

7th edition

Executive
Summary

Open Budget Survey 2019



A letter from the Executive Director

The Open Budget Survey and COVID-19

As I write, the COVID-19 pandemic is wreaking havoc around the world. The threat to public health, the damage to national economies, and the disruption to daily life is jarring and frightening – not only here in Washington D.C. but around the globe – as countries struggle to contain the virus and blunt its impact. At this troubled time, we are thinking about our many colleagues around the world, wishing them good health and safety.

In publishing the survey, we face the same dilemma with which many organizations are grappling: how do we release our findings amid this all-encompassing global crisis? Are they still relevant in this new environment? Indeed, as we worked on the report, protestors were in the streets of many cities around the world, demanding better service and more accountability from their governments. Now, citizens are confined to their homes and forced to remain apart from one another, using social media and other strategies to engage with government officials.

In this environment, we believe that our survey and the issues it covers not only remain important but, in fact, are more crucial than ever.

Budgets will play a central role in government responses to this virus and its fallout. We strongly support aggressive government action, and, like others, we believe that leaders should pay particular

attention to the needs of those living in poverty, who are particularly vulnerable to COVID-19's devastating health and economic impacts. To meet these unparalleled challenges, governments must rapidly shift priorities and realign tax and spending policies. The rush to act may tempt some leaders to forego informing and engaging the public on the steps they take. While the crisis demands swift and decisive action, it nevertheless requires honesty, transparency, engagement, and, in the end, public trust – the very objectives that drive the Open Budget Survey.

As we find in this survey, conducted before COVID-19, most governments lack the accountability systems and policies to make their budgets fully open to the public. Gaps in budget transparency exist throughout the budget cycle, especially in how governments publicize their changes to budgets during implementation. These shortcomings are compounded by the weak oversight of legislatures and auditors and scarce opportunities for public input. Nor do sector budgets usually show how public spending improves the delivery of critical services, including health care services central to resolve this pandemic.

These deficiencies concern us because to raise living standards public spending must deliver results. As spending expands to fight the pandemic, we're reminded that our previous research found many governments don't fully spend their allocated budgets or explain deviations from them. Notably, underspending of vaccine budgets is especially high, even in countries with recurring vaccine shortages. These shortcomings will likely worsen in this crisis at just the time when governments must avoid the misuse of funds and

inefficiencies that weakened previous disaster responses. The consequences of today's budget decisions will be felt for years to come. This crisis unfolded at a time of simmering public frustration over stark public inequities and governments' failure to address them. Public trust could be further undermined if governments do not address the pandemic effectively with action that does not seem arbitrary or that favors certain interests over others.

Fortunately, a different outcome is possible. Our work of the last two decades clearly shows that open budget practices are linked to greater equity and efficiency. As this report shows, government can take immediate steps to publish additional information on existing websites without incurring additional cost. However, greater transparency must be combined with meaningful opportunities for public input in budgeting to secure better outcomes. Public and civic organizations can be vital sources of information on the effectiveness of government services. They also help to keep communities informed about government programs, and they can monitor the performance of public servants and contractors.

In confronting this epidemic, governments must think creatively about how to facilitate public participation and harness its benefits. Civil society will prove an innovative partner. IBP in South Africa, for instance, is providing data to residents of informal settlements in the major metropolitan centers so they can provide real time feedback about government services during the pandemic, such as whether public toilets were cleaned. This information will help government officials understand community needs and the quality of services, and when necessary, help communities hold government accountable. IBP's partner in Argentina, ACIJ, together with their allied partners, is working with homeless people in Buenos Aires to better communicate their needs and the public spending that could increase their resilience to the epidemic. These are but two examples of how civic organizations are connecting citizens and government.

In this Open Budget Survey report, we launch a global Call to Action for governments to make sustained advances in public access to budget information, opportunities for public input on budgets, and effective oversight of budget implementation. The pandemic makes it even more urgent that governments heed this call and act decisively on this front. We call on governments to adopt budget policies that mitigate the harmful effects of COVID-19 and, in doing so, embrace budgeting processes that restore public trust and shape a more inclusive future.

No one knows precisely how this pandemic will play out. But I know that, if we work alone, IBP's contribution to reducing its effects will be marginal at best. We stand ready to work with civic partners, governments, and international agencies around the world to build budget systems that help address this and future challenges. To be sure, open budget systems alone cannot solve the pandemic. But they can strengthen the bonds between citizens and government and improve the delivery of public services, now and going forward.



Warren Krafchik

Executive Director

March 2020



Santiago, Chile: mass demonstration. 25 October 2019.

Executive Summary

A global outcry for equity and voice

In the months before this Open Budget Survey's release, protesters were taking to the streets across the globe, in France and Lebanon, Chile and Colombia, Iran and Iraq, Haiti and Ecuador. The triggers for these uprisings often seem small, such as a \$0.04 subway fare increase in Chile or a tax on WhatsApp use in Lebanon. Yet, the scale of popular mobilization that these changes provoked reveals larger underlying issues of economic hardship, blatant inequality, and perceived corruption of political elites. Where people feel that economic systems are widening divisions and benefiting only the few, they are demanding a transformation that provides greater equity and voice on the policies that affect their lives.

A common thread emerges from many of these protests: a link to public finance and government budgets. People react when taxes are raised on the poor, but the rich are exempt. People get angry when prices rise for food and fuel, but public funds are misused. Budget decisions – which define the priorities and policies for how public funds are raised and spent – impact everyone. Too often, only the powerful and privileged can influence these choices. For others, especially people living in poverty for whom publicly funded services are most critical, budgets remain a remote and complicated process, one that is neither clearly explained nor open for discussion.

These exclusive systems of budgeting can, and must, change. Countries that open their budgets can redirect the upsurge in public mobilization toward constructive engagements that help formulate new policy directions. The handful of countries that already have more open budgeting systems have stronger democratic

engagement, greater equity and better development outcomes. Higher levels of transparency are associated with smaller deficits, lower borrowing costs, and more credible accounting. Greater participation in budgeting is linked to effective service delivery and greater willingness to pay taxes. As societies struggle to mend broken social contracts, open budgeting can reconnect governments and citizens in ways that promote everyone's wellbeing.

Assessing open budgets: transparency, participation and oversight

All citizens should have access to relevant information on how public resources are raised and spent, opportunities to contribute to policy decisions that affect their livelihoods and futures, and assurance of robust budget oversight by independent legislatures and audit institutions. These three areas are the basis for the Open Budget Survey (OBS) – the world's only independent and comparative measure of fiscal transparency, public participation, and oversight at the central government level.

This report presents the global findings of the Open Budget Survey 2019 - the seventh assessment since the OBS was launched in 2006. Research for OBS 2019 was conducted in 117 countries by civil society groups and budget experts and reviewed by independent, anonymous experts. Governments were invited to comment on the draft results and the majority did so. The survey measures government practices against international standards on the timeliness and

amount of budget information made publicly available, on the extent of meaningful opportunities for public participation in the budget process, and on the role of formal oversight institutions.

Encouraging advances on budget transparency

OBS 2019 finds a modest global improvement in budget transparency, which is consistent with the overall trend measured by the survey over the past decade. For the 77 countries assessed in every round between OBS 2008 and OBS 2019, the average global score for the OBS measure of budget transparency – also referred to as the Open Budget Index – has increased by 20 percent, from 41 to 49 out of 100. Despite this improvement, the average score for these countries still falls short of 61, which is considered the minimum level of budget transparency that allows for meaningful public engagement throughout the budget process. Several regions have steady upward trends, particularly in Eastern Europe and Central Asia, East Asia and the Pacific, and Latin America and the Caribbean.

This is a welcome return to progress from the results of the previous OBS assessment, where global transparency scores fell for the first time. Now in OBS 2019, the global average is slightly above the OBS 2015 level, making this round the highest measured global level of budget transparency since the launch of the survey.

But, continued lack of transparency undermines meaningful public dialogue

While these gains provide grounds for hope, current levels of publicly available budget information remain limited: the global average transparency score is 45 out of 100. Only 31 of the 117 surveyed countries have sufficient levels of budget transparency. This means that three-quarters of surveyed countries do not.

Governments often fail to publish key budget documents, which should clearly explain budget policies, decisions and outcomes. One-third of the eight key budget documents that should be published worldwide are not available to the public. Governments release more information during the formulation and approval stage of their budget process than they do on implementation, which undermines government accountability for spending the budget as approved by the legislature.

Even when budget documents are published, they frequently lack the types of information that citizens want to see. A closer look at the health and education budgets in 28 of the countries surveyed finds that they lack the kinds of information needed to monitor service delivery. Global debt levels are spiraling, but budgets are missing details on the levels, risks, and sustainability of public debt. Many organizations are now focused on tax equity and increasing revenues, but few countries provide detailed reporting on tax expenditures – the revenue lost from breaks or exemptions given to business or individuals.

Governments can do more to identify public needs for budget information. Even among the 72 governments that publish a Citizens Budget, demonstrating their interest in providing more accessible information on budget policies to citizens, two-thirds do so without first consulting the public on the kinds of information they are interested in, limiting the usefulness and potential impact of such citizen-oriented practices.

Faster progress is possible, if countries can sustain improvements

Rapid improvements seen in some countries over the past few years demonstrate that meaningful change is possible in a short timeframe when countries are committed to open budgeting reforms. Guatemala, Indonesia, the Kyrgyz Republic and Ukraine, all reached or surpassed a transparency score of 61 within the last two OBS rounds. Examples of strong budget transparency are



Sao Paulo, Brazil: students protest government cuts to the education budget. May 2019.

found in nearly all regions of the world. Six of the seven global regions have at least one country that scores 61 or higher – South Asia being the exception.

However, the inconsistency of improvements is a significant concern, as many countries have erratic performance on budget transparency. One challenge is volatility in document publication, where countries start and stop publication multiple times over several OBS rounds. In other cases, countries regress and cease publishing documents they previously released. For example, two countries in South Asia – India and Sri Lanka – had scores above 61 in previous OBS assessments but have since stopped publishing key documents and now provide only limited levels of transparency.

Volatility and regression in performance shows a persistent lack of institutionalization of budget transparency practices and reforms. This is happening despite a decade or more of related reforms being

promoted by international actors, and despite many countries having incorporated transparency principles in key legislation on public financial management.

Room for innovation on public participation

Citizens' demands for more participation in the budget process continue to be frustrated. Average global scores on the OBS participation measure remain at dismal levels: 14 out of 100. Even governments that publish enough information to allow for an informed public debate on budget policies provide few spaces where that debate – and direct dialogue between government and citizens – can happen. Where opportunities for citizen engagement exist, only a handful of governments take concrete steps to include people living in poverty and other under-represented groups, de facto excluding those who are most likely to be adversely affected by inequitable budgets.

Public participation does not have to look this bleak. Some governments are experimenting with innovative ways to bridge the gap between the state and citizens. In one example, the Mexican government established a ‘social comptrollers’ system where social programs that primarily benefit disadvantaged communities are directly monitored by committees of beneficiaries of the programs.

Both South Korea and Portugal recently launched participatory budgeting at the national government level. In Sierra Leone, the government is expanding consultations with the public during the drafting of the budget proposal through policy hearings and budget discussions. And in a wide-ranging experiment, the New Zealand government recently asked for public input during development of their first ‘Wellbeing Budget’ and provided feedback to the public on how their views were used to inform various tools that support this new approach. These countries stand out as examples for others on how to begin piloting new public participation efforts.

Stronger oversight needed to ensure budgets are fully implemented

The OBS examines the role of formal oversight bodies, such as the legislature and supreme audit institutions (SAIs), in holding the executive to account throughout the budget process. These bodies can enhance transparency and ensure budgets are implemented in line with their stated objectives. For this system to work in practice, both institutions need to have independence and to mutually reinforce accountability. However, only 30 of the 117 surveyed countries have adequate scores both for SAI and for legislative oversight.

Legislative monitoring of budget implementation and audit findings are areas where oversight practices are limited. A challenge for many legislatures is that executives may disregard approved budgets: three out of five executives shift funds between ministries or departments without advance approval from

legislatures. Legislative review of audit reports is also limited: one-third of legislatures do not discuss the audit report at all. This lack of oversight on audit findings also undermines the effectiveness of audit recommendations, and 59 percent of survey countries do not issue any report on remedial steps taken in response to audits.

Imagining a more open future

Many governments have already acknowledged the value of fiscal openness by incorporating transparency into their laws and regulations. The consistent progress seen on open budgeting over the last decade shows governments are working to translate these principles and standards into better practice. Still, most countries remain far from reaching even the minimum standards for acceptable practices. The lack of transparency, dearth of opportunities to participate, and gaps in oversight, prevent most countries from realizing the potential benefits of greater openness of fiscal policies.

Just imagine what could happen if all the energy and time that people are putting into the street protests fighting inequitable policies could instead be channeled into constructive debate and collaboration between states and citizens. For that to happen, open budgeting needs to be recognized as an important part of any strategy for economic and political renewal.

While many governments and citizens have embraced the open budgeting agenda, some countries struggle to translate good intentions into better practice, and others may not yet be convinced. Some in power may still believe they benefit from opacity, and resist efforts to be held to account – a choice made to the detriment of their people, and as widespread unrest shows, often at their own peril. Rates of progress on open budgeting reform are far too slow to counter mounting frustration with the state of exclusivity and inequality and to make headway on development goals. To respond to these urgent challenges, countries must make significant and rapid progress on open budgeting now.

Uniting all stakeholders in a global call to action

A global effort of joint, sustained activism is needed to accelerate progress and deliver the promises of open budgeting to all citizens. To do so, we must take a new approach that unites all stakeholders through collaboration, commitment, and partnership. Based on 13 years of conducting the OBS, we call on governments to work with all stakeholders to jointly achieve four ambitious, but attainable, targets within the next five years:

1. Provide sufficient levels of budget transparency.

Countries score 61 or higher on the OBS budget transparency measure, the benchmark for providing sufficient levels of information. Governments make at least six of the eight key budget documents publicly available, and budget documents contain meaningful and relevant budget information that is guided by public demand. Budget information is fully accessible to the public, including online access to real-time, open data that is easy to understand, transform, and use.

2. Increase public participation in the budget.

Countries score 41 and higher on the OBS public participation measure, the benchmark for moderate levels of public participation. Governments offer at

least one opportunity for public participation in the budget process for all three government branches: executive, legislature, and SAIs, and apply the GIFT Principles of Public Participation in Fiscal Policies.

3. Strengthen monitoring and oversight of budget

execution. Countries take steps to ensure that their budgets are fully implemented in line with their objectives and any deviations from the approved budgets are properly explained to the public. Legislatures enhance their oversight of budget execution and invite public input and engagement. Auditors investigate deviations between planned and executed budgets, with public input where possible, and publish their findings. Legislatures and supreme audit institutions follow-up and ensure that executive governments take remedial measures to address audit recommendations.

4. Sustain improvements on open budgeting.

Countries accelerate and sustain progress on open budgeting reforms. Governments institutionalize budget transparency and participation practices, make public commitments on open budgeting, embed new open budgeting practices in law and regulation, and invest in capacity and institutions for open budgeting reforms.

Open Budget Survey is online at
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