



The International Budget Partnership response to the HLP communiqué

The International Budget Partnership (IBP) congratulates the United Nations' High Level Panel (HLP) for a successful meeting on the post-2015 development framework in Bali at the end of March 2013. We particularly endorse the recommendation in the Bali communiqué emphasizing “strengthened means of implementation” and “data availability and better accountability in measuring progress.” The success of the post-2015 goals hinges on these factors as they better link the goals, the resources governments put into achieving the goals, and monitoring results. To ensure that these linkages are, in fact, made, we propose that a specific target on fiscal transparency and participation be included in the final report to be delivered by the HLP at the end of May 2013.

Why do we need a fiscal transparency target?

One of the weaknesses in the current MDG initiative is that it does not require governments to publicly report on the financial resources they are investing in pursuit of the goals, and how these resources were raised. Without this data it has been very difficult to monitor and hold governments accountable for their MDG commitments and, indeed, other commitments — and to understand why countries do or do not achieve these goals. Including a target on fiscal transparency and participation in the post-2015 goals would allow citizens and other stakeholders to influence the goals and priorities their government sets, and make it possible to monitor whether or not those governments are investing sufficient resources *in the right places* to achieve the goals.

A fiscal transparency target should focus on both government revenues and expenditures. This is congruent with the emphasis in the Bali communiqué on the need to enhance domestic resource mobilization, which in the majority of countries will surpass resources from foreign aid. A fiscal transparency target that includes a focus on revenues and expenditures is a basic requirement that would enable citizens and other interested stakeholders to monitor government development programs and to analyze how governments raise the resources to invest in such programs — particularly the funds generated domestically. Given the distributional impact that decisions about taxes, extractive industry payments, and other revenue policies can have, transparency about revenues can have just as important an impact on development outcomes as spending.

What would be included in a fiscal transparency target?

A fiscal transparency target should require governments to publish budget information and facilitate public monitoring of development programs in the country in three ways.

1. First, all governments should publish annually eight key budget documents, as suggested by international good practices and standard setting bodies such as the IMF, OECD, and INTOSAI. Recognizing that not all governments are starting from the same point,

a fiscal transparency target might use a graduated approach in which specific levels of fiscal transparency are defined for countries at different stages of development and openness. The main aim of such a graduated approach is to encourage continuous improvements in fiscal transparency. (See appendices for a description of the key budget reports and proposal for such a graduated approach.)

2. Second, transparency without participation is insufficient for accountability. Governments, therefore, should be required to create appropriate mechanisms for public participation in budgeting. These may also be established according to a graduated scale that recognizes that countries currently have different levels of capability to manage participation.

3. Third, in addition to publishing comprehensive information on the entire budget governments should publicly report on the financial investments they have made toward achieving the individual development goals included in the post-2015 development framework, and on the results that they have achieved through that spending. This information could be collected by the U.N. in a regularly updated registry, such as the one recommended in the Bali communiqué. (Note that achieving each individual goal will likely require spending across several ministries and administrative units for related programs and infrastructure, e.g., improving maternal health will require investments in health facilities as well as roads, which will be managed by the health department and public administration, respectively. Therefore, governments must go beyond those investments seen as most directly advancing each goal to identify and report on all related investments. The cross-cutting nature of development goals is also the reason why overall budget transparency is paramount.)

Why is this proposal feasible?

This proposal is both politically and administratively realistic. First, fiscal transparency has widespread and growing support among governments, civil society, donors, and professional associations, as demonstrated most recently by the U.N. General Assembly resolution calling for greater fiscal transparency. Second, fiscal transparency is easily measured and there are widely accepted international norms and standards that provide a solid foundation for specifying appropriate targets. Third, fiscal transparency and participation can be achieved without burdening governments with additional and parallel reporting requirements by simply adapting existing country budget and policy reporting systems. Finally, independent, objective, regular, and reliable measures of progress on fiscal transparency have been developed and are undertaken periodically; therefore, new assessments are not needed.

In this context, we strongly endorse the recommendation in the Bali communiqué on the need to improve statistical systems in countries around the world. Improving statistical capacity is vital to enhancing development effectiveness and accountability. However, considerable gains in fiscal transparency are already possible within current constraints, immediately and at low cost, if governments simply start publishing on their websites the budget data that they already produce for their internal use or donors but withhold from the public. This is clearly demonstrated in the results from the latest Open Budget Survey (see <http://internationalbudget.org/wp-content/uploads/OBI2012-Report-English.pdf>).

Appendix A: Eight Key Budget Documents required by International Good Practices

1. **Pre-Budget Statement:** report which identifies the assumptions used to develop the budget, such as total expected revenue, expenditure, and debt levels, and broad sector allocations.
2. **Executive's Budget Proposal:** presents the government's detailed declaration of the policies and priorities it intends to pursue in the upcoming budget year, including specific allocations to each ministry and agency. This document should be published simultaneously with its submission to the legislature.
3. **Enacted Budget:** the legal document that authorizes the executive to implement the policy measures contained in the budget proposal and related amendments. This document should be published within three months of the budget being approved by the legislature.
4. **In-Year Reports:** monthly or quarterly reports on revenues collected, expenditures made, and debt incurred. These documents should be published within three months after the end of the reporting period to which they refer.
5. **Mid-Year Review:** report which summarizes the actual budget data for the first six months of the year (revenues, expenditures, and debt), reassesses the economic assumptions upon which the budget was initially drafted, and adjusts the budget figures for the remaining six months accordingly.
6. **Year-End Report:** statement summarizing the financial situation at the end of the fiscal year, and an update on progress made in achieving the policy goals of the Enacted Budget. This document should be published within one year of the end of the budget year to which it refers.
7. **Audit Report:** report issued annually by a body that is independent from the executive, covering all activities undertaken by the executive. This document should be published within two years of the end of the budget year to which it refers.
8. **Citizens Budget:** simplified summaries of some or all seven budget documents discussed above, issued in languages and through media that are widely accessible to the public. This document should be published at the same time as the budget document to which it refers.

Appendix B: A Graduated Model for a Fiscal Transparency Target

Governments differ in both their current level of openness and their capacity to implement reforms, so the IBP feels it will be necessary to take a graduated approach to a fiscal transparency target.

We recommend the following levels for such an approach:

- **Minimum level:** governments should publish four budget reports (the Executive's Budget Proposal, Enacted Budget, Citizens Budgets, and Audit Reports).
- **Intermediate level:** governments should publish six budget reports (quarterly In-Year Reports and Year-End Reports in addition to the four reports mentioned in the minimum level).
- **Advanced level:** governments should publish eight budget reports (Pre-Budget Statements and Mid-Year Reviews in addition to the six documents specified in the intermediate level).

Real accountability requires both access to timely and useful budget information and opportunities for citizens and other stakeholders to engage in budget decisions and oversight. Therefore, a fiscal transparency target should include a similar set of graduated targets for participation in the budget process. Such a graduated framework could begin with a minimum requirement for legislatures to conduct public hearings in which citizens can testify during the enactment of the budget and incrementally add requirements for government and oversight institutions to provide spaces and mechanisms for public engagement at all stages of the budget cycle.