

As subnational governments' responsibility for resource allocation and service provision has increased, so has the importance of transparency, participation, and accountability at this level. Recognizing this, as well as the scarcity of academic and policy literature on the subject, the International Budget Partnership's (IBP) Open Budget Initiative commissioned 10 pilot studies on the subject. The studies were carried out by the IBP's partners in Argentina, Brazil, Bolivia, China, Croatia, Ecuador, India, Mali, Mongolia, and Peru. In contrast to the methodology developed by the IBP for its Open Budget Survey (the IBP's biennial assessment of transparency in national government budgets), the methodologies for these subnational studies were developed by the organizations that implemented the studies.

For more information on the International Budget Partnership or the Open Budget Initiative, contact [info@internationalbudget.org](mailto:info@internationalbudget.org) or visit [www.internationalbudget.org](http://www.internationalbudget.org).

## Measuring Subnational Budget Transparency, Participation, and Accountability: Mongolia

Research conducted by the Open Society Forum Mongolia

### Background

The issue of fiscal decentralization has been under debate for decades in Mongolia. The government's highly centralized fiscal management makes public participation difficult and gives little budgetary authority to local governments, which provide important services like health care and education. However, there has been a rapid growth of the mining sector, resulting in additional revenues for provincial governments and more attention to the importance of transparency and accountability for the management of these resources at the subnational level. In response, from April 2010 to April 2011 a civil society organization, the Open Society Forum (OSF) Mongolia, investigated the mechanisms in place for citizens to demand from local governments improved quality and efficiency in budget processes and execution. This is the first independent assessment of local government budgets in Mongolia, and it allows citizens to track local government priorities and monitor specific spending programs and projects in the country's 21 provinces, or *aimags*, and the capital, Ulaanbaatar.<sup>1</sup>

### Methodology

To assess subnational budget transparency, OSF Mongolia developed a questionnaire and formed teams of independent researchers (they were not associated with any governmental or elected body) to complete the survey for each *aimag*. Researchers were drawn from independent civil society organizations that belong to the Citizens' Budget Network. The questionnaire was divided into two parts: 1) two tables for comparing the public availability of 10 key budget documents, and 2) 60 questions on a wide range of budget-related topics.<sup>2</sup> Budget documents were identified as freely available, available on request, for official use only, or not produced. Freely available documents include documents posted online, in public libraries, at information and Internet centers, or in administration offices. The second part of the questionnaire measured three specific aspects of budget transparency:

1. the legal requirements for budget transparency (questions 1-11);
2. the detail and quality of key budget documents (questions 12-48); and

<sup>1</sup> For the purposes of this paper, Ulaanbaatar will be referred to with Mongolia's 21 provinces as the 22nd province.

<sup>2</sup> The budget framework proposal, the plan of activities and initial budget proposal, the Budget Proposal, the Enacted Budget, the summary Citizens Budget, budget amendments, Monthly Reports, Quarterly Reports, Annual Reports, and Audit Reports.

- opportunities for public participation in budget processes (questions 49-60).

Each section of the questionnaire produces its own individual score. Score 1 (30 percent of total score) is based on public availability of budget reports. Score 2 (70 percent of total score) is based on legal provisions on transparency, comprehensiveness of publicly available budget reports, and opportunities for public participation in budgeting. The two scores are then combined to create the total score out of a total of 100 points.

## Key Findings

The study finds that the level of subnational transparency throughout Mongolia is generally rather poor. There is much variance among the provinces, but an average score of 33 out of 100 for all of the 22 provinces clearly shows substantial room for improvement. The average for Score 1 is 42 and the average Score 2 is 30. Enacted Budgets were found to be the most publically accessible of the key budget documents evaluated in the study. In addition to the scores for individual provinces, OSF Mongolia combined the data on the availability of budget documents from all 22 *aimags* to show that out of the over 220 budget documents studied, 22 percent are freely available, 39 percent are available on request, 27 percent for official use only, and 12 percent either not produced or found. This shows that provinces can easily increase their level of transparency by making the documents that they already produce freely available, simply by posting it on the local government's website.

In looking at the disclosure of the various documents, OSF Mongolia finds that Enacted Budgets are available in 13 out of the 22 local governments studies. On the other hand, Monthly, Quarterly, and Annual Budget Reports are either not produced or made publically available in several provinces; and without access to these budget execution documents, there is little room for oversight by civil society or citizens on how the budget is actually spent. There is also wide variation in the documents published by the different provinces, showing that the local governments, indicating a need for local elected bodies, known as Citizens' Representative Hurals,

and provincial governors to be more proactive in ensuring the disclosure of budget information.

With regard to the comprehensiveness, accessibility, and timeliness of the key budget documents there are both positive and negative findings, again with much disparity among provinces. The survey results show that with regard to Budget Proposals there are important details missing from these documents, as well as a need to improve submission, discussion, and approval processes. In 16 out of 22 *aimags*, local executives submit the Budget Proposal to the local legislative body with less than one week before it is to be enacted, which is inadequate for thorough legislative scrutiny or public debate. And, while 18 of the 22 provinces disaggregate information on proposed expenditures by economic and agency classifications, little to no details on revenues from dominant sectors, like mining and agriculture, are made available. Seven *aimags* include budget transparency as a policy priority in the governor's multi-year action plan. While this is promising, most of the Budget Proposals released to the public were found to be written in very technical language, though eight provinces do include graphics or pictures to make this document more widely accessible.

With regard to the openness of the budget process, though there is room for improvement, several provinces do provide some opportunities for public participation. Four *aimags* have open-door events specifically to discuss budget information, and another 10 have more general discussions on local government activities, which may include the budget. In 13 provinces, citizens are allowed to observe the Hurals through TV and radio programs or in person; and seven *aimags* accept suggestions or proposals from citizens for the future budgets. One province, Zavhan, is unique in that the local government actually consults with the public regarding the Budget Proposal before it is sent to the Representative Hurals. In 15 provinces media coverage of budget processes and issues was found to be surprisingly extensive, with significant time allotted and detailed coverage. One of the most effective ways to create a more open budget process is to freely publish budget information on government websites. Unfortunately, only Ulaanbaatar and the Selenge province were found to have up-to-

date budget information posted on their websites, and most other provinces' websites have either outdated or very minimal budget information posted, or none at all. Three provinces, Uvs, Dundgovi, and Orhon, do not even have websites.

## Dissemination

This study of budget transparency at the provincial level in Mongolia is the first of its kind, and OSF Mongolia has begun to disseminate the results to the public. It will hold a press conference with the key researchers presenting the details of the study and the results of the level of provincial budget transparency. A number of government officials from the Ministry of Finance

and the Representative Hural, as well as civil society and the media, will be invited to a public presentation of the results. OSF Mongolia also will publish a policy brochure with the key findings in order to provide recommendations in a related parliamentary draft law. Also, all of the results from this project will be made available to local governments in print form and online. In order to continue holding subnational government accountable and raising the issue of budget transparency, OSF Mongolia plans to repeat this transparency ranking exercise again in two years to measure progress. For more information on the study, contact Dorjdari Namkhajantsan at [dorjdari@forum.mn](mailto:dorjdari@forum.mn).

## Recommendations

Given the findings from OSF Mongolia's provincial budget transparency study, a number of recommendations have been put forth for the local governments:

- Central governments and regulatory agencies should enforce more uniform practices by local governments in terms of budget documentation, preparation, and disclosure.
- Local governments should disclose budget information more proactively. The timely disclosure of 10 key budget documents should be mandatory, and governments should use the Internet, public libraries, information boards, and other instruments to make them as widely available as possible. Key budget planning documents should also be disclosed in draft form well in advance of final approval, allowing local assemblies and citizens to scrutinize the drafts and provide constructive input.
- Local governments should study the experiences of other *aimags* and implement the best practices.
- Citizens and civil society organizations need to keep pressure on the local governments to allow active participation in budget formulation, execution, and monitoring processes through regular surveys, formal information requests, and monitoring of budget documents and spending.
- Parliament should consider revamping existing budget legislation so that local governments are bound by concrete requirements to disclose information to the public in a comprehensive, timely, and proactive manner, making it part of the local government culture.

Figure 1. Overall Budget Transparency Ranking and Scores Received by Local Governments

Ranking	Aimags	Score 1	Score 2	Total Score
1	Ulaanbaatar	80	40.3	52.2
2	Arhangai	60	38.5	45.0
3	Hovd	50	42.7	44.9
4	Selenge	55	37.3	42.6
5	Bulgan	60	34.5	42.2
6	Uvs	35	43.0	40.6
7	Dornogovi	45	37.5	39.8
8	Tuv	50	33.5	38.5
9	Dornod	45	33.0	36.6
10	Huvsgul	45	32.8	36.5
11	Zavhan	40	32.5	34.8
12	Govisumber	55	25.2	34.1
13	Uvurhangai	55	25.2	34.1
14	Suhbaatar	50	24.8	32.4
15	Bayanhongor	55	20.2	30.6
16	Govi-Altai	20	31.2	27.8
17	Umnugovi	25	27.5	26.8
18	Hentii	25	22.7	23.4
19	Darhan-Uul	25	22.3	23.1
20	Bayan-Ulgii	20	23.2	22.2
21	Orhon	10	17.8	15.5
22	Dundgovi	10	6.0	7.2
<b>Average Score</b>		41.6	29.6	33.2