

**Response to the Draft Revised Public Expenditure and Financial Accountability  
Framework  
Collective Civil Society Submission<sup>1</sup>**

We congratulate the Public Expenditure and Financial Accountability (PEFA) program for publishing the consultative draft of the revised PEFA framework. The revised draft builds on the original one in providing practical recommendations on how governments can improve all aspects of public financial management in a phased manner, from any starting point.

As civil society organizations that have been promoting budget and aid transparency, we are encouraged by the PEFA program's continued recognition of the need for fiscal transparency (especially its coverage in PI-10).

Our work with civil society organizations around the world has shown how citizens can help transform budget data into real improvements in people's lives. For example, in India, Samarthan used budget data as evidence to show that there were leakages and inefficiencies in the government's rural employment program. They tracked the flow of documents (such as demand-for-work applications and attendance musters) from the village level to the district level and the flow of money from the district level to the workers' hands. This information was then used to provide government officials with concrete evidence regarding particular problem areas, which subsequently resulted in improvements in the implementation of the program.

Unfortunately, lack of budget data has limited the ability of civil society organizations from achieving such outcomes in more countries. Four rounds of the [Open Budget Survey](#) have revealed that few governments provide their citizens with access to timely, comprehensive, and accessible budget information. The Surveys have also shown that at the current pace of improvement, it will take at least a generation for the vast majority of countries in the world to achieve significant levels of budget transparency. This could mean a generation of wasted resources and missed opportunities.

In addition to information on budgets, citizens need formal opportunities to be able to contribute their knowledge, concerns, and priorities on budget plans and execution. This can help to improve the quality and effectiveness of budgets. Further, engagement by civil society groups that specialize in government budgets can help strengthen formal oversight institutions, especially in countries in which formal oversight of the budget is weak.

Fiscal transparency is intrinsically linked with aid transparency. Donors play a critical role in providing external assistance to many countries that are subject to PEFA assessments. There is increasing international consensus through such initiatives as the International Aid Transparency Initiative on the need for donors to be transparent and predictable in their aid, and to provide timely and comprehensive information to recipient governments on their planned and executed disbursements.

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<sup>1</sup> See addendum 2 for list of organizations

With these points in mind, we offer four recommendations for strengthening the consultative draft of the revised PEFA framework.

**One, the indicator on fiscal transparency (PI-10) can be further strengthened.** We think that the revisions made to PI-10 are useful but the indicator can be further improved in the following three ways:

- It should specify that the enacted budget should be published “alongside a complete set of supporting documents.” This will help ensure that the information in budget laws is supplemented with additional data that allow for the budget to be comprehensively monitored. This could also be achieved by adding a cross-reference in PI-10 to the definition in PI-6 of what constitutes a complete set of budget documents.
- The timeframe for publishing quarterly in-year budget execution reports should be expanded from one month to two months after the end of the relevant quarter. We think that the production of detailed quarterly reports often takes longer than one month and countries that are not able to publish this document within a month but are able to do so in the following month would be unjustly penalized by a “D” score.
- It should require that a detailed year-end report be published prior to the publication of the audited annual financial report. Year-end reports, if published within six months of the end of the budget year, provide very useful data for monitoring and accountability, and often include information (such as on performance) that will not typically be published in financial reports.

**Two, public access to information should be emphasized across the PEFA framework** and not limited to one indicator (PI-10) from the list of 30 indicators contained in the revised draft framework. The revised draft framework includes a number of indicators on governance issues and operations that have a critical bearing on the effective use of public resources, including extra-budgetary operations (covered in PI-7), inter-governmental transfers (covered in PI-8), contingent liabilities (covered in PI-9ii), budget adjustments (covered in PI-16iv), expenditure arrears (covered in PI-17ii), procurement (covered in PI-19i), performance information including flows to service delivery units and performance evaluations (covered in PI-23), Parliamentary committee meeting reports (covered in PI-28), public investment (covered in PI-PIM), and public assets (covered in PI-PAM). It is important that information on these issues and operations be placed in the public domain and subject to scrutiny. While the indicators for some of these issues and operations include some assessment of the public availability of information related to these matters, the indicators do not treat the public availability of information consistently for all of these matters. It is also important to ensure that the information is made available in open and comparable formats, so budget data can be compared with other datasets in tracking resource flows and tracing their impact and results.

We therefore recommend that a thorough review be conducted of the information the PEFA framework requires to be publicly available to ensure each indicator measures the public availability of information in a complete, consistent and coherent manner and incentivizes the use of open and comparable data formats. This review could include an assessment of whether the current way in which references to transparency are handled is the most effective and clearest way to handle the transparency dimension throughout the revised PEFA framework.

**Three, the draft revised PEFA framework should emphasize the need for public engagement in budgeting as is done by key international fiscal transparency instruments,** including the International Monetary Fund’s new Fiscal Transparency Code, the Organization for Economic Cooperation and Development’s High Level Principles of Budgetary Governance, and the IBP’s Open Budget Survey.

Our experience has been that access to budget information is a key but insufficient condition for empowering citizens and civil society to successfully demand accountability from governments on budget decisions. The draft revised framework seems to acknowledge the need for public participation in reviews of audit reports in legislatures. However, public participation is needed at all stages of the budget process.

Public engagement in budgeting should be measured more comprehensively and encompass all major government stakeholders in the budget process (the executive, legislature, and supreme audit institution). The framework should assess whether the executive (including the ministry of finance and line ministries) has developed mechanisms to enable the public to participate in the formulation of the budget (such as through town hall meetings, focus group discussions, and social media). Similarly, the framework should assess whether the executive has developed mechanisms for public engagement during the budget implementation phase (such as social audits, client surveys, and citizen report cards). The framework should assess whether national legislatures are organizing public hearings during the approval of the budget and providing opportunities for public testimonials on macroeconomic issues as well as the budgets for individual agencies. Such assessments should be in addition to the measure in the revised draft framework that assesses whether the legislature organizes public hearings during its scrutiny of audit reports. Finally, the framework should be expanded to assess whether the supreme audit institution in a country uses appropriate mechanisms to engage citizens in identifying priority areas for audit and in disseminating audit reports (such as through fraud hotlines, citizen audit request systems, and social media).

Given the breadth of issues that encompass public participation in budgeting, we believe these issues can only be adequately addressed in the revised PEFA framework through the creation of a new indicator dedicated to public participation. In the addendum to this report, we provide data from the Open Budget Survey that shows how countries are already engaging with their citizens on budgeting.

**Four, we recommend the retention of the indicators (D-1, D-2 and D-3) on donor practices included in the previous draft of the framework.** Especially for aid-dependent countries, public financial management depends to a large degree on donors’ practices for providing information, and planning and delivering timely disbursements of financial resources, etc. The findings of the first Global Monitoring Report of the Global Partnership for Effective Development Cooperation released in April 2014 emphasize the need for increased cooperation between donors and partner countries in regular exchange of information at country level. By dropping the donor indicators, PEFA will not only send a poor message on mutual accountability but also miss the opportunity to maintain the pressure on both providers and partner countries to reform processes and systems for better data provision and collection. We feel that indicators assessing these issues should be

retained in the final framework. Further, the revised framework conflates aid information in indicator PI-2, which measures the composition of expenditure outturn compared to original approved budget. This will unfairly penalize partner countries in cases where donors are responsible for such deviation. It is important therefore to separate out whether donors are responsible for providing poor information or whether partner countries do not have the systems to manage such information. The data sources for constructing donor indicators should take into account current and forward-looking information being published to the International Aid Transparency Initiative Standard.

In conclusion, we congratulate the PEFA program for making many important revisions to its indicators. We believe that the four suggestions we offer are in line with other international standards and developments on government financial accountability and will not only make the PEFA framework more consistent with these standards and developments but also more relevant to a broader audience.

**ADDENDUM 1**  
**Results from the Open Budget Survey 2012**

**Table 1: Select Indicators on Public Participation in Budgeting**

Indicators/Questions in the Open Budget Survey	"A" (100 out of 100 points)	"B" (67 out of 100 points)	"C" (33 out of 100 points)	"D" (0 out of 100 points)
Question 114. Is the executive formally required to engage with the public during the budget process?	5 countries (Romania, Russia, South Korea, Ukraine, Venezuela)	12 countries (Bosnia and Herzegovina, Botswana, Brazil, Bulgaria, Cameroon, Ghana, Kenya, New Zealand, Philippines, Rwanda, Sierra Leone, Vietnam)	34 countries	49 countries
Question 115. Does the executive clearly, and in a timely manner, articulate its purpose for engaging the public during the budget formulation and execution processes?	3 countries (Philippines, South Korea, United Kingdom)	5 countries (Malawi, New Zealand, Sierra Leone, South Africa, Ukraine)	24 countries	68 countries
Question 116. Has the executive established practical and accessible mechanisms to identify the public's perspective on budget priorities?	4 countries (Malawi, Norway, Sweden, Trinidad and Tobago)	9 countries (Botswana, Brazil, Ghana, New Zealand, Nigeria, Philippines, South Korea, Tunisia, Ukraine)	29 countries	58 countries
Question 117. Has the executive established practical and accessible mechanisms to identify the public's perspective on budget execution?	3 countries (New Zealand, South Korea, Sweden)	4 countries (Dominican Republic, Ghana, Norway, Philippines)	15 countries	78 countries
Question 118. Does the executive provide formal, detailed feedback to the public on how its inputs have been used to develop budget plans and improve budget execution?	None	4 countries (Algeria, New Zealand, South Korea, United Kingdom)	4 countries	92 countries

**Emerging Good Practices on Public Engagement**

## **Botswana**

There is a formal procedural obligation to engage the public during the budget formulation process, in particular through Budget Pitso. See the Minister of Finance's opening address of Budget Pitso at:

<http://www.finance.gov.bw/templates/mfdp/file/File/Opening%20Remarks%20Budget%20Pitso.pdf>. The executive engages the public through the recent Budget Pitsos as well as

the long standing kgotla system. The traditional kgotla (public forum) is well established in Botswana, and though initially headed by the village chief, it is extensively used by Government and/or the executive and other stakeholders on a wide range of issues on which they need to consult the public. Both budget and policy issues are discussed at the kgotla. Everyone is allowed to voice their opinion at the kgotla. Recently, Budget Pitsos are used to identify the public and relevant stakeholders' views on budget issues. See information on and about Budget Pitsos at:

[http://www.finance.gov.bw/index.php?option=com\\_content1&parent\\_id=334&pparent=336&id=375](http://www.finance.gov.bw/index.php?option=com_content1&parent_id=334&pparent=336&id=375)

## **Brazil**

In 2011, the federal government organized consultative meetings among different councils (Fórum Inteconselhos) to discuss the Multi-Year Plan for 2015-2015, a first meeting on May 24-25 discussed the Strategic Dimension (guidelines, principles, challenges, and big thematic programs) of the Draft Multi-Year Plan. However, a completed and detailed document was released by the Ministry of Planning on August 31. According to government, many suggestions from civil society were included in the draft multi-year plan. Nevertheless, its impacts on the budget law need to be evaluated by independent study. See news about it at: [http://www.secom.gov.br/sobre-a-secom/nucleo-de-comunicacao-publica/copy\\_of\\_em-questao-1/edicoes-anteriores/outubro-de-2011/boletim-1390-14.10/ppa-incorpora-96-7-das-propostas-da-sociedade/](http://www.secom.gov.br/sobre-a-secom/nucleo-de-comunicacao-publica/copy_of_em-questao-1/edicoes-anteriores/outubro-de-2011/boletim-1390-14.10/ppa-incorpora-96-7-das-propostas-da-sociedade/)). That is, the real impact of this process (Fórum Interconselhos) on annual budget allocation will need to be confirmed in upcoming years.

## **Ghana**

In 2005, on his own volition, the then Minister of Finance and Economic Planning introduced the idea of inviting the public to submit inputs into the budget process. This has continued and normally takes the form of a newspaper publication calling on citizens to make submissions. In the past, a list of institutions and persons who make such submissions were published as part of the budget statement, but this has since stopped. It is not clear whether this means that no more submissions are made or that the government does not see the need to publish it.

## **Kenya**

The new constitution provides various legal bases for stakeholder public access to information and participation in planning and budgeting processes through Article 35 of the Bills of Rights, and Article 201 (a) under the principles of public finance. The proposed draft organic budget law (PFM Bill) and Treasury Circular recognize legal and formal obligation to provide procedures (through regulation) for public participation in the budget process.

## **New Zealand**

In considering the 2011 BPS, Parliament's Finance and Expenditure Committee publicly called for submissions (with advertisements going into specialized business publications as well as in all the main metropolitan daily newspapers). Submissions closed at the end of January. At its first meeting of the calendar year, the FEC heard oral evidence from public submitters who wished to be heard, and directly following this, heard evidence from the Minister of Finance. It reported to the House within the following two weeks (to meet a 40 working day report deadline). All evidence heard on the BPS is recorded and transcribed, and appended to the final committee report. There is no procedural obligation for the executive or the legislature to invite public submissions. There is, however, a long-standing convention that select committees will hear evidence on things they consider. They have done so, on a wide range of matters, for 25 years or so. The only requirements in relation to select committees and submissions are that:

1. If evidence is heard it will be done in public; and
2. People are given an opportunity to make a written submission before making an oral one.

### **Philippines**

The Aquino Administration has opened-up the budget process to the public, specifically to civil society and other sector and cause-oriented organizations. The government has started the process of having agencies involve civil society organizations in the preparation of their proposed budgets through National Budget Memorandum No. 109. NBM provides the formal requirement for agencies, in the preparation of the 2012 budget. For this pilot budget partnership process, six departments and three government corporations were required to engage civil society organizations. The NBM is a formal policy guideline issued by the DBM, as oversight agency on public expenditure.

### **Romania**

Law on Public Finances 500/2002, Art. 9, provides that public debates on the budget should be held during both the budget formulation and the budget execution processes.

### **Sierra Leone**

Every year, the Ministry of Finance conducts a one-day budget policy hearing and a month of budget discussions in which all departments, ministries, and agencies of government present their budget estimates within the medium term expenditure framework. Part of their budget estimate submission contains information on last year's expenditure as well as details of estimates of requested expenditures. The public audience, in which civil society groups as well as other stakeholders including members of parliament, the academia, and the district budget oversight committee, are invited and critique the submissions. The inputs are then recorded and are expected to influence the final figure of estimates allocated to the various line agencies of government.

### **South Korea**

There is an official requirement for the Ministry of Strategy and Finance to engage with the public during the budget formulation process by organizing an Advisory Council on Fiscal Policy, which is composed of public officials from central and local governments and civil experts. Civil experts are mainly professionals or from academia and civic groups. During the budget execution process, there is a reward system in place for a person who files with the Ministry of Strategy and Finance a report on illegal, wasteful use or misappropriation of

the budget by government employees. There is also a standing proposition system in the Ministry of Strategy and Finance. Anyone may file a suggestion to the Ministry on any policy issue, including budget matters, at any time. The Ministry has a duty to respond to this suggestion.



## ADDENDUM 2

### LIST OF CIVIL SOCIETY ORGANIZATIONS THAT ENDORSE THIS SUBMISSION

Albania: Albanian Socio Economic Think Tank/ University of Tirana  
Algeria: Association de Finances Publiques  
Armenia: Transparency Armenia  
Bangladesh: Centre on Budget and Policy  
Benin: Social Watch  
Brazil: Instituto de Estudos Socioeconômicos  
Burkina Faso: Center for Democratic Governance  
Cambodia: The NGO Forum on Cambodia  
Cameroon: Budget Information Centre  
Chad: Groupe de Recherches Alternatives et de Monitoring du Projet Pétrole Tchad-Cameroun  
Colombia: Grupo de Investigación de Ciudadanía y Finanzas Publicas  
Democratic Republic of Congo: Réseau Gouvernance Economique et Démocratie  
Ecuador: Fundación para el Avance de las Reformas y las Oportunidades  
Egypt: Egyptian Center for Economic and Social Rights  
El Salvador: Fundación Nacional para el Desarrollo  
Equatorial Guinea: Sensacion Joven del Futuro  
France: Association pour la Fondation Internationale de Finances Publiques  
Ghana: SEND-Ghana  
Guatemala: Centro Internacional para Investigaciones en Derechos Humanos  
Hungary: Költségvetési Felelősségi Intézet Budapest  
India: Centre for Budget and Governance Accountability  
Iraq: Iraq Institute for Economic Reform  
Kyrgyz Republic: Precedent Partner Group  
Macedonia: Center for Economic Analysis  
Malawi: Malawi Economic Justice Network  
Mali: Groupe de Recherche en Économie Appliquée et Théorique  
Malaysia: Institute for Democracy and Economic Affairs  
Myanmar: Spectrum  
Namibia: Institute for Public Policy Research  
New Zealand: Jonathan Dunn  
Niger: Alternative Spaces  
Nigeria: Civil Resource Development and Documentation Centre  
Peru: Ciudadanos al Día  
Portugal: Institute of Public Policy Thomas Jefferson Correia da Serra – Associação  
Qatar: Dr. Ashraf Galal Bayoumy  
Romania: Afrodita Popa  
Senegal: Groupe d'Etude de Recherche et d'Appui au Développement  
Serbia: Transparency Serbia  
Sierra Leone: Budget Advocacy Network  
South Korea: Keakook Song  
Sri Lanka: Verite Research  
Sudan: Regional Centre for Training and Development Civil Society  
Ukraine: Center for Political Studies and Analysis

United Kingdom: Joachim Wehner, London School of Economics  
Venezuela: Transparency Venezuela  
Vietnam: Center for Development and Integration

### **International Organizations**

Publish What You Fund  
International Budget Partnership