

Global Initiative for Fiscal Transparency (GIFT) Coordination Team:

Follow-up to

Comments on ‘Updating the PEFA Indicators – Draft for Public Consultation,

August 7, 2014’¹

Following discussions with the PEFA Secretariat in Washington on 9 October, and as requested by the Secretariat at that meeting, we submit this supplementary material on the incorporation of measures of public participation in budget preparation and budget implementation in the PEFA indicator set.

This note contains:

1. A draft suggested dimension assessing direct public participation in the budget preparation process, for inclusion as a new dimension in PI-11, together with suggested text for inclusion in the text of PI-11.
2. A suggested addition to PI-23 (iv).
3. A suggested addition to PI-26.
4. A suggested addition to PI-28 (iv).
5. A suggested clarification of the text of PI-27(ii).

1. *Draft suggested new dimension (iii) on public participation, in PI-11.*

Dimension: Opportunities for direct public participation in debate and discussion during budget preparation.

Dimension	Minimum Requirements: Scoring Method M2
(iii) Opportunities for direct public engagement during budget preparation	<p>Score = A: The executive has provided opportunities for public participation in debate and discussion during budget preparation with respect both to aggregate fiscal policy issues and details of revenues or expenditures in at least two of the last three years. There is a law, regulation or formal procedural obligation requiring such engagement. The government announced what it hoped to achieve by seeking public input, and there was time in the budget calendar for consideration of public inputs. The mechanisms for public participation are accessible and widely used, and the government publishes feedback on how public inputs have been used in budget preparation.</p> <p>Score = B: The executive has provided opportunities for public participation in debate and discussion during budget preparation with respect either to</p>

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	<p>aggregate fiscal policy issues or details of revenues or expenditures in at least two of the last three years, with time in the budget calendar for consideration of public inputs. While the mechanisms for participation are accessible they are not widely used.</p> <p>Score = C: The executive has provided opportunities for public participation in debate and discussion during budget preparation with respect either to aggregate fiscal policy issues or details of revenues or expenditures in at least one of the last three years.</p> <p>Score = D: The requirements for a C rating or higher are not met.</p>
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Suggested new paragraph 2 (or to be added to the end of paragraph 1):

‘ The existence of opportunities for direct participation by the general public and non-state actors in debate and discussion during budget preparation is increasingly recognized in international fiscal transparency standards as likely to improve the quality of policy development, helping to avoid policy reversals, and thereby strengthening the predictability and sustainability of policies. Open public participation – in contrast to lobbying of public officials in private – can also increase trust in government, improve voluntary compliance, and strengthen the effectiveness of fiscal policies.

Suggested new paragraph describing dimension (iii):

‘Dimension (iii) assesses whether the executive has provided opportunities for the general public (including civil society organisations and other non-state actors) to provide direct input to officials on priorities for the next budget, covering issues concerning the fiscal aggregates and the details of revenues and of expenditure allocations. This may be achieved through a separate process for aggregate fiscal policy e.g. through consultation on a fiscal strategy document, budget policy statement or other pre-budget statement; or it may be achieved through a composite consultation on the budget with separate deliberation on the fiscal aggregates and on the details of revenues and expenditures. Direct public debate and discussion may be invited on government fiscal policy statements or publications covering aggregate fiscal policy issues, the budgets of individual Ministries, departments or agencies, or on programs, projects, or public goods and services. Public input may be in the form of written comments, on-line responses or forums, or in-person meetings. Invitations to comment in writing or on-line must be published and open to all.

Changes consequential to the above:

- Remove the last sentence of paragraph 1 in the text.
- Re-number existing dimension (iii) to dimension (iv) - submission of the budget to the legislature is subsequent to public participation in budget preparation.

2. *A suggested addition to PI-23*

PI-23 measures elements relating to public service delivery. Dimension (iv) of the indicator is concerned with the content and coverage of independent performance evaluations. The general public, as the recipients and consumers of public services, have a critically important and widely neglected role to play in providing feedback on service delivery issues and strengthening accountability for performance. They can bring information and perspectives to bear that are otherwise not available to evaluators and decision makers. We therefore suggest the following italicised addition to dimension (iv):

‘Content and coverage of independent performance evaluations, including inputs from the public (assessing the design, efficiency and effectiveness of service delivery functions or programs).’

In the explanation for dimension iv, we suggest adding the following italicised text:

‘Dimension (iv) considers the extent to which the design of service delivery programs and the efficiency and effectiveness of those programs is assessed in a systematic way through independent performance evaluations that, among other things, take into account input from the public on service delivery (and which may also be undertaken by the external auditor and be termed ‘performance audits’). It assesses both the coverage of these evaluations and the extent to which they include specific recommendations to enhance service delivery, and define mechanisms to follow up on these recommendations.’

3. A suggested addition to PI-26.

Indicator PI-26 is concerned with the effectiveness of external audit. We suggest adding a reference to the INTOSAI guideline on communication, which is intended to support ISSAI 12 on the value and benefits of SAIs (see <http://www.intosai.org/issai-executive-summaries/view/article/issai-12-the-value-and-benefits-of-supreme-audit-institutions-making-a-difference-to-the-liv.html>)

The guideline is not mandatory and will not automatically be considered by someone assessing compliance with the ISSAIs. The guideline recognizes, however, the very important contribution that wider input to the work of the SAI, including from the general public, can make to the effectiveness of the SAI.

We suggest referring to the guidelines in the fourth dimension of PI-26 as follows (suggested addition is in italics):

‘(iv). The SAI operates independently from the executive, ensured through the procedures for appointment/removal of the Head of the SAI, planning of audit engagements as well as the approval and execution of the SAI’s budget. The SAI has had unrestricted and timely access to records, documentation and information. The SAI has interacted with key stakeholders in order to promote their participation in the auditing process and be responsive to their inputs.’

4. A suggested addition to the text of PI-28 (iv).

Indicator PI-28 covers legislative scrutiny of external audit reports. Dimension (iv) of that indicator assesses the transparency of the legislative scrutiny function. The text of the indicator discusses open committee hearings, but states that it does not assess if the public are invited to speak at the hearings. We recommend including a requirement for the public to present views during the legislative review stage in order to score an 'a' on dimension (iv). This would reflect the scope of GIFT High Level Principle 10, which refers to a public right to and opportunities for direct public participation with respect to both budget preparation *and* budget implementation. Direct public input to consideration of external audit reports could help to strengthen the accountability loop, a key element in the accountability of public financial management.

The specific revision to PI-28 (iv) might be (new words in italics):

*'All hearings are conducted in public (except for strictly limited circumstances such as discussions related to national security), and the general public (including civil society organisations and other non-state actors) have an opportunity to provide oral or written testimony.'*²

A consequential change to the score of 'B' for that dimension that should be considered would be to require all hearings to be conducted in public i.e. to strengthen the requirements for "B" somewhat in view of the stronger requirement for a score of 'A.' Similarly the requirements for a score of 'C' might be strengthened to 'hearings are regularly conducted in public' (the current formulation for a 'B'), or 'some hearings are conducted in public'.

5. *A suggested clarification of the text of PI-27 (ii).*

PI-27 dimension (ii) refers to "public consultation arrangements" for the legislature in scrutinising the annual budget law, both in the text of the indicator and in the requirements for a score of 'A'. It may be preferable to be more specific on this matter, and to refer to mechanisms that legislatures use, such as legislative hearings or committee meetings at which members of the public and other non-state actors can provide oral or written testimony.

² If this change is made it would be necessary to remove or amend the last sentence in paragraph 6 of the text.