



United Nations
CEPA
Committee of Experts on
Public Administration

CEPA Strategy Guidance Note **Budget transparency**

DRAFT FOR COMMENT

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The [United Nations Committee of Experts on Public Administration \(CEPA\)](#) has developed a set of principles of effective governance for sustainable development. The essential purpose of these voluntary principles is to provide practical, expert guidance to interested countries in a broad range of governance challenges associated with implementation of the 2030 Agenda. CEPA has identified 62 commonly used strategies to assist with operationalization of the principles. This draft guidance note addresses budget transparency, which is associated with the principle of transparency and can contribute to strengthening the accountability of institutions.

Understanding the strategy

There are different definitions of budget transparency, but all of them call for being fully open about how public resources are raised and used. Budget transparency refers to the availability of clear, systematic, reliable, timely, accessible and comprehensive information regarding public finances.

The concept of budget transparency is multi-dimensional. It applies to government revenues, allocations and expenditures, throughout all the stages of the budget cycle and to all stakeholders involved – the Government or executive branch, the parliament or legislature, independent public institutions (such as fiscal councils and audit offices), citizens and civil society, and the private sector. While narrow definitions focus on the information that should be available to the public, timeliness and standards of quality, wider ones also include the purpose of making the information available, openness about government structures and functions, and policy intentions and projections as well as the policy and budget outcomes included in public accounts.

What is the underlying theory of change?

Budget transparency entails multiple benefits. In the context of the Sustainable Development Goals (SDGs), it is critical for evaluating the degree to which commitments are supported by adequate resources. Transparent and inclusive budgeting supports healthy public finances, better fiscal outcomes and more responsive, effective and equitable public policies. It is a critical pre-condition for public participation and accountability regarding public finances. Clarity about the use of public funds is necessary to hold public representatives and officials accountable for effectiveness and efficiency. The dissemination of information on public finances allows stakeholders to provide feedback to influence policy formulation and resource allocation to make it more responsive to citizens' preferences. Budget transparency fosters trust in society that people's views and interests are respected, and public money is used well, helping prevent corruption and maintaining high integrity standards in the use of public funds. It is also vital for enhancing inclusiveness, as budget decisions profoundly affect the interests and living standards of different people and groups in society.

The theory of change (see Annex) for budget transparency sustains that the availability of information regarding public finances improves the flow of resources and encourages its active use by the public, which in turn fosters a culture of responsiveness and accountability in government, ultimately enabling better management of public resources and better social outcomes. However, in practice, it is often difficult to distinguish between responsiveness and accountability, and the interactions between transparency, participation and accountability are complex and difficult to measure.

The strategies and approaches to achieve budget transparency are context-dependent, and it is important to identify which enabling factors are absent in order to support interventions. Knowledge about what works and why in specific contexts is still limited. However, pre-conditions such as a politically stable and democratic state; an established legal and institutional framework for access to information, participation and engagement; actors and champions within the state; free and open media, and the ability to form networks within civil society, among others, have been identified as important.

Public sector situation and trends

Global and regional assessments

At the global level, the [Open Budget Survey](#) provides an independent assessment of public budget transparency, looking at the availability, timeliness, and comprehensiveness of eight key budget documents that the [International Budget Partnership](#) (IBP) considers should be published to inform each stage of the budget cycle (pre-budget statement; executive's budget proposal and supporting documents; enacted budget; citizen budget; in-year and year-end reports and mid-year review; and audit report). The survey also assesses oversight actors and practices in the budget process.

[Budgeting and Public Expenditures in OECD Countries](#) (2019) provides self-reported information by governments on practices in the governance, implementation and performance of budgeting in OECD countries, including trends in Parliamentary oversight, citizen participation, transparency, and fiscal risk management. The [OECD Accrual Survey](#) analyses selected accounting and budget practices, including coverage and scope of financial statements and reports.

Other evaluations of fiscal transparency include the IMF's [Fiscal Transparency Evaluation](#) (FTE) and the public financial management (PFM) assessment reports of the [Public Expenditure and Financial Accountability](#) (PEFA) methodology. FTEs, carried out at country request, provide countries with a comprehensive assessment of their fiscal transparency practices against international standards, an analysis of fiscal transparency strengths and reform priorities, and targeted recommendations to improve fiscal transparency, including a sequenced fiscal transparency action plan.

Are there continuing or emerging trends at the global level or within different groups?

IBP's *Open Budget Survey* 2017 found that, despite significant advances over the past decade, budget transparency remains limited and has recently stalled. The average [Open Budget Index](#) (OBI)–scoring the average of the 109 indicators used to measure budget transparency– fell from 45% in 2015 to 43% in 2017. Sufficient budget transparency is provided by 23%, limited by 36% and low by 41% of the 115 countries surveyed.

The 2017 Survey revealed a first-time decline in the number of key budget documents published. Many Governments are not publishing significant budget documents—with three of every four countries surveyed publishing on average six or fewer of the eight key budget documents. However, budget documents that are published contain marginally more information than in previous surveys. Additional information was disclosed, for example, in executive's budget proposals under the category of expenditures for people living in poverty. Declines in budget transparency were most dramatic in Sub-Saharan Africa, where the average budget transparency score fell by 11 points between 2015 and 2017. Other regions experienced only small changes, except Asia, where the average score rose substantially.

In 87% of countries, the enacted budget is available to the public. While more than half of countries (59%) publish comparisons between the approved budget and actual spending during the budget's execution,

just 15% provide a mid-year budget update, and 45% publish a comparison of final spending to the original budget. Moreover, only 46% use a functional classification in final reports, so that the public is generally unable to track spending by sector. There is even less transparency in Governments' objectives in collecting and spending funds. Just over a quarter of countries provide information about the purposes and costs of new policy proposals (27%) and targets for policy goals (26%).

While improvements in budget transparency can be achieved relatively quickly, gains can be reversed, and trends can be volatile. The Open Budget Survey found that of the 359 documents (out of 920) that the surveyed countries did not publish, 203 documents are produced but not disclosed. Progress is not restricted by geographic or other characteristics; countries that ranked in the top tiers of the OBI are diverse (including Brazil, Bulgaria, Georgia, Indonesia, Italy, Jordan, Mexico, New Zealand, Peru, South Africa, and Sweden), as are those that have experienced significant gains in transparency since they were first included in the survey (e.g., Georgia, Jordan, Mexico and Senegal). Subnational variations are also important to consider. Countries with limited budget transparency at the national level may, however, show improvements at the local level. For example, in Croatia, the overall average level of local budget transparency almost doubled from an average of 1.8 in 2015 to 3.5 published documents (out of a possible 5) in 2018.

Does available research provide evidence of impact?

Recent reviews of evidence show a positive association between budget transparency and improved budget quality, governance, and socio-economic and human development indicators. However, only few studies credibly identify causal effects in the form of reduced corruption, enhanced electoral accountability, and improved resource allocation. These positive associations have several qualifiers, and evidence in some areas is based on a small number of studies.

Regarding macro-fiscal outcomes, evidence is generally based on broad measures of transparency, with few studies exploring the impact of its specific aspects. The evidence highlights how specific and locally relevant disclosures, especially on budget execution and audits, can improve governance outcomes. Mechanisms enabling direct citizen participation in budgetary decisions enable feedback loops that make governments more responsive to citizens' needs and priorities. However, while participation seems to be a trigger of the long-term benefits of transparency, research on the links between transparency and participation is scarce. Further research is also needed on the links between budget transparency interventions and their impact in terms of governance and development outcomes.

Which indicators do countries tend to use to monitor reforms in this area?

Overall, budget transparency reforms are assessed against international standards and frameworks and aggregate global indicators. The IMF's [Fiscal Transparency Evaluations](#) assess the coverage, timeliness, quality, and integrity of fiscal reporting; the comprehensiveness, orderliness, policy orientation, and credibility of fiscal forecasting and budgeting; and arrangements for analysis, disclosure and management of fiscal risks. The [Public Expenditure and Financial Accountability](#) (PEFA) programme provides a standard

methodology for assessing public financial management using quantitative indicators to assess performance (94 dimensions across 31 key components of public financial management in 7 areas of activity or pillars).

The [Open Budget Index](#) (OBI) is a well-accepted benchmark to measure countries' performance on budget transparency and oversight. It is a simple average of the responses to a subset of 109 questions of the Open Budget Survey. The aggregate score measures the extent to which the eight key budget documents are available to the public on the relevant government website in a timely manner and the comprehensiveness of publicly available budget information.

Aggregate country-level measures of budget transparency do not measure the specific outcomes of budget transparency reforms or their impacts, and do not reflect variations within countries or across sectors. These variations are, however, important to provide a more accurate picture of budget transparency. In this regard, initiatives such as Croatia's [Open Local Budget Index](#) measure budget transparency at the local level. Also, PEFA provides assessments of PFM systems at sub-national level.

Methods of implementation

Are there international standards and methods, or common approaches?

Budget transparency has been extensively addressed by international standards. The OECD's [Budget Transparency Toolkit](#) (2017) provides an overview of international standards, frameworks and guidance on budget transparency (see Annex).

The International Monetary Fund (IMF)'s [Fiscal Transparency Code](#) (2014) is the standard for disclosure of information about public finances. It has four pillars: fiscal reporting, fiscal forecasting and budgeting, fiscal risk analysis and management, and resource revenue management. It recognizes the diversity of country contexts by differentiating between basic, good and advanced practices to provide clear milestones for compliance. The [OECD's Ten Budget Principles](#), set in the Recommendation of the Council on Budgetary Governance (2015), identify the necessary elements of a coherent and effective budget system, including that "budget documents and data are open, transparent and accessible".

There are other core reference frameworks. For example, the [10 High-level Principles on Fiscal Transparency](#) of the Global Initiative for Fiscal Transparency (GIFT) assert, inter alia, that the publication of fiscal information should be an obligation of Governments, that they should publish clear and measurable fiscal policy objectives, provide regular reports on progress, and explain deviations from plans, and that everyone has the right to request and receive information on fiscal policies. The OECD's [Best Practices for Budget Transparency](#), identifies key budget reports that should be produced, specific disclosures that they should include on both financial and non-financial performance information, and practices to optimize the reports' quality and integrity. At sector level, the [EITI Standard](#) (2016, 2019) promotes transparency of all financial flows connected with resource extraction.

What are the basic building blocks of the strategy?

There is guidance on the standards to improve budget transparency, and how they should be applied across different phases of the budget cycle. Recent guidance by international organizations emphasizes the link between the short and long terms, and specifies sets of documents that must be disclosed, including documents such as medium-term financial risks and long-term sustainability challenges.

The 2018 [Fiscal Transparency Handbook](#) provides guidance on the implementation of the IMF's Fiscal Transparency Code's principles and practices. The OECD's [Budget Transparency Toolkit](#) also provides guidance on the basic building blocks for enhancing budget transparency and identifies entry points for reform in each area and for each stage of the budget cycle. These building blocks include:

- (a) Providing useful budget-related documents during the annual cycle.
- (b) Including the right financial information in budget-related documents so that they provide relevant insights for budgetary decision-making.
- (c) Parliamentary engagement and scrutiny.
- (d) Supporting parliamentary capacity to undertake budget scrutiny and oversight effectively.
- (e) Strengthening internal management and control of public resources.
- (f) Supporting supreme audit institutions to undertake independent, regular and high-quality audits.
- (g) An effective role of Independent Financial Institutions to improve the objectivity of macroeconomic and budgetary forecasting, enhance fiscal discipline and raise the quality of national public debate on fiscal policy.
- (h) Making budget information accessible to the public in a way that ensures public understanding.
- (i) Using open data to support budget transparency to enable the public to understand and engage with the budgetary process and to contribute new and innovative perspectives.
- (j) Making the budget more inclusive and participative.
- (k) Promoting integrity with the private sector by (i) opening up public contracting and procurement; (ii) accounting for revenues and expenditures in resource endowments; and (iii) managing infrastructure investment for integrity, value for money and transparency.

Numerous tools can help national Governments in disclosing fiscal information. Some relate to developing the capacity of users to digest budget information and providing information in accessible ways, as well as to new technologies which can accelerate the dissemination and analysis of information. Every complex budget-related document should ideally be converted into a simplified, non-technical brief (citizens budgets) designed to inform the average citizen and published in tandem with the corresponding official document. Other measures aim to develop budget literacy, or the ability to understand public budgets to support participation in the budget process. Fiscal transparency portals are also increasingly used. They provide consolidated data and information regarding revenues, macroeconomic variables, expenditures, and performance evaluation. They can be tailored for different types of users. Open data, or free, digital, public data that is available online in open formats for use and redistribution is another relevant tool.

Do current approaches work well or are other methods/instruments needed?

There is limited knowledge on how well specific methods to advance budget transparency work, how they affect outcomes in the long term, and the relationships and trade-offs between different interventions and their relative effectiveness.

Despite the overall cumulative progress, there are areas where fiscal transparency is constrained. Certain sources of revenue and expenditures are not subject to publication (e.g., supplementary budgets), and there is generally less transparency on revenues than on spending. Few countries publish information on tax expenditures, with France being one of several exceptions.

The timing of disclosure is also important to allow citizens time to exert influence on budgetary decisions. There tends to be more information available during the budget formulation than the execution phase. According to the Open Budget Survey, less than 30% of countries publish the mid-year review, 66% publish the year-end report and 67% the audit report. In some countries, the timeliness and quantity of budget data are sufficient and appropriate, but quality considerations (e.g., relevance, clarity, reliability) are insufficient to enable citizens to analyze and act on the information.

Where budget transparency mechanisms are in place, frequently they are not linked to SDG processes. In the SDG context, it is particularly important for Governments to publish data on the incidence of their tax systems, and on the impact of government spending on socio-economic outcomes. Although little information is generally available to show the impact of budgets on specific groups, several countries are using gender budget statements (or budget statements for indigenous peoples, children or other groups) to gain insight into the differentiated impacts of public spending.

Two other areas for improvement are providing information at year-end to legislators and the public on the purposes of spending and on the results achieved, and adopting accrual accounting for year-end financial reports in order to allow scrutiny not only of cash received and paid, but also of the assets, liabilities and contingent liabilities generated by government activity.

Case studies

The Global Initiative for Fiscal Transparency (GIFT) provides a [compilation of cases and good practices](#) on budget transparency. The OECD's [Budget Transparency Toolkit](#) provides innovative examples not limited to OECD countries of how various countries have succeeded in implementing budget transparency tools or topics. The [Open Government Partnership](#) also provides access to examples of fiscal openness reform in member countries.

Peer-to-peer learning and research

The United Nations system is active in promoting budget transparency. [Chapter 3](#) of UNDESA's World Public Sector Report 2019 takes stock of ongoing efforts to link national budgets to the SDGs and reviews how the principle of transparency relates to the budget process. UNDESA has collaborated with the

International Budget Partnership (IBP) in several initiatives (e.g., workshops and communities of practice) related to SDG budgeting, budget credibility and audit. UNICEF offers a variety of [analytical tools](#) to measure and monitor public resources, maximize their impact and increase financing for children. UNDP Asia-Pacific supports knowledge sharing through different initiatives such as [UNDP-UNEP Poverty Environment Initiative](#) (PEI) and [SDG Finance Collaborative](#), among others.

Other development institutions and regional organizations have been active in this area. The World Bank disseminates country budget data and information through the [World Bank's Open Budgets Portal](#). The IMF and the OECD have developed guidance, handbooks and toolkits to support the implementation of budget transparency (e.g., IMF's 2018 [Fiscal Transparency Handbook](#), OECD's 2002 [Best Practices for Budget Transparency](#), OECD's [Budget Transparency Toolkit](#)). [PEFA](#) provides guidance for analysis and reporting, and allows access to scores and data from reports.

Civil society, philanthropy and professional associations also promote networking and learning on budget transparency. The International Budget Partnership (IBP) works in [collaboration](#) with multiple actors (including civil society, state actors, international institutions, and the private sector) to advance open, inclusive budgeting processes. It provides [training](#) and policy advice, conducts [research and analysis](#), offers [resources for governments](#), and facilitates [networking](#). The [Global Initiative for Fiscal Transparency](#) (GIFT) is a multi-stakeholder global network to advance fiscal transparency and participation through advocacy and high-level dialogue, peer-learning and technical collaboration and research. GIFT initiated the *Fiscal Openness Working Group* of the [Open Government Partnership \(OGP\)](#) in 2013. OGP works with governments, civil society and other partners to advance fiscal openness through national reforms and by promoting the exchange of experiences. Professional associations such as the [International Federation of Accountants](#) (IFAC) and the [International Organization of Supreme Audit Institutions](#) (INTOSAI) seek to advance standards of accrual accounting and external audit to support transparent financial reporting and have produced relevant resources (e.g., [Principles for Effective Business Reporting Processes](#)).

International development cooperation

The United Nations supports countries in enhancing budget transparency and strengthening the role of oversight institutions and civil society in the budget process. The United Nations Development Group (UNDP) has supported developing countries in Asia and the [Pacific](#) and Africa to progress toward a [climate change financing framework](#) to ensure that climate change strategic action plans are implemented through budget policies with a high degree of transparency and accountability. UNDP has also developed a methodology for [budgeting for the SDGs](#) tailored to specific country contexts and provides step-by-step guidance for UN agencies' country offices on how to approach context analysis and model design. The United Nations Children's Fund (UNICEF) supports governments (e.g., [Eastern and Southern Africa](#)) to make domestic resources and budgets work better for children, including by enhancing budget transparency. UNICEF collaborates with the World Bank in [Public Expenditure Reviews](#) in education, and has supported IBP's Open Budget Survey and work on budget credibility.

Donors have invested increasing resources in enhancing budget transparency in developing countries. The [World Bank's BOOST initiative](#) helps countries publish budget information to enhance budget

transparency and to facilitate the availability of comparable budget data. GIFT, [Open Knowledge International](#) and BOOST coordinated the development of the [Open Fiscal Data Package](#) to foster the publication of standardized open budget data. The World Bank also supports countries to conduct [PEFA assessments](#) and publishes [Public Expenditure Reviews](#) on the effectiveness of public spending.

Other donors whose technical assistance has focused directly or indirectly on budget transparency include DFID, the European Commission, USAID, the Inter-American Development Bank and the IMF. In 2018, for example, [DFID](#) set a taxation and finance unit to enhance the focus on transparent and effective public expenditure, including on improving the transparency of extractive industries in developing countries. The [IMF's FTEs](#) support the prioritization and delivery of technical assistance to improve fiscal transparency. Besides the World Bank and the IMF, the European Commission, UK, France, Switzerland, Norway and Slovakia support PEFA. The Inter-American Development Bank through the [Transparency Fund](#) provides support to all borrowing member countries, including both public and private entities, to implement projects related to fiscal transparency.

Bilateral donors have also supported civil society organizations working on budget transparency. For example, DFID, USAID and the French Ministry of Foreign Affairs have supported the Open Budget Survey. Foundations such as Open Society, Hewlett, or Ford support civil society activities to advance budget transparency reforms through their grant programs. A good example is [OSF's Fiscal Governance Programme](#) 2018-2021. A multi-donor collaborative, [Transparency and Accountability Initiative](#), supports an international budget oversight platform and sustainable funding in the budget sector.

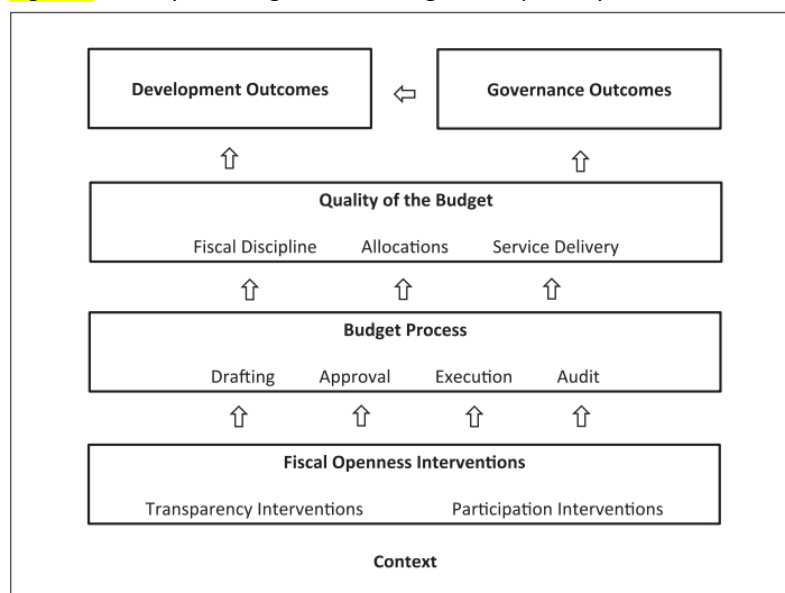
Acknowledgements

The members of the group are...

To contact the group or nominate a member...

Annex

Figure x. Theory of change – From budget transparency interventions to impacts



Source: Paolo de Renzio and Joachim Wehner, “The impacts of fiscal openness”, The World Bank Research Observer, vol. 32, no. 2 (August 2017)

Table x. International standards, frameworks and guidance on budget transparency

Official standards/Legal instruments	
IMF Code	IMF (2014), The Fiscal Transparency Code
OECD Budget Principles	OECD (2015) Recommendation of the Council on Budgetary Governance
Other core frameworks	
GIFT High Level Principles	GIFT (2012), High-Level Principles on Fiscal Transparency, Participation, and Accountability
IBP Open Budget Survey	IBP (2017), Guide to the Open Budget Questionnaire
OECD Best Practices	OECD (2002), Best Practices for Budget Transparency
PEFA	PEFA (2016), Framework for assessing public financial management
Other international guidance, tools and professional / technical standards	
CPA Benchmarks	Commonwealth Parliamentary Association (2015), Recommended Benchmarks for Democratic Legislatures
EITI	EITI (2016, 2019), The EITI Standard
GIFT Public Participation	GIFT (2015), Principles of Public Participation in Fiscal Policy
G20 Open Data	G20 (2015), G20 anti-corruption Open Data Principles
IMF GFSM	IMF (2014), Government Finance Statistics Manual
IPSAS	IPSASB (2016), International Public Sector Accounting Standards
ISSAI	International Organisation of Supreme Audit Institutions (INTOSAI), The International Standards of Supreme Audit Institutions (ISSAI)
Open Data Charter	International Open Data Charter http://opendatacharter.net/
OECD Digital Government	OECD (2014), Recommendation of the Council on Digital Government Strategies
OECD IFI Principles	OECD (2014) Recommendation of the Council on Principles for Independent Fiscal Institutions
OECD Public Procurement	OECD (2015), OECD Recommendation of the Council on Public Procurement

Source: OECD’s [Budget Transparency Toolkit](#)