

22nd session of the Committee of Experts on Public Administration

Remarks by International Budget Partnership

30 March 2023

Thank you to the chair, UNDESA, and the expert panel, for the time to address the delegates today on this important topic of budget credibility in times of emergencies.

The International Budget Partnership (IBP) works with civil society groups around the world on ensuring that public money is used to support public interest. Together, we generate data, advocate for reform, and build the skills and knowledge of people so that everyone can have a voice in budget decisions that impact their lives.

Budget credibility has become a topic of interest to IBP and our partners, as through our work in tracking government budgets and spending, we have found that large, persistent deviations away from approved budgets alters where resources are distributed, can undermine service delivery, and can erode public confidence.

We support the greater attention that is being directed toward the issue of budget credibility. Too often attention about budget issues is focused only during budget formulation and approval, while attention wanes during implementation.

This can create a gap in accountability where governments may shift spending priorities without sufficient oversight and scrutiny.

As the paper documents, these shifts too often come at the expense of social spending and undermining development priorities negotiated and agreed upon in the initial budget.

We would like to highlight and reinforce several findings from the paper, building on IBP's ongoing work in trying to better understand and address the underlying drivers of budget credibility issues.

The first point is the need for an ongoing effort to increase the transparency and accountability of government budget systems related to budget credibility.

In 2020, IBP undertook a study assessing transparency, participation, and oversight of government budgets during the COVID period.

One of the key findings of that study was that governments who had more open budget practices before the pandemic tended to also perform better in terms of open budgeting practices during the pandemic.

This means that government accountability systems can be remarkably resilient and that improvements over time will translate to more accountable practices during times of emergency.

In many countries, however, open budgeting practices need improvement.

In IBP's latest Open Budget Survey 2021, which is a comparative, independent assessment of budget transparency, participation, and oversight, which found that almost a third of countries do not publish an annual report on the execution of their budget.

As the paper notes, this is a particularly worrying trend as previous IBP research has shown that higher budget transparency is associated with better budget credibility.

Government efforts to invite public participation into the budget process are also far less common during budget implementation as compared to budget formulation; only one out of four governments in the most recent Open Budget Survey had any public engagement during budget implementation.

Similarly, legislatures tend to disengage during in-year budget execution, with few governments holding legislative hearings on budget implementation.

The second point is on the importance of data access, especially in the reporting of detailed, disaggregated data.

Data is an essential diagnostic tool for understanding where public financial management systems may be malfunctioning and resulting in budget credibility issues.

The paper highlights the importance of reporting on administrative and functional classifications of expenditure, which are necessary for identifying variations in spending rates across different sectors.

However, greater levels of detail can be helpful in pinpointing bottlenecks that undermine budget implementation, such as details on the type of spending within sectors – or a breakout by economic classification - as well as programmatic and project-level data.

Governments should also report on different stages of budget execution, such as authorization, commitments, and payments, which can help identify where bottlenecks are occurring in the budget implementation process.

Government financial management systems often contain budget and spending data with this level of detail, but that data is not often disclosed in government budget documents.

Publishing detailed, machine-readable budget and spending datasets in data portals, or exporting detailed datasets such as in the World Bank's BOOST platform, are examples of how governments can improve access to data necessary to better understand credibility challenges.

Finally, we note that it is not enough to identify budget credibility issues, but to encourage reform we have found that there needs to be a common understanding of the problem across different levels of government, such as line ministries and finance ministries, as well as the engagement of development partners and civil society.

Budget credibility issues can be caused by technical issues, as well as issues of political economy, and to successfully reform the underlying drivers of credibility challenges all institutions must be open to greater collaboration, addressing incentives, building trust, and generating sustained momentum for change.

For these reasons, IBP and our partners are advocating for budget credibility to become a greater priority for government, audit institutions, civil society, development partner action.

We look forward to engaging further with you and other stakeholders to explore and address the underlying causes and impact of budget credibility challenges to accelerate progress towards the sustainable development goals.