strength. In contrast, the seven countries that score the highest on the OBI 2010 also have the highest average scores on legislative strength and SAI strength. Indeed, this correlation is displayed for all five categories of OBI scores. This finding seems logical since effective oversight requires access to comprehensive and timely information.

To look at this information in another way, 24 of the 35 countries assessed as having weak legislatures in the Open Budget Survey 2010 provide minimal or scant budget information according to the OBI. Similarly, 23 of the 32 countries assessed as having weak SAIs in the Survey are among the worst performers in the OBI.

The 2010 Survey also finds the majority of countries (59 of the 94 countries surveyed) have legislatures and SAIs that are either both strong or both weak. In the remaining 35 countries, one institution is stronger than the other. For example, the legislatures in Bosnia and Chile score as weak while their SAIs are considered strong. In contrast, the legislatures in Mali, Portugal, and Sri Lanka score “stronger” than the SAIs in these countries.

## **Public Participation in Budget Oversight Systems**

*“I believe good budgeting means putting money where the needs are. A transparent budget will help the people gauge and decide how their resources are best used to address the issues they face. The elements of an open budget system ensure an informed and meaningful debate — without information, people are excluded from the decision-making process.”*

— Khuuram Irshad – Open Budget Survey 2010 researcher from the Omar Asghar Khan Development Foundation, Pakistan

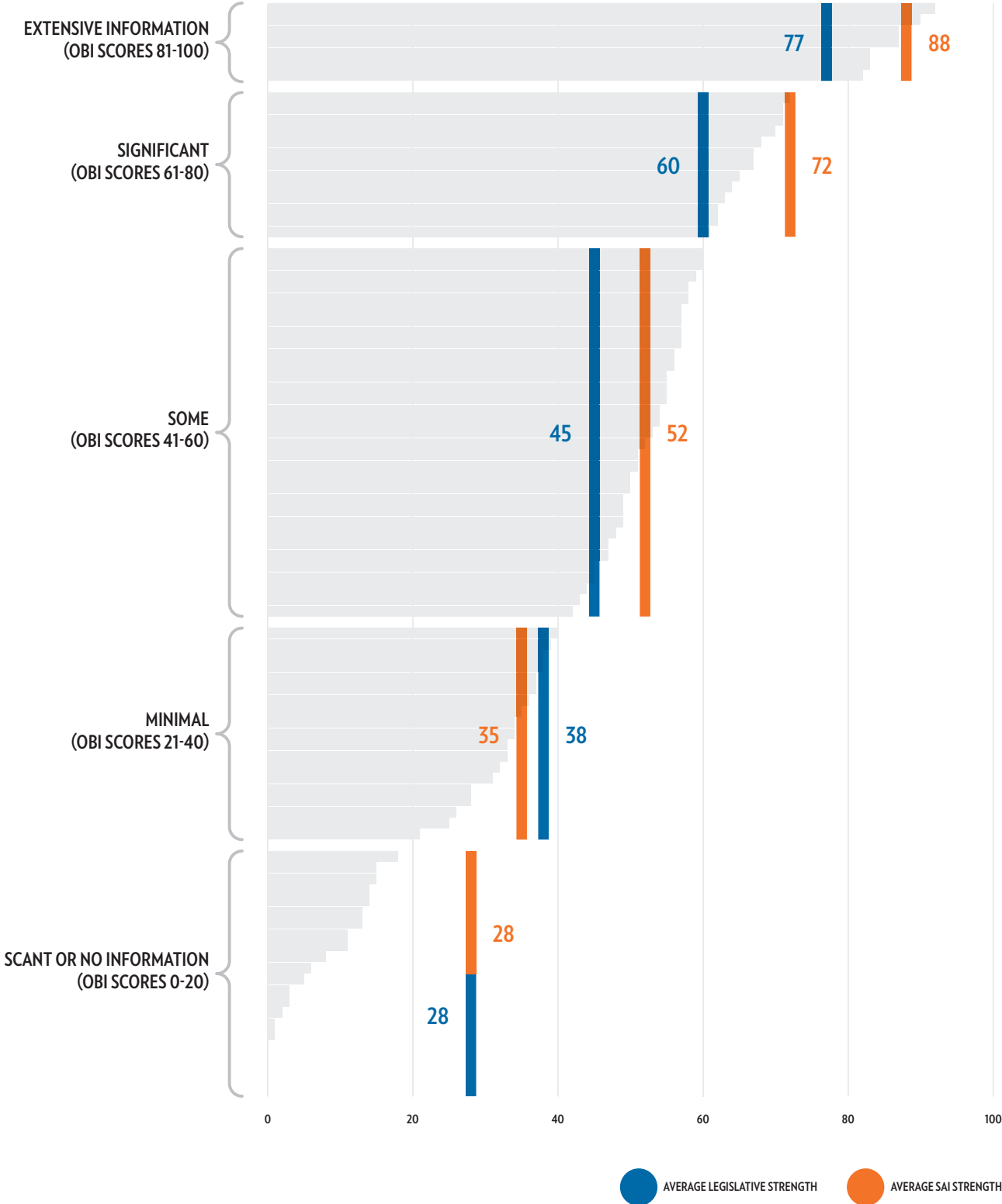
Many legislatures and SAIs follow practices that do not enable public participation to the full extent that is possible, even given the current powers of these bodies.

Legislatures can usually decide their own rules and standing orders and use these powers to organize public hearings or invite experts from civil society to provide testimony during budget discussions. In fact, many countries’ constitutions explicitly enshrine the rights of legislatures to call independent witnesses.

However, the 2010 Survey finds that legislatures are not typically open to the public, including the media, during their budget discussions. In 68 of the 94 countries surveyed, legislatures do not organize any public hearings at which the public is given an opportunity to testify on the budgets of individual ministries. Further, in 35 countries included in the Survey, all legislative budget discussions involving the executive are closed meetings; the public is excluded altogether from observing these meetings, even if they are committee hearings, and no public record of the meetings is provided. In 36 countries, only a few such discussions are open to the public.

TABLE 10.

# COUNTRIES THAT LACK BUDGET TRANSPARENCY ALSO SUFFER FROM WEAK OVERSIGHT INSTITUTIONS





The 2010 Survey also finds that few SAIs have instituted strong consultative mechanisms that would enable the public to refer complaints and suggestions to their national SAIs. For example, in 57 countries, SAIs maintain very few formal communication mechanisms through which the public can make complaints or suggestions to inform the audit agenda or audits. This thwarts a potentially excellent source of information feedback on the operations of government programs. The lack of such consultative mechanisms is particularly prevalent in countries in which SAIs lack adequate powers and independence from the executive.

SAIs typically score much lower on questions in the Survey assessing the comprehensiveness of published Audit Reports than they do on questions assessing their independence. This gap is especially large for those countries scoring less than 60 on the OBI 2010. This suggests that SAIs, even given their institutional limitations, could publish more information in their audit reports. Public support and involvement in the work of SAIs can, in fact, augment the capacity of otherwise weak SAIs to pressure their executives to take remedial action based on audit findings.

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### *Implication of These Findings*

The Open Budget Survey 2010 finds that a significant number of countries have weak legislatures and SAIs — more than a third of the legislatures and SAIs in the countries surveyed are found to be weak. Further, the Survey reveals that the majority of countries that implement poor budget transparency practices are also countries that tend to have weak oversight institutions. This means that in these countries, not only is the public unable to have any substantial understanding of, or impact on, the use of national resources but even formal oversight institutions are unable to have any decisive impact on how the executive raises and spends money in the country.

Countries that have reduced the role of their legislatures to rubberstamping budget reports or that have undermined the independence of SAIs are likely to suffer from poor governance. When the national purse is in the hands of a small elite that is unaccountable to anyone else, it is likely that both budgets will be unwisely spent and corruption will be significant. However, legislatures and SAIs do not need to wait for the executive to begin to address the accountability deficit. As illustrated in this chapter, these institutions can begin to take some immediate steps themselves to open budgets to greater public scrutiny and augment their own limited capacities to oversee budgets. ■

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*“All the beautiful hopes, aspirations, and dreams that I have for my future will crumble to dust if the money which ought to be spent for making me a well-educated, healthy, and competent citizen ends up in the bank accounts of those who have power.”*

—Prarthana Bhattarai - High School Student and Second Place in the 2010 South Asia Open Budgets Essay Competition for Nepal



## CHAPTER FIVE:

# Recommendations

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For each country surveyed, the IBP has prepared individual reports on their budget process, including recommendations on how they can open up their systems. These individual reports are the best starting point for those interested in what actions should be taken by a particular country. Here we put forward general recommendations.

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### ***1. Countries should make public all the documents they produce.***

A stunning finding of this report is how frequently governments produce essential budget documents but use them for internal purposes only or for their donors. Specifically, the Survey found that 42 percent of the budget documents that governments fail to publish are in fact produced but are used exclusively for internal purposes or donors. Low-scoring countries in particular could substantially improve their levels of budget transparency if they simply began to publish documents they already produce; the *majority* of budget documents produced by the worst scoring countries are not made public. Of further interest, all 22 countries that fail to release the Executive's Budget Proposal to the public *do* produce this document for internal purposes.

The IBP recommends that countries make public all the budget documents they produce; the first thing they should do is post them on the government's website. This simple step would require virtually

no additional effort or cost by the governments involved, but would dramatically improve the openness of budgets in large parts of the world.

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### ***2. Budget documents should be widely available for free and on a timely basis.***

As this study finds, all too often countries impede access to budget documents by charging large amounts for them or by not using available mechanisms for permitting free access. Many documents are also released so late that their use is diminished.

It is relatively easy to make these documents widely available for free. Governments should publish budget information on government websites. Even though Internet downloading speeds and the costs of Internet access are challenges that limit use in many countries, by making information available on their websites, the government reduces any chance that individual officials will use their discretionary powers to provide arbitrary access to budget reports. Further, those governments

that have already begun to publish information on their websites can improve access to the reports by providing budget data in easily downloadable formats, working with civil society to make data formats more user-friendly, and developing an archive system containing budget reports from prior years.

Countries should also make hard copies of budget documents available in national and local libraries and in information desks maintained in government offices.

Governments should increase the timeliness of the publication of budget reports. For instance, the Executive's Budget Proposal should be published well in advance of the budget approval dates, so that adequate review and discussion are possible, and Year-End and Audit Reports should be published within six months of the end of the fiscal year, so that these reports can be most relevant.

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### ***3. Countries performing especially poorly on the OBI should work to meet certain minimum standards.***

One of the most encouraging findings of the Open Budget Survey 2010 was the significant progress made by many countries that had scored poorly on earlier surveys. Consistent with our first recommendation, these governments largely achieved these improvements by beginning to make available on their websites the budget reports that they previously produced but had made available only to internal government audiences or to donors.

Still, 22 countries in the OBI 2010 did score less than 20. These 22 countries are Algeria, Bolivia, Burkina Faso, Cambodia, Cameroon, Chad, China, Democratic Republic of Congo, Dominican Republic, Equatorial Guinea, Fiji, Honduras, Iraq, Kyrgyz Republic, Niger, Nigeria, Rwanda, São Tomé e Príncipe, Senegal, Saudi Arabia, Sudan, and Vietnam. All of these countries produce an Executive's Budget Proposal, but 21 of them are not publish-

ing this document. Further, five countries in this category do not publish the Enacted Budget. So the two documents that explain what the government proposed to do with the public's resources and what it decided to do with those resources are generally not available.

Another 12 countries in the lowest-scoring category produce an Audit Report but do not publish these reports; two countries publish these reports more than two years after the end of the reporting period. Further, very few legislatures in countries that score less than 20 on the OBI 2010 organize public hearings on their budget discussions. Legislatures in only two of these 22 countries invite some external testimony to be provided in open legislative hearings organized during consideration of the national budget. The absence of Audit Reports and public hearings underscore the failure of low-scoring countries to recognize the importance of checks and balances in the budget process.

The IBP recommends that, at the very minimum, countries that currently provide scant or no budget information publish their Executive's Budget Proposal, Enacted Budget, and Audit Reports. The IBP also recommends that legislatures in these countries begin to organize public budget hearings prior to the legislature's approval of the budget. The adoption of these basic steps can meaningfully enhance budget transparency and accountability in these countries.

The budget transparency practices in these countries are of greatest concern to the IBP. It will be monitoring developments in these countries' budgeting practices even before the release of the next OBI and will report on their progress.

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### ***4. Countries providing minimal or some information should improve their performance on three key reports.***

The study finds that 52 countries score between 21 and 60 on the Open Budget Index 2010 and thus are

classified as providing *minimal* or *some* information on their budgets. Virtually all of these countries release their Executive's Budget Proposal to the public, but these proposals are substantially less comprehensive than those of high-scoring countries. The Audit Reports they publish are also insufficiently comprehensive and about a third of these countries do not publish this key document. Typically these countries also fail to publish some of the other key budget documents, most notably, Mid-Year Reviews.

These countries should increase the comprehensiveness of the Executive's Budget Proposal and empower their SAIs to publish comprehensive Audit Reports. All of these countries need to publish Audit Reports, and they also need to begin to produce and publish Mid-Year Reviews. Countries like India, Colombia, and Sri Lanka increased their OBI scores and moved up from the *some* information category to the *significant* information category by taking most of these steps.

The published budget documents should include information on the relationship between the government's budget and its policy and macroeconomic goals; on policies that are intended to directly benefit the country's most impoverished populations; on outputs and outcomes expected and achieved; and on certain fiscal activities outside the standard budget process that can have a major impact on the government's ability to meet its fiscal and policy goals, including extra-budgetary funds, quasi-fiscal activities, and contingent liabilities.

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**5. The authority, independence, and capacity of budget oversight institutions should be strengthened. The voice of the public should be allowed as a complementary check and balance.**

The study finds that countries that disclose little budget information typically suffer from weak oversight institutions. Legislatures often do not have adequate powers to amend the budget developed by

the executive, and they are not provided sufficient time to comprehensively assess the Executive's Budget Proposal before approving it into law. The executive branches of many governments also have the latitude to spend funds substantially as they wish regardless of what the enacted budget calls for. SAIs generally lack full independence from the executive and often report that they do not have sufficient resources to effectively undertake their audit mandates. These limitations in the formal oversight institutions severely compromise the accountability of the executive on public finances.

This study also found that government oversight bodies themselves often fail to provide opportunities for public participation. In only 26 countries, for example, is the public provided with formal opportunities to provide testimony during legislative budget discussions. In many countries these discussions are conducted in secret.

When all countries are considered, the average score for legislatures was just 44 and for SAIs was 49, highlighting the general need for improvement.

Governments should recognize that opening up their budgets means strengthening oversight institutions, and the role of the public, as well. Even if information is provided by the executive branch, the absence of any meaningful checks and balances is a recipe for waste, misplaced priorities, and, sometimes, outright corruption. So legislatures should have amendment powers and time to review the budget, and they should be able to provide appropriate checks if the executive desires to spend funds in ways that differ from allocations in the enacted budget. SAIs should be independent and have adequate authority, capacity, and resources to fulfill their oversight responsibilities. It also is worth noting that in certain countries recent improvements in how the executive branches present the budget were spurred by legislative pressure or strong SAI officials.

The public also must be engaged in oversight processes. To promote effective public participation, the legislature should convene open public hearings at each stage of the budget process, and allow civil society and individuals to provide testimony. Similarly, the public should be provided with opportunities to engage directly with SAIs in the evaluation phase of the budget process. There are many mechanisms through which such engagement can occur. For example, the U.S. and the U.K. maintain “fraud hotlines” through which the public can report suspected malfeasance in the use of public funds, while in South Korea the public can suggest subjects for potential audit.

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***6. Donors should encourage and support aid-dependent countries to improve their budget transparency.***

Countries dependent on aid receive significantly lower OBI 2010 scores than countries that are not dependent on aid. Among countries that receive donor aid that constitutes more than five percent of their gross national income, the average OBI score is 30. Among other countries, the average OBI score is 44. Other research has shown that in some instances donor practices inhibit budget transparency. Yet donors have both the interest (to see that their aid is well spent) and the influence to advance budget transparency (recent country improvements in opening up their budgets were often spurred by international pressure).

The IBP has prepared a country summary document for each of the countries covered in the OBI 2010, which can be found on the IBP’s website at [www.openbudgetindex.org](http://www.openbudgetindex.org). Donors can use this information to identify the recommendations that the IBP offers to increase budget transparency in specific aid-dependent countries.

More generally, donors can encourage greater budget transparency through the use of a variety of carrots and sticks. They could create incentives to encourage improvements in budget transparency

in the countries they support, including providing more on-budget support to countries that demonstrate better budget transparency practices. Donors could also provide technical assistance to oversight institutions and actors (legislatures, SAIs, civil society, media, etc.) so that there is greater capacity to pressure executives to expand budget transparency and accountability.

Currently, governments that are willing to reform their budget systems have few options for receiving assistance and advice on budget transparency issues. Advice on transparency and accountability systems is often missing in current public finance management reform packages offered by donors and development institutions. Donors should, therefore, consider providing such assistance to willing governments. The IBP is piloting an initiative to address this issue (see **Box 7**).

Finally, donors should make sure that information about their own aid is dealt with in a transparent manner. This can mean that any general aid they provide to a country is reflected in that country’s budget documents. It also can mean that donors report on their own project aid in a transparent manner, including, if possible, reporting on such aid in formats and timetables that are compatible with the recipient country’s budget systems.

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***7. A movement to push for a global norm on budget transparency should be established.***

The overall improvement in budget transparency in recent years, as well as the significant improvement experienced in many previously low-scoring countries, appears to stem, at least in part, from growing domestic and international pressure on governments to open up their budget processes, as well as from a better understanding of what good budget practices entail. Such pressure can be enhanced, and expectations can be further clarified, through the establishment and ratification of a global norm on budget transparency and participation.

On many key issues of global interest, various combinations of countries, international institutions, and civil society have agreed on a set of standards that they encourage countries to achieve over a period of time. For example, global norms around women's political participation, ending torture, neutrality for medical personnel during war, and the elimination of landmines have each provided a tool for convincing governments to adopt policies that are in the interests of those unable to exercise power, and for holding governments accountable for implementing these policies.

The alarming state of budget transparency documented by successive rounds of the OBI constitutes a compelling case for a major push from the international community — including legislatures, SAIs, and governments (especially those from Asia, Africa, and Latin America to ensure a representative coalition), donor governments and agencies, professional associations on public finance management, and civil society organizations — for a global norm on budget transparency. A budget transparency norm can codify broadly accepted principles and guidelines of appropriate government conduct with respect to transparency and public participation in the budget process. It is also important to note that the establishment and ratification of a global norm would provide civil society and legislatures with a powerful tool to leverage greater openness in their country's budget systems.

Although there is already considerable consensus within the international community around the importance of budget transparency, this consensus remains vague and incomplete. A global norm would provide comprehensive, well-defined objectives that the international community could work to achieve. Ideally, such a norm would identify key documents and procedures that must be included in any budget process in order for it to be considered transparent. A norm should also help to clarify the central importance of public participation in any budget process that is to be considered truly

## BOX 7.

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### The IBP Provides Technical Assistance to Governments

In 2009 the IBP began a pilot program that is managed through its Mexico office to provide direct technical assistance to governments to help them establish systems that promote greater budget transparency. The program provides national governments with experts, tools, and training and learning processes developed in countries that are at the leading edge of this work.

The program is currently working with the Malian and El Salvadorian governments to develop Citizens Budgets. These governments expressed an interest in and willingness to participate in the pilot. More information on this program can be accessed at <http://www.internationalbudget.org/what-we-do/mentoring-gov-program/>.

transparent. This logic has yet to be fully reflected in the emerging international consensus; however, if the public does not have a real opportunity to inform the budget process, access to budget information will be less likely to lead to improved government effectiveness.

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### Going Forward

Citizens have the right to know how their funds are being collected and spent and what their governments' priorities are; the ongoing absence of budget transparency in most countries undermines this right. Further, building adequate checks and balances into the budget process, and making budgets transparent, can facilitate the equitable and efficient use of public funds, and diminish the extent of corruption.

It is our hope that this report sheds light on the state of budget transparency around the world today. It is our belief that adoption of the recommendations above would open up budgets further, help fulfill the right of citizens to know the priorities of their governments' budget policies, and improve the collection and expenditure of public funds. ■

## APPENDIX A:

# Why Governments Change Their Practices on Budget Transparency

In its three successive applications of the Open Budget Survey, the IBP has identified changes in budget transparency practices in a number of countries. The majority of the countries in which changes have been recorded have improved their transparency practices, albeit marginally in some cases.

Understanding a government's behavior and its motives for changing practices requires an in-depth study of the political economy (and likely other factors) in the country. The IBP is supporting the development of a set of comprehensive case studies in 8-10 countries that will attempt to place changes in these countries' levels of budget transparency in each country's broader political and economic

contexts; these case studies are scheduled to be completed by 2011.

This appendix provides an initial review of changes in budget transparency practices in a selection of countries covered in the Open Budget Survey. (Other brief reviews are included in the main text.) Each country summary describes the major changes in budget transparency practices recorded by the Open Budget Surveys and briefly examines why these changes may have occurred. Open Budget Survey researchers in the select countries in which significant improvements in budget transparency were found provided their expert assessments on why these changes may have occurred; in most cases these opinions have been refined by an independent source in each country. The IBP also has made individual country summary reports for all 94 countries available on its website at [www.openbudgetindex.org](http://www.openbudgetindex.org). These country summaries provide a list of steps each country can take to sustain and continue to improve budget transparency practices.

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### *Angola*

Angola's score on the OBI increased from 4 in the 2008 Survey to 26 in the 2010 Survey, a jump of 22 points. The primary reason for this improvement is the publication by the government of the Executive's Budget Proposal; it was not published according to the earlier survey. Further, the published Year-End Report assessed for the 2010 Survey contains more comprehensive budget data than were provided in the Year-End Report assessed for the 2008 Survey.

The OBI researcher for Angola suggests that several factors may have led to the government's decision to begin publishing the Executive's Budget Proposal. First, the government faced pressure from international finance institutions and donors to improve budget transparency. Second, in the run-up to national elections in 2008, the government wanted to present a more transparent image.



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## *Azerbaijan*

Azerbaijan's score on the OBI increased from 37 in the 2008 Survey to 43 in the 2010 Survey, an increase of six points. This rise occurred because Azerbaijan began publishing In-Year Reports and Audit Reports for the first time; additionally, the Executive's Budget Proposal now provides more program-level data than were provided in previous years. The government also began to publish more budget data on the websites of the Ministry of Finance, rather than making such data available only in hard copies that were available from the ministry or national libraries. Even though these positive changes are encouraging, concerns remain in the country about the transparency of the financial transfers from the State Oil Fund to the national budget, as well as about the limited role of the legislature in budget approval and oversight.

The local OBI researcher for Azerbaijan attributes the increase in the availability of budget data to four factors. First, legislators from the party in opposition to the government became more vocal in demanding greater budget transparency from the government. Second, public finance management reforms introduced by the European Union's Action Plan for Azerbaijan support greater access to budget information. Third, the new head of the SAI in the country is committed to making Audit Reports publicly available. Finally, advocacy undertaken by civil society groups in the country demanding greater budget transparency is putting pressure on the government to release more information on its budget.

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## *Bolivia*

Bolivia's score on the OBI increased from 7 in the 2008 Survey to 13 in the 2010 Survey, a rise of six points. The 2010 OBI found that two key budget documents — In-Year Reports and Audit Reports — were available; however, they were scored as unavailable in the 2008 Survey. It is important to note that both of these documents are not published

by the Ministry of Finance. The In-Year Reports are published by the Central Bank and, of course, Audit Reports are published by the SAI. Thus these minor improvements cannot be attributed to changes in practices of the Ministry of Finance.

In fact, IBP researchers continue to be concerned by the level of the availability of budget data from the Ministry of Finance, the agency primarily responsible for producing budget data. For example, the local OBI researcher in Bolivia was unable to access budget data pertaining to 2005. The government claims to be updating this information more than four years after the end of that budget year.

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## *Democratic Republic of Congo*

The Democratic Republic of Congo's (DRC) score on the OBI increased from 1 in the 2008 Survey to 6 in the 2010 Survey, a shift of five points. However, with an OBI 2010 score of 6, the DRC continues to be one of the worst performers on budget transparency.

The improvement is a result of the publication by the government of two budget documents — a Citizens Budget and In-Year Reports — that were not published earlier. The government also began to publish a timetable for preparation of the Executive's Budget Proposal. It should be noted that the government has now published the Executive's Budget Proposal for 2010; however, this was done after the cut-off date used by the Open Budget Survey to assess the public availability of documents. If the government of the DRC continues to publish its Executive's Budget Proposal, its score on subsequent applications of the OBI will increase significantly.

The local OBI researcher for DRC attributes improvements in the DRC's budget transparency practices to debt cancellation negotiations currently being conducted between donors and the government under the Heavily Indebted Poor Countries Initiative. One of the conditions under this Initiative is a requirement that the country

whose debt is cancelled needs to reform its public finances. Further, the government of the DRC has responded to calls from civil society for access to more budget data by publishing In-Year Reports and making more comprehensive budget data available in its Enacted Budget.

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## *Malawi*

Malawi's score on the OBI increased from 28 in the 2008 Survey to 47 in the 2010 Survey, a jump of 19 points. These changes were a result of more comprehensive information being published in the Executive's Budget Proposal, specifically more data on prior year budgets. Further, the government began to publish a Year-End Report, which provides the public and civil society with more information for assessing how well the government implemented the budget. The OBI 2010 assessment for Malawi also used the central bank's quarterly reports to assess questions in the Open Budget Questionnaire that pertain to in-year reporting. These reports were available in 2008 but had not been considered in that year's assessment.

Even though budget transparency did improve substantially, concerns remain about the poor state of budget transparency overall and of the sustainability of the improvements achieved. The OBI 2010 found that the Malawian government still does not make the Enacted Budget publicly available. It also does not publish its budget documents on the website of the Ministry of Finance. The OBI researcher there was able to access hard copies of the Executive's Budget Proposal and Year-End Report; he was not able to access the Enacted Budget in any form.

While it is difficult to pinpoint the exact reasons why the government has made more budget information publicly available, the OBI researcher for Malawi suggests a few reasons behind the improvements. First, the government is responding to donor concerns and mandated the Debt and Aid Division in the Ministry of Finance to more closely coordinate

with donors and to publish more comprehensive information on foreign assistance. Second, the government is responding to budget transparency concerns profiled by the OBI 2008 and highlighted in the local media. An indicator of the Malawian government's sensitivity to public pressure and scrutiny is that the Ministry of Finance recruited an external consultant to manage the agency's public relations in 2008, specifically with donors. A summary of the budget was published as part of this process.

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## *Rwanda*

Rwanda's score on the OBI increased from 1 in the 2008 Survey to 11 in the 2010 Survey, a jump of 10 points. During this period, the country began to publish several budget documents for the first time, including a Citizens Budget, a Pre-Budget Statement, a Year-End Report, and an Audit Report. However, the Executive's Budget Proposal was not published before the budget was enacted into law. Further, even though Rwanda has now begun to publish four key budget reports, these documents do not contain much of the data assessed in the OBI.

Rwanda scored 1 on the OBI 2008 because the Rwandan government did not publish any of the eight key budget documents assessed by the Open Budget Survey prior to the cut-off date on which assessments leading to the OBI 2008 were completed (which was September 2007). Subsequently, the Rwandan government began to publish some of the eight key budget documents but because the assessment cut-off date had already passed, they could not be considered when the OBI 2008 was compiled.

When the OBI 2008 was published, the results came as something of a shock to the government and its donors because Rwanda is considered by some to be a model for development in Africa. Since then, donors to Rwanda, as well as representatives from the Rwandan government, have approached the local OBI researcher and the IBP to discuss budget

transparency issues in the country and to identify ways by which the OBI score for the country can continue to be improved.

Since 2006 the Rwandan government has implemented a number of reforms in its public finance management systems. In 2006 the country passed a law on state finances, a ministerial order on financial regulations was introduced in 2007, a manual on government financial management and reporting policies and procedures was developed in 2007, and a new chart of accounts for the budgets was adopted in 2008. These reforms have improved the government's technical capacity to produce budget reports and made the government more comfortable about publishing these reports (previously, reports were produced but not published). Donors, led by the World Bank, have financed many of these reforms.

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### Ukraine

Ukraine's score on the OBI rose from 55 in the 2008 Survey to 62 in the 2010 Survey, a change of seven points. This improvement is a result of the publication of more comprehensive information in the Executive's Budget Proposal. Further, the government has begun to publish In-Year Reports that meet international standards. It also now publishes an audited Year-End Report (earlier the government published an unaudited Year-End Report).

The government has changed its policy on the publication of In-Year Reports. Previously, the government did not want to publish data that it considered to be "preliminary" and, therefore, unreliable. However, the new finance minister changed this policy in order to improve discipline in the ministry. Further, the increased attention directed to the country's economy as a result of the global economic recession prompted the government to provide additional information on its macroeconomic forecasts and policy goals in its Executive's Budget Proposal. Importantly, the

OBI 2010 found that the Ukrainian government no longer publishes a Citizens Budget as it did in 2007. The publication of this document in 2007 has been attributed to a one-off attempt by the then new finance minister (who was subsequently replaced) to be seen to be expanding transparency.

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### Yemen

Yemen's score on the OBI more than doubled from 10 in the 2008 Survey to 25 in the 2010 Survey, a gain of 15 points. This improvement results from the fact that in 2009, the government published a number of budget documents that it did not previously publish, including the Executive's Budget Proposal and Year-End Report. When the OBI 2008 results were published, Yemen's Ministry of Finance expressed concerns at the country's low score. The Ministry was also concerned about Yemen's low score vis-à-vis some of its neighbors, particularly Egypt, which scored 43 on the OBI 2008. The local OBI researcher for Yemen suggests that the Ministry of Finance began to publish the Executive's Budget Proposal and other budget reports when it realized that it could improve its score on the OBI simply by publishing on its website documents it was already producing for internal use. ■

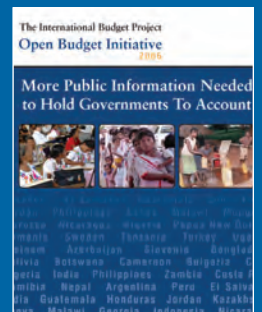
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*"Many countries claim to have a democratic government. The 'democracy' is incomplete if the budget is not published and the public's opinion is not taken into account while preparing the budget."*

—A.K.M. Sidratul Montaha - High School Student and Participant in the 2010 South Asia Open Budgets Essay Competition for Bangladesh

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