Grupo FARO

2010 Index of Budget Transparency in Municipal Governments
I. INDEX OF BUDGET TRANSPARENCY IN MUNICIPAL GOVERNMENTS

As was explained above, the Index of Budget Transparence in Municipal Governments uses a set of methodological resources to objectively quantify and measure transparency associated with the budget cycle of each of the thirteen municipal governments evaluated in the survey. In general terms, the evaluation addresses the subject of access of different audiences to information that is produced throughout the budget period, as well as the quality, regularity and degree of detail of the information. Using careful analysis of formally and systematically generated documents/outputs over the 2009-2010 cycle (most of which must be produced by legal statute), we will attempt to gain deeper insight into how the budget is administered during the different phases of the cycle. We will also look at how well current practice, in terms of production, scope and dissemination of these documents/outputs, promotes a more transparent and participatory government at the municipal level.

Graph 4 – 2010 Index of Budget Transparency in Municipal Governments

National Average: 48

Source: Index of Budget Transparency in Municipal Governments (2010)

Graph 4 sums up the overall score that, based on these premises, each municipal government evaluating in the initiative obtained. The average score nationwide was 48 points. Ambato was the highest scoring municipal government with 78, out of a possible maximum of 100 points, while Esmeraldas was the lowest scoring government of the sampling of municipal governments, with a score of 16 points. It turned out that many of the above average scoring municipalities are where the majority of the nation’s population resides (Guayaquil, Quito, Cuenca, Ambato). Generally speaking, these municipal governments operate under complex institutional structures under which a large amount of public resources is executed at the canton level, as the local level is known in Ecuador. It is also noteworthy that the province of Orellana placed among the top scoring municipal governments. It is a medium-size province,
with a population that has been growing exponentially over the past 20 years. Non-renewable natural resources (oil) are exploited on its territory making it the recipient of additional revenue (oil revenue), which significantly increases its annual budget. In conclusion, there appears to be a correlation between the size of the budget and the degree of transparency associated with budget management.

The principal aspects of how transparency was evaluated in municipal budget management are described below:

**PRESENTING THE BUDGET FOR THE FISCAL YEAR UNDER REVIEW AND SUBSEQUENT YEARS**

The first section addresses eleven questions designed to identify whether or not municipal governments release information on the three major sections of budget: expenditure, revenue and debt. In an effort to make said information more transparent, most governments do so by means of their institutional web page, providing total amounts under each of the three aforementioned headings, as well as a break down by type of revenue and expenditure. One notable aspect is that none of the municipal governments presents historical information going back further than two years from the year under review. It was noted that 76% of the municipal governments in the survey do so for the current year and for only the previous year and only 38% of the governments go two years back. In this section, 62% (eight municipalities) of the municipalities under examination had scores above the national average of 71, with Ambato, Cuenca and Ibarra scoring the highest, as is shown in Graph 5.

**Graph 5 Presentation of the Budget: Highest Scoring Municipal Governments**

![Graph showing the presentation of the budget for the highest scoring municipalities (Ambato, Cuenca, and Ibarra) with scores of 91, 89, and 84 respectively, compared to the national average of 71.]

National Average: 71

Source: Index of Budget Transparency in Municipal Governments (2010)

Of the three macro-components in this section, the information provided on revenue is the most comprehensive in every one of the municipalities and, consequently, was scored the highest. Information on expenditures is less thorough, although it is still representative. Lastly, information on debt is the most underreported by all of the municipal governments, as will be explained below. Only six municipalities provide any kind of detail on borrowing, which shows how sensitive the subject is and the resistance to releasing it.
With regard to expenditures on the whole, most municipalities release information on total expenditure and expenditure classifications in terms of administrative and functional unit, economic classification and individual programs. Information on individual program expenditure, on the one hand, garnered the highest score with 91 points, as twelve of the thirteen municipal governments provided detailed information on every single on-going program in their jurisdiction. On the other hand, information on multi-annual estimates scored the lowest, as eleven municipalities do not offer any information under this heading, thus bringing the average score down to 8. Moreover, the municipal governments that do provide said information, either release incomplete information, only provide the total expenditure amount, or only give information in terms of some classifications and some individual programs.

On the revenue side, the thirteen municipalities provide a great deal of information including revenue sources. In most instances, it is apparent that tax and non-tax revenue are not clearly distinguished. Scores from revenue-related questions surpassed 97 points.

Regarding information on borrowing, the results show that only two municipal governments release financial reports on debt with any detail (Ibarra and Ambato), four governments provide information on total debt and debt repayment or very little detail on this topic (Loja, Quito, Guayaquil and San Cristobal), and the remaining municipalities do not provide any type of information at all on debt. Furthermore, as it is noted in Graph 6, scant information related to debt is released, inasmuch as only 46% of the municipal governments provide information on total outstanding debt, 28% provide information on debt composition either in terms of project or lending institution, and only 15% provide information on interest payments on the debt (See Graph 5).

**Graph 6 Information on Barrowing: Highest scoring municipal governments**

<table>
<thead>
<tr>
<th></th>
<th>Total outstanding debt</th>
<th>Debt Composition</th>
<th>Interest Payments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ambato</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ibarra</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loja</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>San Cristobal</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cuenca</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Quito</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Index of Budget Transparency in Municipal Governments (2010)

**DEGREE OF DETAIL IN BUDGETARY INFORMATION**

This section is about supplementary information, which adds to information provided in the budget, such as extra-budgetary funds, transfers, assets, tax credits, liabilities, financial...
statements, among other things. It would be fair to say that transparency is lacking in this type of information. The national average score is 31, since most municipal governments fail to release said information to the public. The governments that do release it use the web, as well as the mechanisms established by law such as ordinances, budget documents and simplified reports. Guayaquil, Loja and Ambato, whose scores appear in Graph 7, are the best performing governments in this regard.

Graph 7 Additional Budget Information: highest scoring municipal governments

National Average: 31

Source: Index of Budget Transparency of Municipal Governments (2010)

As can be seen in Graph 8, information on records of transfers received from the central government is the highest scoring component with 84% of the municipal governments responding in the affirmative. Said information is provided, in most instances, by means of budget revenue documents or the revenue registry. The three remaining components are other sources of financing such as donor assistance, extra-budgetary funds and transfers to public enterprises. Very little information is provided about this last category. Only six municipal governments provide information on extra-budgetary funds and only four of them do so in a comprehensive way (in other words, by including both narrative and quantitative detail). The same number of municipal governments releases information on donor assistance, some providing greater detail than others; that is to say, some do not list the donors but rather provide the general amount received. Information on transfers to public enterprises is presented in aggregate form and few municipalities break down specific amounts for each enterprise.

Graph 8 Additional Budget Information: highest scoring components
Transfers from Central Government; Breakdown of donor assistance; Extra-budgetary funds; Transfers to public enterprises

Source: Index of Budget Transparency of Municipal Governments (2010)

The remaining components covered in this section are non-executed budget, municipal assets, financial statements, and regulations in force regarding the transfer of funds from the national government, tax credits and contingent liabilities. Said information is not released with much transparency. On average, only three municipal governments provide this information, which bears witness to the unwillingness of these governments to release it. In a few instances, municipal governments are inadequately equipped to do so, as is the case of releasing regulations on funds transfers. There are two successful instances when these regulations have been released through different communications media and proved to be useful instruments of communication to the public. Lastly, it is necessary to mention that the challenge lies in availability of information, being that much of it is not even generated by municipal governments (for example, information on contingent liabilities, financial statements, assets, etc.), which certainly is a major roadblock to its release to the public. Additionally, once the information is available, the tools required to successfully disseminate it and make it transparent must also be in place, which entails training on the subject of transparency of information, in other words, what information to make available to the public and how to make it available. The enacted body of laws and regulations seeks to make budgets accessible to citizens and the budgeting process, participatory. Consequently, supplemental information to the budget needs to be adequate and in easy-to-understand language, because this section of the budget is written with the same technical language as the budget and internal working documents, which very few everyday citizens are able to understand and this stands in the way of citizens’ ability to monitor budget transparency.

BUDGET PERFORMANCE

This section looks at whether or not mechanisms are in place to link government budget management in the municipalities evaluated in the survey to public policies implemented by their administrations throughout their respective territories in order to achieve the objectives set forth in their local or cantonal development plans. Additionally, the section seeks to
provide an overview on how the municipal governments implement performance evaluation systems and the impact said evaluation has on budgeting, in terms of the goals set forth in the work plans, which in ideal circumstances is managed by the municipal administration. From this perspective, Graph 9 shows that Cuenca, Quito and Orellana are the municipal governments which are the most inclined to implement specific mechanisms that promote performance-based budget management.

Graph 9 Budget Performance: Highest Scoring Municipal Governments

![Graph showing budget performance scores for three municipalities.]

National Average: 25

Source: Index of Budget Transparency in Municipal Governments (2010)

Generally speaking, municipal governments release very little information on the link between budget programming/formulation and public policy based on territorial development objectives. In most instances, this link depends on the degree of coordination with cantonal development plans. Nonetheless, in municipalities such as Cuenca, Orellana and the Metropolitan District of Quito one can see a trend toward bringing budget administration increasingly in line with annual operation plans (POAs), which are drawn up on the basis of the respective development projects. While available information on this topic is still incomplete, these municipal governments have been making significant strides in developing methodological guidelines (designing indicators, such as in Quito), which provide for a more objective assessment of budget performance vis-à-vis local-level (cantonal) development targets.

Despite these efforts, the link between the different phases of the budget and gradual achievement of policy objectives and development goals has been unclear and has been unsystematic. In fact, efforts to link the budget and its impact are still few and far between and pose a host of methodological challenges. Often these challenges stem from the fact that formal instruments of multi-year budgeting, performance-based management and, consequently, regular assessment of the actual impact associated with public resource management, are not widely known or put into use. In very few instances, municipal
government budget administration has referenced or drawn comparisons to previous periods much less to multi-year programming, which has made it impossible to plan based on non-inertial criteria. Moreover, budget management at the level of the canton has been unsuccessful at establishing a formal link to the segments of the population that it serves through the municipal administration (such as the beneficiaries of education, health, water and sewer programs), thus making it difficult to conduct on-going monitoring of the actual effects associated with this management. Based on the foregoing, it can be asserted that the elements required to conduct performance monitoring in municipal budgets are marred by several practical limitations. This must be resolved within the legal framework (the Code of Planning and Public Finance), which establishes that there must be effective coordination between the use of public resources and the development objectives pursued in both the national and sub-national arena.

ADDITIONAL INFORMATION FOR BUDGET MONITORING
Graph 10 Additional information: Highest Scoring Municipal Governments

National Average: 31

Source: Index of Budget Transparency in Municipal Governments (2010)

This section attempts to explain the extent to which municipalities provide additional information over and above what is provided by the regular documents produced during the budget cycle (the draft budget, the enacted and adjusted budget, the monthly execution reports and the budget liquidation reports, etc.) in order to support and add to the content thereof. Even though this information serves to clarify certain specific aspects of the budget cycle (such as estimates supporting levels of tax and fee collection and items under the heading of non-reimbursable international cooperation planned for the corresponding fiscal year), that “additional information” is an instrument which, along with the official documents, aids in disseminating and releasing to the public a more accurate picture of the consequences of how the municipal government carries out the budget process. In Graph 10, we see that the municipal governments of Ambato, Ibarra and Orellana, in relative terms, make the highest volume of information available to meet that objective.
It must be noted that this “additional” information can be produced to fulfill a technical purpose or a strictly communicational objective. Any information generated from a technical perspective becomes an indispensable technical input to the design and support of the draft budget, in order to introduce fiscal consistency and practical viability. Furthermore, there is another type of informational resource, also viewed as “additional”, whose purpose is fundamentally linked to public dissemination of information on the on-going budget process. Generally speaking, these are simple reports and documents, that are made available to the public and are widely distributed and cover the aspects of the budget cycle that are most relevant to the public: executive summaries, glossary of terminology, “citizen’s budgets”. With these documents, the institutionalized means to ensure free and timely access to this information (web pages, standardized procedure to file a request for information, etc.) are particularly important.

In practice, the information used as technical input during any of the phases of the budget cycle is usually produced systematically (for example revenue estimates and justifications) and become available as part of the budget content in the form of attachments to the different budget documents. Generally, these inputs are viewed as internal documents to which access can be gained by filing a formal request. The depth of information in these documents depends on how comprehensive each municipal government is when programing their budget and, therefore, these documents do not necessarily provide the desirable level of detail. For example, most of the municipal governments examined in this study are able to report on the tax rates that will support anticipated tax revenues for the budget period, but very few of them publish disaggregated information on other revenue, such as revenue from non-reimbursable international cooperation, donor assistance, among other things.

Furthermore, public information instruments are rarely prepared that could expand the informed discussion on budget issues to other target audiences, much less produced on a regular basis. Also, municipal government campaigns to widely disseminate budget management process are few and far between and, when such campaigns are conducted, they are usually very targeted. None of the participating municipal governments has managed to produce, as a regular practice, a “citizen’s budget”, or a document with non-technical definitions for lay audiences, even though many are making efforts to do so (Ibarra, Orellana, Ambato, etc.). Additionally, recognition should be given to municipal government commitment to implement the provisions of the Organic Law of Transparency and Access to Public Information (LOTAIP), for example, by consolidating systems of intake and processing of requests for public information in keeping with specific requirements. In fact, in most of the municipal governments we surveyed, systems for filing these requests were in place, although it was admitted that several difficulties arise in processing and following up on requests. All of these initiatives are still discretionary and in the infancy stage, inasmuch as no standards have been developed nor has the political will emerged to encourage and ensure the production and periodical delivery of information that contributes to gaining a better grasp of the budget.

**BUDGET CYCLE**

**PROGRAMMING AND FORMULATION OF MUNICIPAL GOVERNMENT BUDGETS**
This section is about municipal government practices focused on improving transparency in the programming and formulation process of cantonal budgets. Firstly, by looking at whether or not several official documents and inputs, which are required by law in the Organic Code of Territorial Organization Autonomy and Decentralization (COOTAD), are produced and at whether the institutional arrangements are in place to ensure adequate and timely release of the information included in these documents and inputs, these practices can be evaluated. As was noted above, during this stage of the budget cycle (See Table), the law sets forth the requirement of formally generating, in keeping with a pre-established time frame, a “draft budget” that brings together into one document the executive budget proposals of the different municipal corporations and includes several “annex” documents for the sake of consistency and to show feasibility (for example, a supplemental financing draft in the event the draft budget runs a deficit, municipal enterprise budgets, etc.). Unrestricted and appropriate access to this type of information is crucial to make municipal budget formulation processes participatory and transparent.

As is apparent in Graph 11, Ambato, Orellana and Ibarra are the highest scoring municipal governments in terms of making the first phase of the budget cycle transparent. As described above, the score awarded to each municipality is based specifically on practices associated with the preparation of documents that are produced throughout the programming of the budget, as well on the quality, coherence, relevance, historical comparability and disaggregation of the information provided therein. Additionally, the score takes into account how the budgeting procedure, during this first stage, promotes availability of these documents, how timely are the documents made available for consideration by different
audiences and the level of participation, all of which is required to establish permanent spaces of informed dialogue and budget consensus.

Even though, in most of the municipal governments examined in the survey, the documents used in this stage of the budget cycle are produced periodically, the information included in them tends to be viewed as for internal use, and availability and access of the public to them is limited and subject to discretionary criteria of the municipal administration. In fact, the implications put forth in the technical inputs that serve to formulate the budget requests of each municipal agency (tentative estimate and final calculation of revenue) in the draft budget and its annexes (budget liquidation, among others) are often confined almost exclusively to intra-municipal analysis and discussion (Table 7). Even though most of the municipal governments fulfill the legal requirement of following a specific timetable with deadlines for the release of these documents, in many instances, these are made available to the public in an untimely fashion. Additionally, release is carried out through channels other than the mass media (through formal requests for information, instead of using the web site) and with scant opportunity to participate (very soon before the budget is enacted), that is to say, when the chances of civil society to provide any meaningful input in the discussion are almost non-existent.

Table 7 Programming and Formulation: Budget Documents and Availability

<table>
<thead>
<tr>
<th>Status / Document</th>
<th>Draft Budget</th>
<th>Annexes</th>
<th>Supplemental Financing Draft</th>
</tr>
</thead>
<tbody>
<tr>
<td>Was not produced</td>
<td>Orellana, Esmeraldas, San Cristóbal, Guayaquil, Loja</td>
<td>Orellana, Esmeraldas, Ibarra, Portoviejo, Quito, San Cristóbal, Tena, Zamora, Cuenca, Loja, Machala, Guayaquil</td>
<td>Ibarra, Quito, Cuenca, Portoviejo, Tena, Zamora, Machala</td>
</tr>
<tr>
<td>Was produced for internal purposes</td>
<td>Orellana, Esmeraldas, Ibarra, Portoviejo, Quito, San Cristóbal, Tena, Zamora, Cuenca, Loja, Machala, Guayaquil</td>
<td>Orellana, Esmeraldas, Ibarra, Portoviejo, Quito, Tena</td>
<td></td>
</tr>
<tr>
<td>Was produced and was made available through formal requests</td>
<td>Ambato</td>
<td>Ambato, Zamora, Machala</td>
<td>Ambato</td>
</tr>
<tr>
<td>Was produced and was disseminated to the general public</td>
<td>Guayaquil, Loja, Cuenca</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Index of Budget Transparency in Municipal Governments (2010)

At the same time, we note that this type of documentation is not comprehensive enough and provides few of the elements required to understand the fundamental aspects upon which formulation of the draft budget is based. Accordingly, the highest scoring municipal governments stood out from the others in the sampling, inasmuch as they offered more extensive and specific information on assumptions and budget figures from prior budget years.
to justify their draft budget’s accuracy. Municipal governments such as Ambato and Orellana produce and make available information on actual revenue and expenditures for other periods as well as projections/estimates for months that do not make the cut to be included in these documents. Although this kind of information is still incomplete, the fact that it is generated represents an important effort to streamline and introduce consistency in the design of their respective draft budgets.

Elaborating on the above, it is important to underscore that the budget programming processes in these municipal governments have occurred at the same time as a search for institutional spaces that create greater involvement and participation both at the level of the different municipal agencies and council and in the sphere of civil society in general. Traditionally, the department of finance, the department of planning, and the department of public works take the leading role in the spaces where budget formulation takes place. In some instances, these spaces also incorporate members of different specialized committees of the Municipal Council, which is the body where the draft budget must eventually be discussed and approved, but specific links or connections are not consistently made from one year to another. Consequently, the scope of these practices is hardly inclusive vis-à-vis the rest of the municipal apparatus. However, it must be noted that in many municipal governments, such as Guayaquil and San Cristobal, efforts have been made to implement more participatory forms of budget programming to ensure a more equitable and informative relationship and increased involvement of each one of the agencies comprising the municipal administration and key members of the Municipal Council, among others.

At the same time, some municipal governments have also established formal mechanisms to ensure participation of different segments of organized civil society. Usually, these mechanisms are based on assemblies, legislative sessions and hearings with different groups of the population, where the draft budget is presented and discussed. Many times, these spaces have become successfully institutionalized by applying recognized and legitimate forms of budget deliberation (at the parish level, for example) and laws that are translated into municipal ordinances to encourage citizen participation in the budget cycle or participatory budgeting. The participatory budget is a critical tool for improving participation and transparency, inasmuch as it is based on including the different stakeholders in identifying and defining their development priorities and in allocating the resources required to implement them. Even though Article 100 of the Political Constitution of the State sets forth the need to implement, at all levels of government, budgets constructed through participatory means, few municipal governments have managed to implement a system of formulation of this nature. Many of the municipal governments that were examined in the survey are developing mechanisms to ensure fulfillment of the constitutional mandate, but currently only Cuenca has managed to issue an ordinance of this type and make it a requirement that 50% of its budget be set using the participatory method.

**BUDGET APPROVAL**

As was pointed out above, during this phase of the budget cycle (See Table), the law establishes that a “technical report of the Finance Committee of the Municipal Council” must be formally generated, according to a pre-established timetable before the budget can be approved. Then, either by a majority of votes of the Council or as a result of failure to meet
the statutory deadline, a “budget ordinance” is issued which amounts to final approval of the municipal budget that will govern for the following fiscal period. During this process, access to information or active participation of the public is necessary to ensure transparency in approving municipal budgets.

Graph 12 Budget Approval: Highest scoring municipal governments

National Average: 59

Source: Index of Budget Transparency in Municipal Governments (2010)

As can be viewed in Graph 12, Article 100 of the Political Constitution of the State determines the need to implement, at all levels of government, budgets constructed through participatory means. Many of the municipal governments reviewed in this survey are in the process of developing mechanisms to ensure fulfillment of the constitutional mandate, although, as was mentioned above, very few have done so.

Orellana, Ambato and Portoviejo are the highest scoring municipal governments in terms of transparency during the approval phase of the budget cycle. In these three municipal governments, it is common practice to meet the deadlines established by law, hold public hearings and release reports on the budget approval process, using a variety of communications media and the respective institutional web sites. Additionally, scoring takes into account whether the Municipal Council has access to every type of information through the different administrative bodies (the General Secretariat and others) and is legally empowered to decide to change the budget after voting to do so. Lastly, another aspect taken into account is whether or not the mayor’s offices and the municipal councils hold public hearings and what is the level of participation of the public in budget approval.

In most of the municipal governments participating in the survey, the documentation used for this stage of the budget cycle is produced periodically; however, the content of it is for internal use, and availability of these documents to the public is limited, since citizen access to them is at the discretion of municipal government authorities (See Table 8). Therefore, the main
technical input in this phase that is conducted by the Municipal Council, includes financial information provided by the Mayor’s Office. It is noted that this information is furnished in advance as provided by law and additionally, a large majority of the municipal governments in this survey also provide additional information if it is so requested by the members of the Council. Lastly, it must be said that in eight of the thirteen municipal governments of the survey, any changes made by the council to the budget submitted by the Mayor enter into effect and are considered a normal practice. Information on budget ordinances is produced by all of the municipal governments in the survey, as required by law. However, it is for internal use and is not very available to the public. Only two of the municipal governments release this information through mechanisms like their web pages, the mass media and urban and rural public hearings (See Table 8).

Table 8 Budget Approval: availability of documents

<table>
<thead>
<tr>
<th></th>
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</thead>
<tbody>
<tr>
<td>Did not produce</td>
<td>Tena, San Cristóbal</td>
<td>Guayaquil, San Cristóbal, Tena</td>
<td></td>
</tr>
<tr>
<td>Produced but for internal purposes</td>
<td>Cuenca, Esmeraldas, Ibarra, Machala, Portoviejo, Quito, Zamora</td>
<td>Esmeraldas, Loja, Machala, Orellana, Portoviejo, Quito, Zamora</td>
<td>Orellana, Esmeraldas, Guayaquil, Machala, Portoviejo, Quito, San Cristóbal, Zamora</td>
</tr>
<tr>
<td>Produced and made available through formal requests</td>
<td>Ambato, Orellana, Loja</td>
<td>Ambato, Cuenca</td>
<td>Cuenca, Loja, Tena</td>
</tr>
<tr>
<td>Produced and disseminated to the general public</td>
<td>Guayaquil</td>
<td>Ibarra</td>
<td>Ibarra, Ambato</td>
</tr>
</tbody>
</table>

Source: Index of Budget Transparency in Municipal Governments (2010)

Moreover, it must be noted that, even though attempts are made to create institutional spaces that promote increased involvement and participation during the previous phases, both at the level of the different municipal agencies and the municipal council as well as in the sphere of civil society in general, during the approval phase, public hearings are rarely held and, when they are held, in most instances, no report is made of them (See Table 9). Furthermore, it is apparent that more public hearings on the approval phase of the municipal budget cycle are held by the Mayor’s Office than by the Council. In the instances we observed, the mechanism used to convene the hearings is an announcement in a mass media or on municipal web pages inviting people to participate in meetings (parish boards) or participatory workshops open to the public. In this same vein, municipal governments have sought other ways to reach out through visits to different neighborhoods or taking requests for financing and planning of parish-level or neighborhood level programs.
Most municipal governments do not produce any report on budget approval. Even though the budget ordinances constitute the official document of validation of this phase, there is supposed to be a report detailing what has been done. However, municipal governments that fulfill this reporting requirement do so through documents attached to the budget ordinance, such as addendum reports, minutes of the approval process, and summaries of the approved budgets with details of amounts and classifications. It is also important to mention that progress has been seen in the publication of information regarding budget approval and the way citizens become involved, inasmuch as the information is posted on the web pages of the municipal governments and the notices of public hearing are published in the mass media, which has led to increased involvement of the public. Additionally, the participatory budget has basis in the law and municipal governments are implementing them (See Table 8). The great majority of these governments have drawn up legal documents supporting the participatory budget as a tool to improve participation, such as regulations and municipal ordinances and, in some instances, a mechanism has already been implemented for citizens to decide at public hearings what percentage of resources are to be used for the highest priority programs (Ibarra and Cuenca). Article 100 of the Political Constitution of the State establishes the need to implement, at all levels of government, budgets constructed through participatory means. Many of the municipal governments under review in this survey are developing mechanisms to ensure fulfillment of the constitutional mandate, however as was mentioned above, very few have done so.

**BUDGET EXECUTION**

*Graph 13 Budget Execution: Highest Scoring Municipal Governments*
This section discusses municipal practices aimed at improving transparency in cantonal budget execution processes. These practices can be observed in the official documents and input, which must be prepared by law (COOTAD). One of these documents is the “monthly report on the status of the budget and accounts” which by law must be prepared by the municipal government periodically. Additionally, execution reports of Decentralized Autonomous Governments (GADs) are consolidated into a sub-national finance database, which can be accessed through the Information System on the Finances of the Autonomous Sectional Governments (SISSEC) and is administered by the Ministry of Finance.

As is apparent in Graph 13, Ambato, Cuenca and Quito are the highest scoring municipal governments in terms of transparency during the execution phase of the budget cycle. Consistent with the above explanation, the score awarded to each municipal government is based on the frequency and degree of detail in reports released by the governments over the year of budget execution, as well as those issued on an annual basis. Information on changes made to the budget and requirements stemming from such changes, such as transfers of funds and approval of emergency resources, is also examined.

<table>
<thead>
<tr>
<th>Status / Document</th>
<th>Monthly Reports on the status of Budget and Accounts</th>
</tr>
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<tbody>
<tr>
<td>Was not produced</td>
<td>Orellana, Portoviejo</td>
</tr>
<tr>
<td>Was produced for internal use</td>
<td>Cuenca, Esmeraldas, Ibarra, San Cristóbal,</td>
</tr>
<tr>
<td>Was produced and was made available through formal requests</td>
<td>Ambato, Machala, Tena, Zamora</td>
</tr>
</tbody>
</table>

National Average: 66

Source: Index of Budget Transparency in Municipal Governments (2010)
In most of the municipal governments examined in the survey, the documentation for this stage of the budget cycle is produced every six months, even though the legislation provides that it be done on a monthly basis. The reports produced by the governments are for internal use and, in some instances, access to them can be obtained by means of a formal request, the response to which is at the discretion of the corresponding municipal government (See Table 10). Also, the detail provided in the reports includes executed expenditures of most of the units and programs, as was explained in the first section. As can be seen in Graph 1, regarding the budget status report with greatest detail, four municipal governments provide information comparing actual expenditures to original estimates for the fiscal year under review, on actual revenue collection and composition of the debt of the municipal government and respective details (interest rates of the debt, maturity profiles, exchange rates, etc.)

Graph 14 Budget Execution: Highest scoring governments based on annual reports

Source: Index of Budget Transparency in Municipal Governments (2010)

Box 1: The System of Information on Finances of the Autonomous Sectional Governments (SISSEC)

Pursuant to Article 22 of the Organic Law of Responsibility, Stabilization and Transparency, which establishes that “the highest-level authorities of each entity or agency of the public sector (must) submit, on a monthly basis, within thirty days of the following month, to the Ministry of Economy and Finances, budget, financial and accounting information, in accordance with the technical rules, issued by this Ministry” and Article 23, which determines that “the agencies of the autonomous sectional regime must establish their own information systems, for citizen control and notification to the Ministry of Economy and Finances”, the Ministry of Finances introduced in December of 2004, the Information System on Finances of the Autonomous Sectional Governments (SISSEC).
The initiative was realized in the context of the process of fiscal decentralization, introduced through implementation of different policies as of the end of the 1990’s, which were intended to provide mechanisms of coordination, follow-up, control and access to information and accountability in the area of the administration of the Decentralized Autonomous Governments (GAD). Actually, the GAD’s are obligated to report information of this nature on a regular basis. In the event that they do not do so, the Ministry has the power to temporarily freeze transfers that could be allocated to the sectional body that has broken the rule. Additionally, this information must be forwarded on time and in keeping with the provisions of:

- The Standards of the Financial Administration System
- The Budget Classifier of Revenue and Expenditures of the Public Sector
- The General Catalogue of Accounts

Most information gathered through the SIISE Information System is available at the Ministry of Finance Web site at (www.mef.gov.ec). The tool allows questions relating to:

- Revenue of the Provincial and Municipal Governments
- Expenditures of the Provincial and Municipal Governments
- Levels of Borrowing of the Provincial and Municipal Governments

Unquestionably, the SIISE Information System has made a difference in the search for and implementation of a standardized, integrated and consistent national system of standardized financial and budget administration between the different levels of government. Moreover, the SIISE Information System has promoted and aided in the success of the process of decentralization and transfer of authority from the central government to the Decentralized Autonomous Governments by providing information that helps to better understand existing fiscal relationships.

**YEAR-END REPORTS AND INTERNAL AND EXTERNAL AUDIT REPORTS**

Graph 15 Year-End and Audit Reports: Highest Scoring Municipal Governments
This section of the report deals with the propensity of the participating municipal governments to engage in different accountability and control/auditing efforts regarding annual administration of their budgetary resources. These practices are reflected in the production of final execution and budget liquidation reports, and internal audits (conducted by the internal audit unit of each municipal government) and external control (the purview of the Comptroller General of the State (CGE)). Graph 15 shows that Cuenca, Quito and Guayaquil (the three largest municipal governments in the country) are the governments that are most inclined to manage their budget in such a way as to promote on-going mechanisms of social audit at all levels (Municipal Council, CGE, Civil Society). Again, a good score in this category means practices that ensure transparency; quality and comprehensiveness in the information released; and timely access to each of these documents, always within a legal framework that specifically stipulates the requirements and timetables that define the preparation thereof.

In Table 11, we see the ranking of the municipal governments with regard to the generation and availability of the three most important documents for this phase of the cycle. It is noted that a fair number of the municipal governments in the survey group prepare these documents but they use them as information for internal use or as technical input for other stages of the budget process (for example, the liquidation report which is used to justify the formulation and legitimize the process of discussion/approval of the draft budget). Nonetheless, it must be stressed that in municipal governments like Cuenca, Ibarra, Guayaquil and Quito, not only is this information produced, but it is also distributed through channels of high and medium dissemination (cantonal and parish assemblies, Municipal Council Sessions, web sites, formal requests for information, etc.).

Table 11 Year-End and Audit Reports: Budget Documents and Availability
<table>
<thead>
<tr>
<th>Status / Document</th>
<th>Budget Liquidation</th>
<th>Internal Audit Report</th>
<th>Reports of the Comptroller</th>
</tr>
</thead>
<tbody>
<tr>
<td>Was not produced</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Was produced for internal use</td>
<td>Ambato, Orellana, Esmeraldas,</td>
<td>Ambato, Orellana, Esmeraldas, Guayaquil, Loja,</td>
<td>Esmeraldas, Machala,</td>
</tr>
<tr>
<td></td>
<td>Portoviejo, Quito, San Cristóbal,</td>
<td>Machala, San Cristóbal, Tena,</td>
<td>Tena</td>
</tr>
<tr>
<td></td>
<td>Tena</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Was produced and made available</td>
<td>Machala, Zamora</td>
<td>Cuenca, Portoviejo</td>
<td>Orellana, Loja</td>
</tr>
<tr>
<td>through formal requests</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Was produced and disseminated to the</td>
<td>Cuenca, Guayaquil, Ibarra, Loja</td>
<td>Ibarra, Quito</td>
<td>Ambato, Cuenca, Guayaquil,</td>
</tr>
<tr>
<td>general public</td>
<td></td>
<td></td>
<td>Ibarra, Portoviejo, Qito,</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>San Cristóbal, Zamora</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Index of Budget Transparency in Municipal Governments (2010)

Generally, municipal governments release a financial and economic report of the annual administration of their budget, within the first three months of the following fiscal year. The information included in these documents usually covers how budget resources were executed in terms of the different programs, types of expenditure, sources of financing, among others things. Many times, the municipal governments qualitatively supplement these efforts by releasing Annual Accountability Reports. Nonetheless, the information is, all the same, incomplete, unspecific, particularly with regard to explanations of potential differences between the programmed budget and actual expenditure, increases/decreases in resources during the budget year, the impact and link between the budget and the development goals, the accuracy of the assumptions and original estimates, etc. Only in some cases, are the contents of these reports made available to the public on a periodical and systematic basis.

Moreover, the municipal governments in the survey are used to undergoing internal and external audits conducted by the Office of the Comptroller General of the State (CGE). The effectiveness of work conducted by internal audit units has depended on how institutionalized these offices are within the organizational structure of the municipal governments. In governments like Zamora and Orellana, internal audit departments were just set up not too long ago. In most instances, the scope of their duties in control or oversight of the budget has not yet reached the entire budget and, on the contrary, it has often been limited to specific requests, based on specific evidence of embezzlement of funds. Pretty much the same thing happens with the external audit reports generated by the CGE. Rarely do they address the overall budget but are rather based on specific complaints of alleged corruption.

At the same time, the “selective” nature set forth in the Law regarding the duties of the CGE means that recurring systematic examinations of municipal budget administration are not guaranteed and, furthermore, these examinations are completed approximately one year late (most of the reports of the CGE go back to 2008 and 2009. The public is usually restricted from
access to the internal audit reports, while the external audit reports are made available through channels administered by the municipal government or by the CGE itself. Generally speaking, it must be noted that in the higher scoring municipal governments, there is a tendency for these different forms of control to become consolidated and for follow up to be conducted and the recommendations to be implemented. At the same time, we can confirm the commitment of these governments to increasingly share these results with other bodies such as the members of the committees of the Municipal Council. Lastly, in their management of information these governments evince an effort to offer an increased amount of items for analysis of this final stage of the budget cycle.

II. Conclusions

This document yields the following conclusions:

- The legal and normative reforms undertaken in general and the Code of Planning and Public Finances in particular, have shored up the definitive link between the budgeting processes and planning of national development strategies. At the same time, budget and financial administration of the public sector has sought greater integration, automation and consistency between the units that comprise it in the context of the systems that facilitate and consolidate processes of multi-annual performance-based assessment.

- The Political Constitution of the State lays the groundwork for the establishment of the new territorial organization, which is expected to come with new rules of power between the different levels of government. These constitutional provisions are reflected in the Organic Code of Territorial Organization, Autonomy and Decentralization (COOTAD), which integrates into a single normative body several legal instruments, which regulate each level of government separately. There is no question that the new way in which territory is organized shall reshape the models of political balance between regions, provinces, cantons and parishes and, in so doing, will define the new relationships that the different levels will maintain in fiscal and budget matters.

- The decentralized autonomous governments (GAD) have been consolidating the sharing of revenues and expenditures of the public sector, which is growing significantly over time. The explanation for this would be the transfers that the Central government is carrying out in keeping with the laws of distribution and allocation of resources and has made it possible for GADs to wield more influence over the budget. However, this has given rise to a scenario with few incentives for GADs to generate and expand their own sources of revenue and, on the contrary, has led to greater financial dependence on this exogenous transfer of resources.

- The legal and normative framework that governs the National System of Public Budget does not address in a very comprehensive way the administration of the budgets of the GADs. Because of this, the way in which the bodies of government have interacted heretofore has been limited mainly to the transfer of resources and to specific requests for budget and financial information that the Ministry of Finance requires of the GADs. Even though the COOTAD regulates most of the municipal budget cycle and
the Code of Planning and Public Finances sets forth the mechanisms of budget integration, generation of complementary standards (regulations, decrees, etc.) will be key for the management of public resources to be implemented with a more holistic vision that, without jeopardizing the processes of autonomy and decentralization of the State, promotes greater consistency, responsibility and transparency at the municipal level.

- The documents(outputs that are generated during the budget cycle are associated with an unsystematic production process, incomplete information and limited and untimely access. In fact, most of these documents/outputs are prepared for purely technical purposes; serve as input to conduct each phase of the budget cycle and their use is reserved for internal management of public resources. On some occasions, the information becomes available through formal requests. However, the dissemination thereof poses difficulties inasmuch as little effort is made to disseminate it and the hearings or assemblies where it should be used only receive part of the whole story. All of this has a decisive effect on transparency in municipal budget management.