

# Budget Transparency around the World: Results from the 2008 Open Budget Survey

by

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*The movement for greater fiscal transparency has been gaining momentum in recent years. To contribute to these efforts, the International Budget Partnership (IBP) developed the Open Budget Survey in 2006. The 2008 survey finds that the state of budget transparency around the world is deplorable, although a number of countries have improved their performance over the past two years. This article discusses the results of the 2008 survey and ways of improving budget transparency.*

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## 1. Introduction

The movement for greater fiscal transparency has been gaining traction in recent years. International financial institutions, credit ratings agencies, regional economic blocs, and civil society organisations (CSOs) have all taken up the cause, strengthening the case for fiscal transparency as a key governance issue and intrinsic public good. United States President Barack Obama recently articulated this commitment to budget transparency in his inaugural address:

Those of us who manage the public's dollars will be held to account – to spend wisely, reform bad habits, and do our business in the light of day – because only then can we restore the vital trust between a people and their government.

The current global financial crisis has put even more emphasis on the importance of fiscal transparency. Some have posited that a lack of transparency and oversight facilitated the unsustainable expansion of the credit market. At the same time, a global economic contraction makes budget transparency even more pertinent, as countries around the world face lower foreign and domestic investment, aid and tax revenues, making decisions about how to spend public money more contested.

The International Budget Partnership (IBP) was established in 1997 to promote civil society budget engagement in order to make budget systems more transparent, accountable, and responsive to the needs of poor people. Today, the IBP partners and allies are actively engaged in public budget processes in over 100 developing and transitional countries throughout Africa, Asia, Eastern Europe, and Latin America. Civil society organisations in some of these countries have registered notable successes in opening their governments' budgets to public scrutiny and encouraging more responsive and accountable budgeting. However, they have also faced a number of challenges. In particular, one overarching challenge has constrained the ability of groups in many countries to conduct credible and timely budget analysis and advocacy: a lack of access to comprehensive budget information. In light of this situation, the IBP developed the Open Budget Survey, the first independent, comparative survey of budget transparency and accountability around the world. The Survey was first conducted in 2006 and most recently updated in 2008.

### 1.1. Recent research on budget transparency and inclusive budgeting

In 2005, the IBP published the results of a pilot survey on budget transparency, based on research conducted in 36 countries (see Gomez *et al.*, 2005). The study built on prior efforts by the IBP and some of its partner organisations in Africa, Eastern Europe and Latin America to develop methodologies for assessing budget transparency and participation in the budget process. The pilot study looked at countries' performance in three main areas: executive budget documents, monitoring and evaluation reports, and public and legislative involvement in the budget process. Overall, the study found that countries tend to do a better job of meeting international best practice guidelines for the information presented

in the executive's budget proposal than they do for providing information on the budget after it has been enacted, or taking steps to encourage public and legislative involvement in the budget process. Only two countries – Slovenia and South Africa – were found to have strong practices in all of the major areas covered by the questionnaire.

Beyond the previous efforts of the IBP, the Open Budget Survey belongs to a limited but growing literature on budget transparency and inclusive budgeting. Existing research results shed some light on two key questions that are fundamental to the IBP work. The first asks whether transparency (and in particular budget transparency) actually affects governance and poverty, and if so, how. The second enquires about the role that civil society has played so far in advocating for increased transparency, and whether such efforts have had any significant impact on transparency and also more broadly on governance and poverty.

### **1.1.1. The impact of transparency on governance and poverty**

The World Bank and the International Monetary Fund (IMF) have generated much of the recent research on cross-country evidence of the impact of transparency. These institutions have supported governance reforms and also have substantive resources for research and access to comparative data and information. In a paper entitled *Do More Transparent Governments Govern Better?*, Islam (2003) sets out to assess whether freedom of information laws and more frequent publication of government economic data are associated with better governance, measured via aggregate governance indicators produced by the World Bank. Indeed, the data show a strong correlation between transparency and the quality of governance in 169 countries. Bellver and Kaufmann (2005) follow a similar path, but attempt to create a better measure of transparency that summarises data from over 20 independent sources (including the first Open Budget Survey) for 194 countries. They also find that transparency is associated not only with lower levels of corruption, but also with better socio-economic and human development indicators, and with higher competitiveness. In another attempt at developing a measure of transparency, this time more focused on budget-related matters, Hameed (2005) used data from IMF fiscal reports on the observance of standards and codes (ROSC) for 57 countries to develop an index of fiscal transparency based on information linked to the credibility of budget data, to the quality of medium-term budgeting, to existing reports on budget execution and to possible sources of fiscal risk. His findings show that more transparent countries have better access to international financial markets, better fiscal discipline and less corruption, after controlling for other socio-economic variables. Glennerster and Shin (2008) also provide evidence of the impact of increased fiscal transparency on lowering borrowing costs for countries in sovereign bond markets, which are used as an indicator of the market's perception of the economic conditions in a given country.

The results drawn from macro-level cross-country analyses are encouraging, highlighting the role that transparency might play in promoting sound governance and improved socio-economic outcomes. These results ought to be taken with some caution, however, given that the indicators used in these analyses are quite recent and have not been rigorously tested. Furthermore, registering a correlation between two indices says little about what is causing what. It could be argued that rather than transparency contributing to better governance and economic performance, better transparency is instead a result of positive trends in those two areas.

Some interesting additional evidence comes from a few existing micro-level studies. In a much quoted case study of Uganda, Reinikka and Svensson (2004) showed that increased transparency in the form of newspaper publication of information on the grants that local governments were meant to receive for basic education dramatically reduced the leakage and corruption in these transfers. In 1995, a public expenditure tracking survey (PETS) showed that schools received only about 20% of the grant they were supposed to receive; by 2001 that percentage had increased dramatically, with 80% of the grant reaching its intended beneficiaries. The authors argue that much of the difference can be attributed to the increased transparency and availability of information to the general public, which facilitated greater community monitoring at local level and, as a consequence, limited the degree of capture by local politicians and bureaucrats. Other researchers have examined budget transparency in the context of participatory budgeting. In a study of multiple countries, Brautigam (2004) finds that greater transparency is a prerequisite for increased citizen participation in the budget process. However, in order to achieve any impact, transparency needs to be coupled with other factors, such as a clear pro-poor agenda by the political party in power, a strong auditor general and an informed media.

Transparency and accountability issues in countries that are heavily dependent on either foreign aid or natural resource revenues deserve specific mention, too. For example, Brautigam and Knack (2004) argue that aid dependence distorts government accountability away from citizens towards donor agencies, often in ways that are neither transparent nor easily monitorable, given that the majority of aid-financed projects and programmes are still kept off budget. Donors have only recently started to recognise this problem (de Renzio, 2006), but are not doing enough to address it adequately. Looking at the vast literature on resource-dependent countries, Ross (2001) argues that dependency on oil revenues, for example, may have antidemocratic effects because it allows governments to be opaque and unaccountable, as they do not rely on direct taxation as their main source of revenues. Using data from the 2006 Open Budget Index (OBI), de Renzio, Gomez and Sheppard (2009) find that, indeed, resource-dependent countries suffer from a “transparency gap”, and argue that the existence of an active civil society might be one of the factors explaining how countries can escape from the “resource curse”.

### **1.1.2. *The role of civil society in promoting transparency and better governance***

Civil society involvement in policy processes, and in budget processes more specifically, is quite a recent phenomenon. As a consequence, existing evidence on whether such involvement has led to improved transparency and governance standards is still quite scarce. Documenting the work carried out by the *Mazdoor Kisan Shakti Sangathan* (MKSS) in the Indian state of Rajasthan, Jenkins and Goetz (1999) highlight how a grassroots organisation managed to tackle widespread corruption in the management of public works programmes and other pro-poor policies such as minimum wage regulations and the distribution of basic goods at subsidised prices at local government level. The MKSS fought to obtain access to official records on the implementation of these programmes and then organised public hearings where such information was checked with local communities, exposing frauds and other forms of corruption. The MKSS work has been widely praised for its focus on transparency as a human rights issue and as a precondition for participatory development and anti-corruption efforts. In fact, the MKSS not only pushed for legislative and regulatory reforms that could provide better access to official documents such as budget information, but also ensured that such information could be used to promote local

accountability and to address corruption. The MKSS work contributed to the enactment of a national freedom of information law in India, as well as the national rural employment guarantee scheme (Ramkumar, 2008).

In its efforts to assess the impact of the activities of civil society groups working on budget monitoring and advocacy, the IBP has recently carried out a series of case studies (see Robinson, 2006 and 2008; and de Renzio and Krafchik, 2006) which provide evidence of how civil society involvement can enhance not only budget transparency, but also the awareness and participation of different groups in the budget process and, in some cases, can have an impact on budget policies and outcomes. Budget groups, the research shows, have played a vital role in expanding, interpreting and disseminating budget information. For instance, in India the work of DISHA, a social movement dedicated to the empowerment of the poorest citizens, is based on obtaining budget documents (which are not publicly available) from opposition politicians and publishing a thorough analysis, including a cross-check on the accuracy of government data, which is then used by the media and by members of the local assemblies. In Mexico, FUNDAR (the Center for Analysis and Research) was able to use right-to-information legislation to uncover major corruption in the use of public funds for HIV/AIDS prevention and treatment. The work of IBASE (the Brazilian Institute of Social and Economic Analyses) in Brazil has focused recently on pushing for increased transparency of the national development bank, which is bigger than the World Bank and whose operations have been shrouded in secrecy. After organising an NGO network to monitor the bank's activities more closely, IBASE recently managed to pressure the bank's management to release information on the largest projects in its investment portfolio.

As this brief literature review shows, some encouraging evidence exists to show that increased transparency is associated with better governance standards and better economic and social outcomes. Furthermore, the literature also demonstrates civil society's capacity to increase transparency and to use it to promote accountability and the effectiveness of pro-poor policies.

## **1.2. The Open Budget Survey: Rationale and characteristics**

The Open Budget Survey is based on a rigorous questionnaire that reflects generally accepted good practices related to public financial management. Many of the criteria used are similar to those developed by multilateral organisations such as the IMF, the International Organization of Supreme Audit Institutions (INTOSAI), and the OECD. However, the survey's scope and research process clearly distinguish it from similar initiatives by these organisations. Most of the questions in the survey focus on the content and timeliness of eight key budget documents that – according to international good practices – all countries should issue. The averages calculated from the responses to these questions form the “Open Budget Index” (OBI), a comparative measure of budget transparency which scores countries on a scale from 0 to 100. The remaining survey questions assess the strength of key oversight institutions (the legislature and the supreme audit institution or SAI), as well as opportunities for public engagement in the budget process. One limitation of the survey is that it focuses on central government only and does not examine the availability of information at the sub-national level. The survey also does not evaluate the quality or credibility of the information provided by governments, although it does examine the comprehensiveness of this information.

Research to inform the survey was conducted by independent civil society experts (based at academic institutions or civil society organisations) in each of the 85 countries, rather than by government officials or donor agency staff. Using a detailed set of guidelines, researchers filled in detailed questionnaires, reviewing all available budget documents, testing the extent of public access to these documents, and interviewing relevant government officials.<sup>1</sup> Once the questionnaires were completed, IBP staff and independent peer reviewers in each country checked them for internal consistency and cross-referenced the answers against publicly available data.<sup>2</sup> Two further tests checked the reliability and robustness of the data. First, the results were compared with the results of other indices of governance and transparency. Second, a “unanimity score” was calculated for each country which measured the degree of agreement between the researchers and the peer reviewers.<sup>3</sup>

The next section of this article presents an overview of the main findings. We highlight the shared characteristics of poorly performing countries and examine the availability of information throughout the budget process. We then move to a discussion of the ability of the legislature and of the supreme audit institution (SAI) to provide effective oversight. Next, we present evidence that improving budget transparency is possible – across a range of country contexts – given sufficient political will. Finally, we put forward some recommendations for governments, civil society organisations and the international donor community on how to promote and facilitate greater transparency.

## 2. Main findings

The Survey finds that the average OBI score across the 85 countries surveyed is 39 out of a possible 100 (see Table 1). This finding indicates that, on average, the countries surveyed provide minimal information on their central government’s budget and financial activities. Only five countries (France, New Zealand, South Africa, the United Kingdom, and the United States) make extensive information publicly available as required by generally accepted good public financial management practices. A further 12 countries provide substantial information to the public. The remaining 68 countries score poorly on the OBI. The 25 countries that provide scant or no budget information include low-income countries like Cambodia, the Democratic Republic of the Congo, the Kyrgyz Republic and Nicaragua, as well as several middle- and high-income countries such as China, Nigeria and Saudi Arabia. In 23 of the 25 poorest performing countries, the public cannot even see the executive’s budget proposal before it is approved by the legislature. Instead, the public receives the annual budget as a *fait accompli*. Thus, those most directly affected by the ultimate decisions cannot have any meaningful input into the formulation or discussion of the government’s budget policies.

### 2.1. Shared characteristics of poor performers

Countries that perform poorly on the OBI tend to share a number of characteristics which may point to some of the causes and consequences of the lack of budget transparency. These shared characteristics include geography, income, dependence on foreign aid or oil and gas revenues, and the nature of their political systems. Interestingly, however, in each category there are significant outliers, showing that greater budget transparency is possible in a wide range of different contexts and that no one set of circumstances can predetermine a country’s level of budget transparency.

Table 1. **Distribution of Open Budget Index scores**

Budget information provided to the public	Number of countries	Average OBI score	Countries
Extensive (OBI score of 81-100)	5	86	France, New Zealand, South Africa, United Kingdom, United States
Significant (OBI score of 61-80)	12	68	Botswana, Brazil, Czech Republic, Germany, Korea, Norway, Peru, Poland, Romania, Slovenia, Sri Lanka, Sweden
Some (OBI score of 41-60)	27	51	Argentina, Bangladesh, Bosnia and Herzegovina, Bulgaria, Colombia, Costa Rica, Croatia, Egypt, Georgia, Ghana, Guatemala, India, Indonesia, Jordan, Kenya, Macedonia, Mexico, Namibia, Nepal, Papua New Guinea, Philippines, Russia, Serbia, Turkey, Uganda, Ukraine, Zambia
Minimal (OBI score of 21-40)	16	34	Albania, Azerbaijan, Ecuador, El Salvador, Kazakhstan, Lebanon, Malawi, Malaysia, Mongolia, Morocco, Niger, Pakistan, Tanzania, Thailand, Trinidad and Tobago, Venezuela
Scant or no information (OBI score of 0-20)	25	7	Afghanistan, Algeria, Angola, Bolivia, Burkina Faso, Cambodia, Cameroon, Chad, China, Democratic Republic of the Congo, Dominican Republic, Equatorial Guinea, Fiji, Honduras, Kyrgyz Republic, Liberia, Nicaragua, Nigeria, Rwanda, São Tomé and Príncipe, Saudi Arabia, Senegal, Sudan, Viet Nam, Yemen
Overall	85	39	

### 2.1.1. Geography

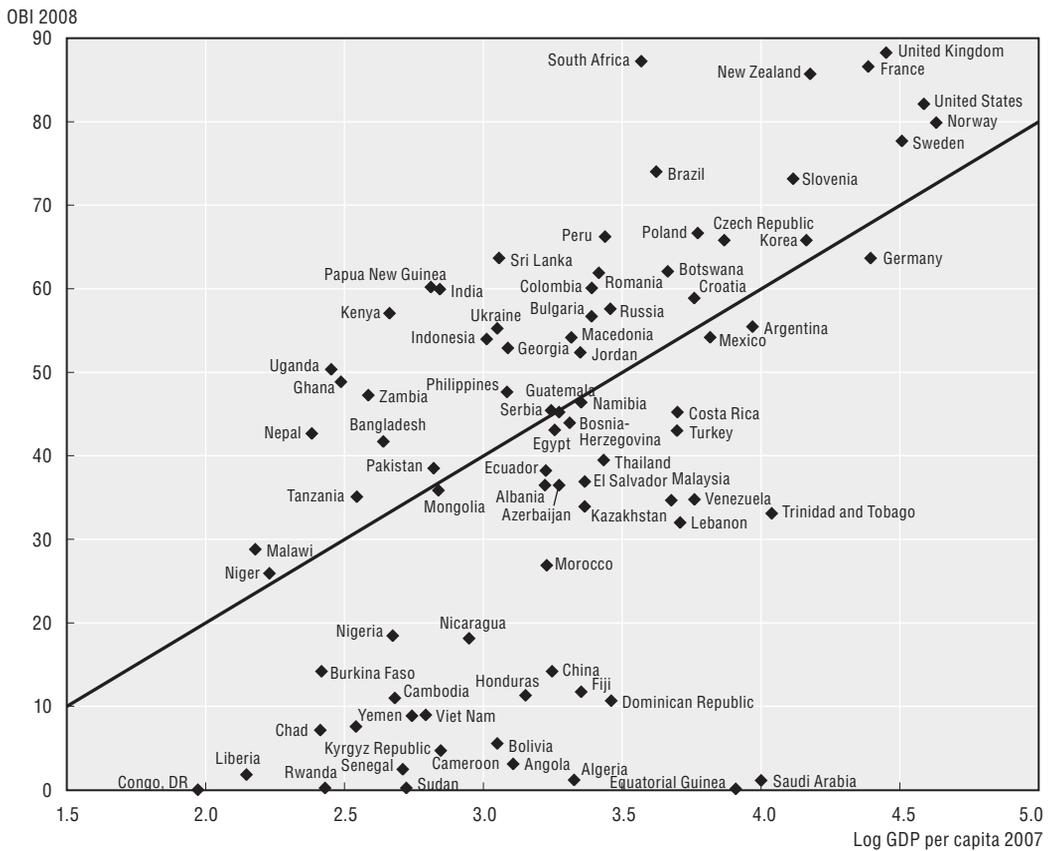
The region with the lowest average OBI score is the Middle East and North Africa, with an average score of 24 and with five out of seven countries releasing minimal or scant or no information. Within this group, Jordan scores well above its regional counterparts, but even its score is only 52 out of a possible 100. Sub-Saharan African countries also register generally poor performance. More than two-thirds of the countries surveyed from this region release minimal, scant or no information, and the average score for the region is only 25. Botswana and South Africa are the strong performers in sub-Saharan Africa: Botswana's score is 62, while South Africa, with a score of 87, is among the most transparent countries included in the 2008 OBI. If these two top performers are removed, the average OBI score for the sub-Saharan Africa region falls to a disappointing 20.

### 2.1.2. Level of income

Figure 1 shows the relationship between the 2008 OBI countries and their level of income (measured by GDP per capita). The upward sloping line in the figure represents the average relationship between a country's income and its OBI score.

The scatter plot shows that, for many of the countries in the sample, there is a positive relationship between a country's OBI score and its level of income, measured by a correlation of 0.5278. Countries that score high on the OBI generally are countries that have a relatively high level of income (*e.g.* France, the United Kingdom, and the United States). On the other hand, countries with low OBI scores tend to be poor (*e.g.* Chad, Democratic Republic of the Congo, and Liberia). In this case also, there are significant outliers. For instance, in spite of their considerable wealth, Saudi Arabia and Equatorial Guinea both perform very poorly on the OBI, registering scores of one and zero, respectively. In contrast, among lower-income countries, Peru and Sri Lanka both provide their citizens with a significant amount of budget information. In other words, a country's level of income does not seem to predetermine its level of transparency.

Figure 1. Relationship between transparency and income



2.1.3. Dependency on foreign aid

Countries that perform poorly on the OBI also tend to depend heavily on foreign aid to finance public spending. The average score for the 30 countries that received more than 5% of their gross national income (GNI) in foreign aid in recent years is 24, compared with a score of 62 for countries that did not receive any foreign aid over the same period. Evidence was also found that budget transparency worsens as aid dependency increases. For instance, the average OBI score among countries where aid is greater than 10% of GNI is just 22, whereas countries where aid is between 5% and 10% of GNI register an average OBI score of 28.

2.1.4. Dependency on natural resource revenues

The 2008 OBI also confirms that countries that are dependent on natural resource revenues tend to be less transparent. The lack of budget transparency is particularly serious in the 21 countries that depend on revenues from oil and gas extraction. Their average score is 23, which compares very poorly with both the overall average OBI score of 39 and with the average score of 44 for countries that depend on mineral resource revenues. However, the OBI results support suggestions that falling victim to the “resource curse” – the negative economic, social and political outcomes associated with significant natural resource exports – is not an inevitable consequence of hydrocarbon wealth.<sup>4</sup> For example, Colombia, Mexico and Norway all perform fairly strongly.

### 2.1.5. Political system

All of the 17 countries that provide extensive or significant budget information are regarded as democracies to one degree or another. For example, the Economist Intelligence Unit's "Index of Democracy" classifies nine of the 17 countries as full democracies and eight as flawed democracies. In contrast, the EIU classifies two of the 25 countries that provide scant or no information as flawed democracies, six as hybrid regimes, and 15 as authoritarian regimes.<sup>5</sup>

The shared characteristics of countries that perform poorly on the 2008 Open Budget Survey shed some light on possible explanations for the persistent lack of transparency around the globe. Yet, it is difficult to disentangle the impact of each of these various factors on budget transparency. For example, in a country that is poor, aid-dependent and with weak democratic institutions, lack of transparency might be caused by any of these factors, or by all of them together, or by some other underlying characteristic that has not been considered. Moreover, as argued above, simple correlations cannot be interpreted as causal links. In other words, entrenched poverty could contribute to a lack of transparency in some countries, whereas in others a lack of transparency could be hindering economic growth. Or both effects may be simultaneously at work. In order to shed some light on these issues, research using more sophisticated statistical analysis could be carried out.<sup>6</sup>

## 2.2. Access to key budget documents throughout the budget cycle

The Open Budget Survey identifies a set of key budget documents that should be made available to the public at different phases of the budget process in order to allow for effective accountability. Table 2 illustrates countries' performance in terms of seven budget documents identified by the "OECD Best Practices for Budget Transparency" (OECD, 2002). The table shows that the amount and quality of information produced at each stage of the budget process can vary considerably.

Generally, the budget formulation process remains closed in most of the countries surveyed. Only 30 out of 85 countries make a pre-budget statement publicly available, and in 12 of these countries only partial information is provided. Almost two-thirds of the countries (55) do not publish a pre-budget statement at all. Furthermore, in the executive's budget proposal only six countries publish all the information that is required by good practices. A further 17 countries publish a proposal with significant information. In contrast, 62 countries publish the executive's budget proposal with limited to no supporting information.

Table 2. **Quality of budget information at different stages of the budget cycle**

	Countries providing scant or no information (OBI scores 0-20)	Countries providing minimal information (OBI scores 21-40)	Countries providing some information (OBI scores 41-60)	Countries providing significant information (OBI scores 61-80)	Countries providing extensive information (OBI scores 81-100)
<i>Formulation</i>					
Pre-budget statement	55	0	4	8	18
Executive's budget proposal	24	10	28	17	6
<i>Approval</i>					
Enacted budget	4	11	0	30	40
<i>Execution</i>					
In-year reports	21	5	10	22	27
Mid-year review	63	5	4	3	10
Year-end report	37	18	14	11	5
<i>Evaluation and audit</i>					
Audit report	32	8	13	11	21

Moving on to the approval stage, almost all countries (81) surveyed make the budget publicly available once it has been approved. However, in four countries (China, Equatorial Guinea, Saudi Arabia, and Sudan) even the enacted budget is not made public. In total, 70 countries provide either extensive or significant information on the enacted budget, and only four countries provide scant or no information. The generally good performance on making the enacted budget publicly available is an important, positive finding. As long as the enacted budget is published, it is possible for civil society to engage in some level of monitoring of how the budget is executed.

Performance during budget execution is mixed. While 20 countries publish all three relevant reports, 39 publish two of them, and 15 countries publish only one of them. Eleven countries (Algeria, Democratic Republic of the Congo, Equatorial Guinea, Malawi, Nigeria, Pakistan, Rwanda, São Tomé and Príncipe, Saudi Arabia, Sudan, and Trinidad and Tobago) do not release any execution reports to the public at all. The countries surveyed perform somewhat better on in-year reporting than on mid-year or year-end reporting. However, the amount of information in in-year reports varies widely, and only 27 of the 85 countries provide comprehensive budget execution information in these reports. Very few countries provide extensive information in their mid-year reviews and year-end reports (ten and five, respectively). Of particular concern are the countries that provide scant or no information in their mid-year reviews or year-end reports, or do not produce these reports at all (63 and 37, respectively).

Finally, the OBI results show that transparency during the evaluation and audit stage is rather poor. In 27 of the countries surveyed, the audit report is not made publicly available at all. In six of these countries (Cameroon, Equatorial Guinea, Liberia, Morocco, Niger, and Serbia), audit reports are not even produced. Nevertheless, 21 countries publish comprehensive audit reports. These countries span diverse contexts, again demonstrating that good performance can be achieved in most situations if the political will exists. Delays in releasing audit reports reduce the opportunities for civil society to use audit information to advocate for improvements in government performance. Unfortunately, 48 countries do not publish audit reports within the recommended time frame. For instance, India, Mexico and Romania all release their audit reports more than 12 months after the end of the fiscal year.

Beyond the seven key budget documents identified by the OECD best practices, the survey also examined whether countries produce “citizens budgets” or simplified summaries of the budget produced in languages and through media that are widely accessible to the public. Citizens budgets can help to bolster public engagement in the budget process by broadly disseminating budget information and generating greater understanding. Of the 85 countries in the 2008 OBI, 68 do not publish citizens budgets, even though they would require no further data or analysis to produce. However, 17 developed and developing countries do produce a citizens budget, with Croatia, El Salvador, Korea and Ukraine among those that have recently started doing so. Several countries also post these citizens budgets on line.<sup>7</sup> In some countries, governments and civil society collaborate in producing citizens budgets.

### **3. Ability of the legislature and of the supreme audit institution to provide effective oversight**

As noted in the introduction, the 2008 Open Budget Survey also included questions on the ability of legislatures and of supreme audit institutions (SAI) to provide effective oversight. The responses to these questions were averaged to create two additional sub-indices that measure the overall strength of the legislature and the SAI in each country. Though these indices are less comprehensive than the OBI, as they are based on fewer

questions, they nevertheless provide a useful overview of the capacity of oversight institutions across the 85 countries surveyed.

### **3.1. Key findings for legislatures**

The average score for the legislature sub-index is 42 out of a possible 100. A critical factor contributing to this overall score is whether the legislature has adequate time to carefully consider the executive's budget proposal. The OECD best practices recommend that the executive provide a detailed budget proposal to the legislature at least three months prior to the start of the fiscal year. However, less than half of all countries surveyed (32 out of 85) meet this deadline. In 17 countries, the budget proposal is received less than six weeks before the start of the budget year, preventing a thorough legislative review. Given the limited time legislatures have to review the budget proposal, it is not surprising that 66 of the 85 countries surveyed do not hold public hearings in which civil society organisations can testify on the budgets of individual government departments.

Moving on to budget execution, in 49 of the 85 countries surveyed the executive does not seek approval from the legislature when it shifts funds between administrative units. This situation seriously limits the legislature's power to ensure that public funds are spent in line with the approved budget. Furthermore, in almost one-third of the countries (27 out of 85) the legislature does not have the opportunity to approve supplemental budgets until after the funds are spent. This situation is particularly problematic in countries with large and frequent supplemental budget requests such as the Kyrgyz Republic, Malawi, Mexico, Sudan and Yemen. This practice allows governments to use supplemental budgets to hide controversial or unpopular spending.

### **3.2. Key findings for supreme audit institutions**

The average score for the SAI sub-index is 45 out of a possible 100, only marginally higher than that for legislatures. One of the most important measures of SAI ability to provide effective oversight is its independence from the executive branch. Unfortunately, in 26 countries surveyed the executive can remove the head of the SAI from office without the consent of either the legislature or the judiciary. Furthermore, in 38 of the 85 countries it is the executive, and not the legislature or the judiciary, that determines the yearly budget allocation for the SAI. In 24 of these countries, the survey's researchers felt that funding for the SAI was below the level of resources needed to fulfill its mandate. Legal and financial dependence on the executive may cause the head of the SAI to withhold reports that are critical.

The SAI mandate usually prevents it from playing a direct policy or political role. As a result, for the SAI audits to have practical impact, the legislature needs to follow up on the findings and recommendations. However, in 17 of the countries surveyed the legislature does not follow up on the work of the SAI at all, while in a further 20 countries, legislative follow-up is minimal. Furthermore, in 64 countries the executive does not reveal what steps, if any, it has taken to address audit recommendations. In addition, in 64 countries neither the SAI nor the legislature report to the public on actions taken by the executive to address audit recommendations. This situation makes it easier for the government to ignore audit recommendations.

More encouragingly, in many countries SAIs have some procedures in place to tap the public as a source of information. In 46 countries surveyed, the SAI maintains formal mechanisms of communication with the public to receive complaints and suggestions on the agencies, programmes or projects that it should audit. However, in 31 countries the SAI

has limited decision-making power over what it should audit. Thus, even though the channels for engaging civil society might exist, a significant number of SAIs might not be able to use these channels effectively.

### **3.3. Lack of transparency and weak oversight institutions**

There is significant overlap in terms of the countries with the weakest oversight institutions and those with the lowest OBI scores. In other words, effective formal oversight institutions are lacking exactly where they are most necessary, in those countries where public access to information is limited and where the oversight institutions could provide an indirect channel for budget accountability. The survey findings therefore indicate that in many countries the public is effectively excluded from both direct and indirect participation in the budget process, and has very limited opportunities for holding the government accountable for the use of public resources.

As with the OBI, it is worth noting that there are some good performers with respect to the strength of formal oversight institutions within poorly performing regions. For instance, South Africa and Zambia register 73 and 53 respectively on the SAI sub-index, significantly higher than the average for countries in sub-Saharan Africa. In both countries, the SAI enjoys a fair amount of independence, as the heads of the SAI may only be removed by the legislature or judiciary and the SAIs have full discretion to decide which audits to undertake. South Africa also fares rather well in terms of legislative strength, scoring 67 out of 100. This score reflects the fact that South Africa's Ministry of Finance holds extensive consultations with a wide range of legislators as part of its process for determining budget priorities. In addition, South Africa's legislature holds public hearings on the medium-term budget policy statement, as well as on the individual budgets of central government administrative units (ministries, departments and agencies).

## **4. Improving budget transparency**

As with most processes for institutional change, sustainable improvements in budget transparency are likely to take considerable time. Increasing transparency can involve reforming laws, regulations, rules and procedures, as well as changing practices. Such processes can be painfully slow and may encounter many setbacks, including political meddling. Yet, the Open Budget Survey shows that it is possible for budget transparency to improve rapidly in a variety of contexts, through a combination of political will, civil society pressure, and other internal and external factors.

### **4.1. Improvements since 2006**

Of the 59 countries that were surveyed in both 2006 and 2008, the great majority saw their overall budget transparency score change, mostly in a positive direction. The only two countries whose score did not change were New Zealand and the United Kingdom. The average 2008 score for the 59 countries that were also included in the 2006 OBI is 48, a slight improvement over the average 2006 OBI score of 46 for the same countries.<sup>8</sup>

Egypt experienced the most significant change between 2006 and 2008, seeing its OBI score jump 25 points from 18 to 43. This improvement primarily reflects the fact that the finance ministry has, for the first time, made the executive's budget proposal widely available to the public. Egypt's higher OBI score also reflects a major 2007 constitutional amendment that increases the time allotted to the legislature for considering the budget and that enables the legislature to vote on the budget line by line. Egypt's case illustrates how a country can

improve its OBI score simply by publishing data that it already produces but withholds from the public. The 2006 Open Budget Survey noted that Egypt produced but did not make available the executive's budget proposal until after it was approved by the legislature. The government's effort to make this document available prior to approval allows the Egyptian public to analyse the document while it is being discussed in the legislature.

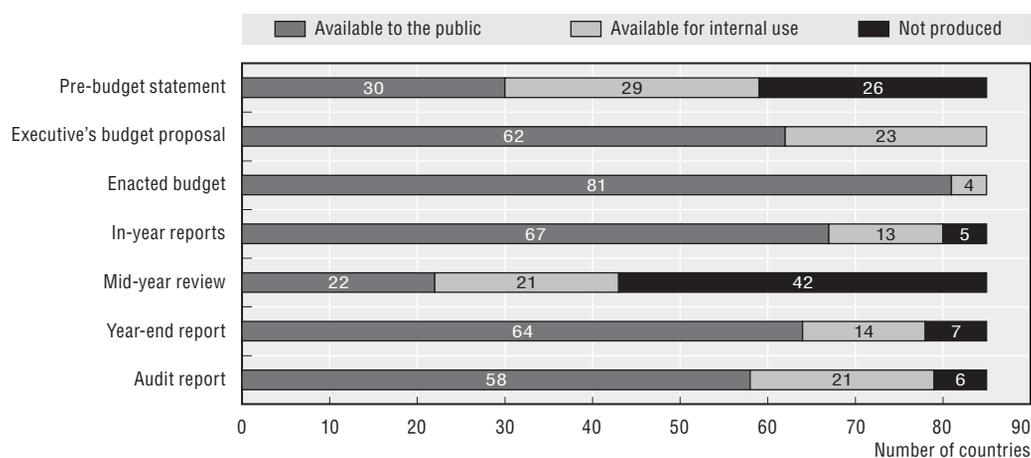
In other countries, significant improvements in budget transparency either were influenced by the activities of civil society groups or have created opportunities for greater civil society interventions. For instance, Croatia saw a 17-point improvement in its OBI score, from 42 in 2006 to 59 in 2008. This improvement is largely the result of the introduction of multi-year estimates in budget documents, including in the executive's budget proposal. This development is part of ongoing efforts within the Ministry of Finance to meet the requirements for accession to the European Union. Notably, the work of CSOs like the Institute of Public Finance (IPF), which conducted the research for Croatia in both 2006 and 2008, has shaped some of the debates around budget transparency in the country. The IPF conducted a range of advocacy efforts connected with the 2006 survey, the presentation of which was attended by the Deputy Minister of Finance who declared that he was eager to work to improve Croatia's transparency score. The IPF also helped the ministry improve its website and worked with legislatures at the national and local levels to enhance their understanding of the budget, producing budget and tax guides and leading training workshops.

#### 4.2. Strategies for improving civil society access to information

The examples above show that improvements in budget transparency are possible across a range of contexts. In fact, there are many ways in which governments can improve access to budget information, such as publishing information produced for internal purposes, using the Internet, publishing citizens budgets and adopting freedom of information legislation.

Survey researchers found that a significant number of governments (51 of the 85 surveyed) produce at least one budget document for internal purposes or for their donors, that they do not release to the public (see Figure 2). This fact shows that many countries could quickly and cost-effectively boost budget transparency by publishing information that they already produce.

Figure 2. Availability of key documents



Afghanistan provides an illustrative example. It scores only 8 out of 100 on the 2008 OBI. However, Afghanistan already produces a pre-budget statement, an executive's budget proposal, and an audit report. Were the Afghan government to release all three of these documents to the public, its OBI score would increase significantly, reflecting expanded opportunities for public engagement in Afghanistan's budget process. Sudan is another extreme case. It scores 0 on the 2008 OBI because it does not release any of the key budget documents to the public. However, Sudan actually does produce seven of the eight key budget documents covered in the survey, although the quality and comprehensiveness of these documents may vary. Still, making these publicly available would boost Sudan's transparency considerably. The fact that so much information is produced but not made publicly available suggests that many governments choose not to be transparent, rather than not having sufficient capacity to produce and disseminate greater budget information to the public. It also suggests that donors could play a more active role in encouraging greater transparency in recipient countries.

Even when a document is "publicly available", it may not be accessible to all members of the public – that is, it may only be available on request or may require payment for obtaining a copy. Posting budget documents on the Internet could help address this problem by providing simultaneous access to multiple users at low cost. Table 3 shows that 68 of the 85 countries surveyed post the enacted budget on the Internet, but fewer post the other documents.

**Table 3. Online availability of key budget documents**

	Number of countries making the document available on line
Pre-budget statement	27
Executive's budget proposal	49
Citizens budget	13
Enacted budget	68
In-year reports	63
Mid-year review	18
Year-end report	50
Audit report	50

In many developing countries, a very limited portion of the population has access to computers and the Internet. Low incomes and low literacy levels further limit the ability of many people to access information provided on line. A citizens budget can help bridge this gap, especially if it is disseminated in languages and by means that are accessible to the majority of the population, including newspaper inserts or radio presentations in local languages. As noted above, a small but growing number of countries surveyed produce citizens budgets, including high-income countries like New Zealand and Norway, as well as low- and middle-income countries like El Salvador, Ghana and India.

Finally, the majority of the countries surveyed (55 out of 85) have codified the right to access budget information in law. However, having a law on the books does not guarantee that it will be upheld in practice. In only 13 of the 55 countries that have freedom of information laws is it generally possible in practice to get the information. For the remaining 42 countries, the right to information exists but the law does not work effectively.

## 5. Conclusions and recommendations

The 2008 Open Budget Survey paints a rather disappointing picture of the state of budget transparency around the world. In the vast majority of countries surveyed, the public does not have access to the comprehensive, timely and useful information needed to participate meaningfully in the budget process and to hold the government to account for the management of public resources. However, the survey also offers grounds for hope. A number of countries in the survey have started to improve their budget transparency performance over the past two years. There are good performers within each region, level of income, and level of aid or natural resource dependency. The survey also finds that many more governments could quickly improve budget transparency at low cost, for example by making publicly available the budget information that they already produce but do not release to the public. Other actions that governments should take include:

- Disseminating budget information in ways that make it understandable and useful to the wider population, for example through the radio and in languages spoken by the majority of the population.
- Institutionalising mechanisms for public involvement in the budget process, including public hearings during budget formulation and at regular intervals throughout the budget cycle.
- Introducing relevant reforms to improve the independence and capacity of the legislature and of the supreme audit institution to play their formal oversight role.

In aid-dependent countries, donor agencies and international financial institutions (IFIs) can also play an important role in improving budget transparency, for example by requiring that governments make publicly available any budget information that governments provide to the IFIs. Other actions that donors could take include:<sup>9</sup>

- Increasing the transparency of aid flows and avoiding off-budget funding. This could be done by channeling aid through local budget systems. Where this is not possible, donors should provide information on aid flows in formats that are compatible with local budget systems, using government classification systems and respecting budget calendars.
- Supporting the building of effective public finance information systems that can enhance the capacity of the government to produce accurate and timely budget information.
- Increasing technical assistance and funding to civil society, legislatures and supreme audit institutions as part of a comprehensive package of efforts to improve budget accountability and oversight.

Finally, civil society organisations can also play a more active role in improving budget transparency, for example by using the 2008 survey findings to undertake further research and to develop advocacy strategies that identify specific, constructive suggestions for governments to improve budget transparency and public participation in the budget process. Other actions that civil society organisations should take include:

- Using existing freedom of information laws to access budget information for analysis and advocacy purposes.
- Producing and disseminating simplified versions of key budget documents, ensuring wider access to budget information.

- Supporting the work of the legislature and the SAI, for example by providing training and information, acting as whistle-blowers, and conducting joint and parallel audits.
- Working with the media to enhance the quality of coverage of budget issues by providing targeted training and timely information.

## Notes

1. All data collection was completed on 28 September 2007, so no events or developments occurring after that date are reflected in the survey results.
2. In addition, 61 country governments were invited to comment on the completed questionnaire. However, only five governments took advantage of this opportunity (El Salvador, Guatemala, Norway, South Africa and Sweden).
3. See [www.openbudgetindex.org](http://www.openbudgetindex.org) for a more detailed explanation of the research process and methodology.
4. For additional analysis of the OBI performance of resource-dependent countries, see Heuty and Carlitz (2009).
5. One country was not classified. See Kekic (2006).
6. In a preliminary analysis carried out by a group of graduate students from the London School of Economics, income levels and the strength of democratic institutions are the two variables that appear significant in association with differences in budget transparency. See Gallego-Cuervo et al. (2009).
7. For example, see those produced by the governments of New Zealand ([www.treasury.govt.nz/budget/2007/execsum](http://www.treasury.govt.nz/budget/2007/execsum)); India ([www.indiabudget.nic.in/ub2007-08/keybudget.htm](http://www.indiabudget.nic.in/ub2007-08/keybudget.htm)); and South Africa ([www.finance.gov.za/documents/national%20budget/2007/guide.pdf](http://www.finance.gov.za/documents/national%20budget/2007/guide.pdf)).
8. The average score for all 85 countries in the 2008 OBI is 39, much lower than the average score for the 59 countries that were also included in the 2006 OBI. This lower average score primarily reflects the very low scores of most of the 26 countries included in the 2008 OBI that were not part of the 2006 OBI. The average 2008 OBI score for the 26 new countries is 21. These countries included several of those that provide scant or no information on their budgets, such as China, Equatorial Guinea and Saudi Arabia.
9. A more comprehensive overview of recommendations for donors can be found in an IBP Budget Brief (see Ramkumar and de Renzio, 2009).

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