

## SUBNATIONAL OPEN BUDGET SURVEY METHODOLOGY

### **1. Overview**

Addressing the increasing demand for budget transparency at subnational level, the IBP has developed a set of tools, which might be used by CSOs in different countries to assess the level of budget transparency at levels below national governments.

The Subnational Open Budget Survey (SN OBS) is based on a detailed questionnaire, which *draws upon the Open Budget Survey designed for the national level*. It is intended to collect a comparative dataset on the public availability of budget information and on the extent of budget accountability practices and citizen participation at subnational level. The questionnaire guides civil society researchers through each of the four stages of the budget process, assisting them in evaluating the information that should be made available to the public. It also includes questions on Intergovernmental Transfers, Procurement and Service Delivery, aimed at assessing the availability of information on the specific mandates of subnational governments.

### **2. Objectives of the Subnational Open Budget Survey**

The Subnational Open Budget Survey (SN OBS) shares the goals of the international Open Budget Initiative to promote public access to budget information and the adoption of accountable budget systems. Specifically, it aims to take the analysis of these issues to the subnational level, where responsibility for delivery of public services is generally located and where the opportunities for participation by citizens in budgetary processes are often more widespread. It will pursue these goals through the use of a questionnaire that has four specific objectives:

- To assess the timely availability of budgetary information to citizens at the subnational level;
- To assess the clarity and relevance of the information included in the main budgetary reports available to citizens at the subnational level;
- To assess the quality of the mechanisms utilised for disseminating budgetary information to citizens; and
- To assess the quality of the channels established for citizen participation in the review and oversight of budgetary documents.

The primary focus is on the four budgetary reports, which should be the main vehicles for communication of information to citizens at different stages of the budget cycle. These are:

- (i) the Executive's Budget Proposal (EBP);
- (ii) the Enacted Budget (EB) – that is the Budget as approved by the relevant Legislative body;
- (iii) the Year-End Report (YER); and
- (iv) the external Audit Report on final accounts.

Questions address the availability of these documents, the timeliness of their publication, the mechanisms for their dissemination, the types of information which they contain – including information on inter-governmental transfers, and the quality of the channels for citizen input into the budget process, also considering whether a Citizens' Budget exists and what is its content. In order to deepen understanding of the information surrounding service delivery and procurement, the availability of information on these processes is also examined.

**The focus of the Subnational Open Budget Survey is on budget transparency and on the existence of channels for citizen participation in the budget process.** The questionnaire is not intended to evaluate the quality or credibility of information that a subnational government might provide. For example, the questions do not evaluate whether information is correct or whether specific information on government expenditures, revenues, or debt may have been illicitly omitted or withheld. Nor do the questions evaluate the credibility of the economic assumptions underlying budget estimates. Similarly, there is no attempt to examine the appropriateness of the spending decisions reflected in the budgetary documents of the SN governments, in terms of their fiscal prudence or their allocative efficiency. These are all legitimate areas of concern to citizens around the world but they demand a more detailed analysis than can be provided through a standardised questionnaire.

### ***3. Applicability to Different Subnational Governments***

It is intended that the Subnational Open Budget Survey should be applicable to as many different types of subnational government as possible. It can be applied to both appointed and elected governments and to SN governments at the intermediate level (such as State or Regional Governments) and at the lower tiers of government (such as municipalities, or Local Governments). Although it is more applicable to SN governments with a relatively substantial set of competences – including responsibilities for service delivery, it can be applied equally to small and large subnational governments. The intention is that it should provide a tool-kit for use by any Civil Society Organisation anywhere in the world with concerns about the transparency and accountability of their subnational governments.

Having first been developed as a set of two prototype questionnaires intended for the intermediate and lower levels of subnational governments, the feedback received on the initial prototypes has guided the designers of the SN OBS to rely on a single

questionnaire, which could be applied across all settings and contexts. Where specific questions are found not to be valid or appropriate due to differences in the structure of SN competences or legal frameworks, questions within the questionnaire may be marked “not applicable”. In this way, they are excluded from the overall budget transparency score (within the Subnational Open Budget Index, discussed below) for that particular SN government.

#### **4. The Structure of the SN OBS Questionnaire**

##### **SUBNATIONAL OPEN BUDGET SURVEY QUESTIONNAIRE**

###### **Section One: The Availability of Budget Documents**

Table 1. Details of Budget Documents Utilised and their availability

Table 2. Supplementary Budget Documents Utilised and their availability

Table 3. Summary of Means of Dissemination for Main Budget Documents

Table 4. Languages in which Main Budget Documents are made available

###### **Section Two: The Budget Formulation process**

2.1. Availability & Dissemination of the Executive’s Budget Proposal (EBP)

- Extent of availability, timeliness & dissemination of the EBP
- Inputs by the Public into the Budget Formulation Process

2.2. Content of the Executive’s Budget Proposal

- Details of Intergovernmental Transfers
- Estimates for the Budget Year and Beyond
- Estimates for Years Prior to the Budget Year
- Complementary information on assets and liabilities
- The Budget Narrative & Performance Targeting

###### **Section Three: The Budget Execution process**

3.1. Approval of the Enacted Budget

- Availability, timeliness & dissemination of the Enacted Budget

3.2. The Content of the Enacted Budget

- Details of Intergovernmental Transfers in the Enacted Budget
- Enacted Budget: Estimates for the Budget Year and Beyond
- Enacted Budget: Complementary information on assets and liabilities
- The Budget Narrative & Performance targeting in the Enacted Budget

3.3. The Citizens’ Budget

3.4 The Procurement System

###### **Section Four: Budget reporting and Oversight**

4.1. Service Delivery Oversight

- Information on services delivered by SN Government
- Information on conditions of entitlement to services
- Information on avenues for citizen participation
- Access to budget information for the service facility level

4.2. Year-End Reporting

- Year End Report: Availability, timeliness, dissemination & citizen input
- Content of the Year-End Report
- Intergovernmental Transfers in the Year-End Report

4.3. Audit Phase

- Availability and dissemination of external Audit Reports
- Regularity and coverage of Audit reports
- Public engagement in the scrutiny of external Audit reports

The questionnaire consists of four tables and 79 multiple-choice questions, grouped into four sections, as shown in the text box above:

- Section One, “the availability of budget documents”, comprising four tables which are used to record which documents have been used for the survey, their respective locations and characteristics, and their relative availability to the public;
- Section Two, “the Budget Formulation process”, comprising 29 questions;
- Section Three, “the Budget Execution process”, comprising 28 questions; and
- Section Four, “Budget reporting and Oversight,” comprising 22 questions.

The questions are concerned with what occurs in practice, rather than the requirements that may exist in law. Therefore, the purpose is not to assess the quality of the legal framework for decentralised entities, but rather to assess the current practices in relation to the publication of information, and the mechanisms of public participation in the budgetary process.

All of the questions are constructed so as to capture easily observable phenomena. Accordingly, researchers completing the questionnaires are asked to provide evidence for their responses. In most cases, the evidence takes the form of a reference to a budget document, or another public document. In a small number of cases – such as questions on participation processes and dissemination mechanisms, reference might be made to a law or regulation, as well as to a supporting public statement by a government official or other knowledgeable party, who can confirm the actual practice. The detailed Explanatory Notes in the questionnaire provide guidance on the sources of evidence.

## ***5. The Scoring Method for the Subnational Open Budget Survey***

Most of the questions in the Subnational Open Budget Questionnaire require the researcher to choose among five responses. Responses “a” or “b” describe a situation or condition that represents good practice regarding the subject matter of the question. The responses “c” or “d” correspond to practices that are considered poor. An “a” response indicates that a standard is fully met, while a “d” response indicates that a standard is not met at all. The fifth response is “e,” or not applicable.

For the purposes of aggregating the responses, the numeric score of 3 is awarded for an “a” response, 2 for a “b”, 1 for a “c”, and zero for a “d.” The “e” response (“not applicable”) would cause the question not to be included in the aggregation process, and in the calculation of the percentage of the maximum potential score.

Some questions have three possible responses: “a,” “b,” or “c” (not applicable). For these questions, a score of 3 would be awarded for the “a” response, and zero for the “b” response. The “c” response (“not applicable”) would again cause the question not to be included in the aggregation process, and in the calculation of the percentage of the maximum potential score.

The maximum potential score would be the number of applicable questions multiplied by 3. The score within the Subnational Open Budget Index (SN OBI) would be the total score expressed as a percentage of the maximum potential score.

## **6. *The Subnational Open Budget Index (SN-OBI)***

The National Open Budget Index (OBI) assigns each country completing the Open Budget Survey a score based on the average of the answers provided to the survey questions judged applicable. Over time, as larger numbers of subnational governments complete the SN OBS, it is intended to construct a Subnational Open Budget Index, which would permit the level of budget transparency of subnational governments around the world to be compared.

With one questionnaire being applied, it would be possible to include all SN governments in the same index. However, in order to ensure a higher level of comparability between potentially very different types of SN governments, the CSOs undertaking Subnational Open Budget surveys will be asked, firstly, to estimate the total population of each SN government (drawing on the most recent official statistics) and secondly to classify the SN governments into two broad categories:

**A: Subnational Governments at Provincial/Regional/or State Level:** appointed or elected governments operating at the intermediate level - below the Central Government, but including within their territory some additional SN governments at a lower level (e.g. municipalities, districts).

**B: Municipal, Local or District Governments:** appointed or elected governments comprising the lowest level of administration in the country, or in larger countries, such as Indonesia, India, and China with 4 tiers of government, the second lowest level of public administration. These SN governments would not normally include within their territory any smaller elected government. SN Governments at this level are likely to differ substantially in size, including both large cities with populations in excess of a million people and much smaller, predominantly rural, municipalities. Using the estimated population sizes of the SN governments surveyed, it should be possible over the medium term to create two sub-indices within this category for SN governments with populations respectively more than and less than 1 million.

Thus, over time the intention would be to establish three categories of Subnational Open Budget Index, covering A) Provincial/ Regional or State level governments; B1) Large Municipal, Local or District Governments with a population in excess of 1 million; and B2) Small Municipal, Local or District Governments with a population less than 1 million.

The scoring methodology would be the same as that followed for the national Open Budget Index. This is based upon deriving a numerical score for each questionnaire answer, summing the total scores, dividing them by the highest potential score and expressing that result as a percentage of the maximum potential score.

## ***7. The Potential for Developing Country Level SN OBI Scores***

The 3 sub-indices of the SN OBI would allow for a direct international comparison of the levels of budget transparency of different SN governments, rather than a comparison of different nations. Thus, one index would compare, for example, the budget transparency of the State of Andhra Pradesh (in India) with the Government of Minas Gerais (in Brazil); another, that of the cities of Dar es Salaam, Rio da Janeiro and Jakarta; and, a third, that of the municipality of Morogoro (in Tanzania), of Jinja (in Uganda) and South Oxfordshire District Council (in the UK).

By establishing the indices in this way, the need for complicated rules by which to derive the “average” level of subnational transparency within a single country is avoided. Moreover, this would also allow small SN Open Budget surveys, covering only one, two or three SN governments in a particular country to be undertaken and to generate results, which would provide for useful international comparisons and would facilitate the faster expansion of coverage of the SN OBS. It would also encourage healthy competition across international borders, taking advantage of the increasing inter-connectedness of Civil Society Organisations around the world.

Nevertheless, it is likely that some CSOs would want to generate some sort of national SN OBI average, in addition to ranking the results of different SN governments against the international scores on the SN OBI. In such cases, it would be necessary to survey a sample of SN governments at the same level (i.e., State/Provincial/Regional governments or Municipalities/ Local governments) and to construct a national average from the chosen sample. Even if no “average” is actually constructed, CSOs may want to ensure coverage of a representative national sample of SN governments. How big should the samples be and how should they be selected?

The number of sample units to be covered would be influenced by factors such as logistics, funding and time. Hence, while ideally one would select a statistically representative sample, often this would not be feasible within the budget and time frame available. Nevertheless, country samples at each level should aim to fulfil three criteria: to be a) geographically balanced, b) sensitive to variations in socio economic conditions, and c) relevant in number.

**a) Geographically Balanced:** In many countries, internal regional differences are of great importance. Therefore, the principal geographical regions should be represented in the sample, in order to cover an adequate range of the country’s different contexts.

**b) Socio Economically Sensitive:** all socio economic groups with a reasonable weight in the total country population should be represented. In countries where socio-economic differences are geographically distributed, the sample should cover an adequate range of regions to ensure that all major socio economic groups are adequately covered.

**c) Relevant in number:** Where a statistically representative sample is desired, the entities running subnational surveys are advised to seek the advice of a professional

statistician regarding the sample size. The primary concern in the choice of sample size is to keep the Statistical Error within acceptable bounds. The Statistical Error is calculated by the Standard Deviation of the sample divided by the square root of the sample size. A key point to note is that statistically the proportion of the overall population is remarkably unimportant: it is the size of the sample itself, which is important - that is the sheer amount of information available. Thus, as a rule of thumb a sample size of 25-36 is recommended, meaning that the Standard Error would be between  $1/5^{\text{th}}$  and  $1/6^{\text{th}}$  of the standard deviation of the sample.

For many organisations, such a sample size would itself fall outside the likely limitations of time and budgets. How then can one proceed? A first and important point is that, in general, attitudes towards the dissemination and publication of national and subnational budgetary information are largely determined by national legislation and by norms of behaviour, which tend to pervade the whole public administration system of the country. Expressed in statistical terms, what this means is that the standard deviation in the transparency of the budget across subnational entities in any one country is likely to be small.

Secondly, by deliberately choosing SN entities with different geographical and socio-economic characteristics, the standard deviation of the sample becomes more likely to be close to the standard deviation of the overall population. In such a situation, a small sample size becomes more easily justifiable.

Taking together the implications of these different observations, we would provide the following basic rules of thumb by way of guidance:

- The selection of sample SN governments should always be chosen so as to be representative of the main geographical and socio-economic variations to be found amongst the SN governments in the relevant category.
- In most cases, a sample of between 25-36 entities is likely to be sufficient.
- Where this is not possible, a minimum of nine entities should be surveyed (which would mean that the Standard Error would be  $1/3^{\text{rd}}$  of the standard deviation of the sample.)
- Where the number of entities in the relevant category is 9 or less, then all of them should be surveyed.

## **8. The Research Process**

The Subnational Open Budget Survey has been designed specifically for use by locally based Civil Society Organisations, involved in research and advocacy work on budget transparency. In addition to their familiarity with budgetary and public finance issues, and broader issues of transparency and citizen participation, it is assumed that these CSOs would have prior experience of managing surveys as well as a specific knowledge of the lower levels of government within their countries of operation. In the event of deficiencies in either of these areas, it would probably be advisable to team up with other organisations with these specific skills, for example with academic or research

institutions regularly engaged in survey work and/ or with partner civil society organisations working at the subnational level.

**Undertaking the Subnational Open Budget Survey presents significant challenges, for which CSOs need to be well prepared.** These arise in particular from the need to provide guidance specific to the local context so as to ensure that researchers apply the SNOBS questionnaire appropriately. For example, the notion of the “Executive” is likely to be interpreted in various ways in different subnational governments around the world, just as the “Budget Approving Body” will be different. Similarly, the precise names of documents will vary and it may not be self-evident to a researcher exactly what constitutes, for example, the “Year End Report” at the subnational level. Where the SNOBS questionnaire and its extensive explanatory notes also require to be translated from English into other languages, these difficulties will be compounded and extra care will need to be taken to ensure that translations are accurate.

**For all these reasons, it is estimated that the time required to undertake the Subnational Open Budget Survey is likely to be between 7 and 10 months.** This will be divided between three phases as outlined below and illustrated in Figure 1:

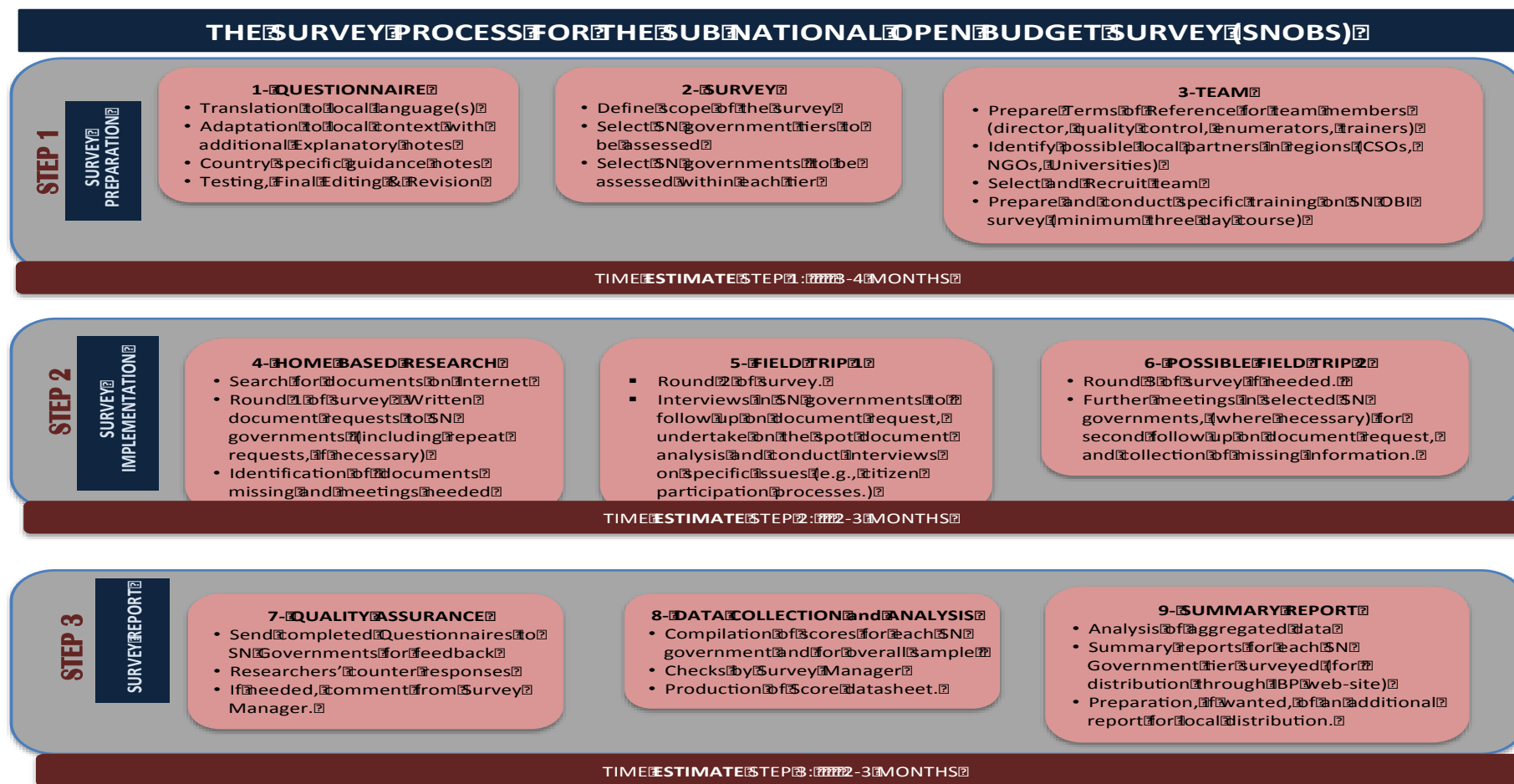
- **Preparation** (3-4 months) – translation of questionnaire and explanatory notes (where relevant), preparation of additional country specific guidance notes, selection and training of researchers, selection of SN governments to be surveyed and preparation of logistical arrangements;
- **Survey implementation** (2-3 months) – undertaking of surveys by individual researchers and recording of documentary evidence to support results, including a data collection process structured in 2 or 3 rounds;
- **Survey report** (2-3 months) – quality assurance by coordinating CSO, including a request for comments by SN Governments, undertaking of amendments and/ or preparation of explanatory comments by researchers; compilation of SN OBI score for each surveyed SN Government, derivation of national averages (where relevant) and preparation of summary report in English for international distribution, as well as potentially a second more customised report for local distribution in the national language.

Researchers are required to provide evidence for their responses, such as references to the relevant parts of budget documents, citations of laws or regulations; or quotations from interviews with local government officials, legislators, or SN citizens. The recording of these evidence sources is an essential part of the survey process.

Regarding the peer review process, the Subnational OBS differs from the National OBS. Due to financing constraints, IBP is unable to have a role in quality control. Therefore, the Survey Managers within the CSOs conducting the survey should implement the peer review process. As part of this, subnational governments should be invited to provide their comments on the first draft of the completed questionnaires. These government comments, as well as the relevant counter-responses by the researchers and the related comments of the Survey Manager, should be retained in the final published version of the completed questionnaires.



Figure 1 Overview of the Survey process for the Subnational Open Budget Survey



## 9. The Definition of “Publicly Available” Information

This section of the Methodology provides guidance on how to define whether a Budget Document is available or not.

**A budget document is considered publicly available when any and all members of the public can review in detail a copy of the document either by accessing it on the Internet, by consulting a copy of the document in a library, reference centre or other public place, or by receiving a copy of the document upon request to the public authority that issues the document.**

For the purposes of the questionnaire, the extent of availability of budget documents is classified utilising the following four categories:

- a) The document is produced and freely available to the public (i.e. posted on the Internet, or available for consultation by the public in a library, reference centre or other public place).
- b) The document is produced and made available upon request, within the timeframe and conditions specified in the Public Accessibility Framework for the SN OBS. (See below).
- c) The document is produced for internal purposes but not made available to the public.
- d) The document is not produced, even for internal purposes.

For purposes of responding to the questions in Sections 2-4 of the Questionnaire, a document is considered “publicly available” only if categories “a” or “b” above apply.

However, it is often the case that budget documents, which are stated by subnational governments to be available upon request, are in fact only available after a long delay or only for a prohibitively high cost. **The SN OBS Methodology therefore includes a “Public Accessibility Framework”,** which covers in detail these and other such eventualities. It comprises a three step process, which is presented below.

### SN OBS PUBLIC ACCESSIBILITY FRAMEWORK

Ideally, all relevant budget documents would be accessed via Internet sources, where users would be allowed to download full versions of the relevant documents in a machine readable format. However, Internet access is still quite limited in some countries and regions, and therefore citizens would need to request copies of the documents from public institutions. Therefore, SN OBS survey researchers would also have to obtain documents through the same channels, i.e through a written request to the SN governments being surveyed.

In this process, some limits need to be established to ensure that these requests are addressed in a timely manner, without excessive bureaucratic burdens that could inhibit access to these public documents. The pilot studies for the SN OBS suggest that the following questions need to be properly answered:

1. Once the document is appropriately requested, how long should users wait until a budget document is provided?
2. How many institutions should petitioners be referred to before considering the document as not available?
3. How many times may a document request be rejected due to bureaucratic formalities? (The need for specific signatures or the use of formal application forms or any other bureaucratic procedure.)
4. What fees/costs should be considered acceptable when accessing a document?

This methodology provides a framework that sets limits to these questions in order to ensure a homogeneous definition of Public Availability of budget documents. It consists of the following three steps:

**Step 1:** A search is made for the required Budget documents in official government Web Pages. Documents have to be not only uploaded but also downloadable. If not downloadable, documents are considered not available through the web, so researchers should make a formal request to the relevant SN government institutions for their provision (step 2).

**Step 2:** Budget documents are not available on the web, so researchers need to request a copy from the relevant SN Government institutions. A number of issues need to be borne in mind in undertaking this step:

- This should be a formal written request from the individual researcher, announcing him or herself as “a researcher undertaking analysis on budget issues at the subnational level.” (Thus, researchers should not announce that they are undertaking a formal survey but they should reveal that they are researchers rather than just “ordinary citizens”, which would in most cases not appear plausible and would therefore raise suspicions.)
- Separate requests should be made for each of the seven documents required for the survey, namely: the Executive’s Budget Proposal (EBP), the Enacted Budget (EB), the Citizens’ Budget (CB), the Year End Report (YER), the Audit Report on Final Accounts (AR), Individual Agency Audit Reports (IAAR), and the Annual Procurement Plan (APP). [Details on each of these documents are included in the Explanatory Notes to the Questionnaire at the beginning of sections 2.1, 3.1, 3.1, 3.4, 4.2 and 4.3 respectively.] The precise names of these documents will differ from country to country as also will the names of the SN institutions responsible for their production and dissemination. By issuing separate requests for each document, it should be possible to target more carefully the precise institutions responsible and also to follow the “paper trail” for each document request more carefully.
- Each document should be requested both by e-mail and by letter, with a cross-reference between the two requests. The recipient SN institutions should be asked to confirm receipt, and letters should be by delivered by hand (against a stamp or a signature or some form of verification of receipt) or by registered

delivery or an equivalent method, which would require the letter to be signed for upon receipt.

- It may take researchers some time to find the appropriate institution that has the competence or mandate to provide the document in question. In order to avoid endless referrals, the framework allows a maximum of two referrals before considering the document as not available to the public.

**Step 3:** Once users have finally been referred to the appropriate institution, a series of formal requirements may be demanded in order to access the document (a signature from the institution leading the research, a specific application form, or any other kind of bureaucratic procedure). Requests may only be refused twice (provided users are complying with the formal procedures). If petitioners have fulfilled the right procedures and requirements and are asked for further requirements not conveyed beforehand, the document should be considered as not available to the public.

The **maximum time lapse** between the first formal written request for each of the seven documents and the receipt of the actual documents is **ONE MONTH**.

**NB:** a document is not considered available to the public if:

- The document is only a summary of the full document
- Only parts of the documents are available but not the full version

Concerning the **document cost**: As a general principle, the cost should never be higher than the estimated cost of a photocopy of the document at an average price within the local market. Secondly, the pricing formula for providing documents to the public should itself be available to the public (e.g., through a note on the counter/ desk, or through a circular instruction shown to the researchers), so it should not be priced upon the discretion of the specific individual or institution concerned. Even within these rules, it should be noted that pricing a large budget document at cost may still prove relatively expensive (e.g. US \$ 0.50 per page.)

Figure 2 Overview of SN OBS Public Accessibility Framework

