

**UNIVERSITAT
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THE CURRENT STATE AND DEVELOPMENT OF BUDGET TRANSPARENCY

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The state of budget transparency at a global level is not satisfactory, according to the results of the Open Budget Survey 2012. It found that the average of the 100 countries surveyed is 43 out of 100. Studies show that there have been improvements in recent years, but that progress is very slow. Public participation in the budget process in most countries is scarce, while legislatures and Supreme Audit Institutions (SAIs) are generally strong, but sometimes suffer from deficiencies or limitations in their tasks. International organizations have developed codes of good practice for transparency and various studies have shown it benefits budget transparency in countries. Thanks to these, there has been a global consensus to promote budget transparency and improve governance, participation of civil society and economic development.

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THE CURRENT STATE AND DEVELOPMENT OF BUDGET TRANSPARENCY

1. Introduction

These days the term transparency has become very fashionable. It's one of those words that you hear every day in the media and, above all, from our politicians, whose mouths are filled with the phrase when appointed. The term is used to refer to something that should be open to the view of all, without any shade that covers tricks and dubious practices that may constitute crimes of corruption. Premchand (1993) defines transparency as the ability of citizens to consult the decisions and actions of governments.

Furthermore, the Royal Academy of Spanish Language (RAE) defines the word transparent as, "Said of a body: Through which objects can be seen clearly" or "Clear, obvious, which comprises no doubt or ambiguity". This metaphorical use which has been attributed is significant, but it is not enough only to name it, good behaviour and actions must also be demonstrated to the citizens, so that they see that their governments are actually transparent.

With the serious global economic crisis that has occurred in recent years, the desire for people to know more about what is happening in their country and how their rulers spend public money has increased significantly. Many people have seen their incomes greatly reduced while many others have lost their jobs. Consequently, the population has become steadily poorer, especially in the middle and lower classes, who have suffered most from the effects of the crisis. These difficult times have awakened many people's interest in how their taxes are spent and whether there is good management of public money. This concern should have been this strong forever, but unfortunately, in good economic times, people seem to care much less about the management of public finances.

Governments implement public policies across ministries, departments and agencies either centrally or locally. These public entities and their directors are accountable to political power. Politicians, in turn, should be held accountable to their citizens for the implementation of national policies, such as healthcare and education. Budgets are the link between social policies and their implementation, between ideas and political programmes and compliance.

Each year governments around the world raise and spend billions in taxpayers' money, which is why citizens have a right to know how this money is raised and spent by their governments. In order for citizens to obtain this information, they need access to, so-called, budget reports. Fiscal transparency means that the public is better informed about the design and results of fiscal policies, and it also permits better control over their implementation.

Many budget reports are prepared by governments already for internal use, so they could be published on official web pages with little additional cost. In addition, legislative discussions on budgets occur in all countries, so it is not complex to make them public and allow the media to cover them. Often fiscal transparency is encouraged as a result of political transitions or in response to economic or corruption crisis. Also important are external influences that promote the adoption of universal standards and reinforce the role of agents that promote reform in the country, as well as public stakeholders (Khagram et al, 2013).

However, despite the growing demands of citizens for transparency and accountability, the information provided by the public sector is scarce and different depending on the country, because each society has different characteristics and different cultural values, which determines the information disclosed and the depth of the accountability process

The aim of this study is to review how the issue of budget transparency has been addressed by different government agencies and the different authors who talk about it. It will also seek to analyse the level of budget transparency that exists today and its evolution in recent years. In an increasingly globalized world with modern technology, the publication, by governments, of this information should be as simple as uploading a file onto the net, and thus be available to all citizens.

The International Budget Partnership (IBP) is a nongovernmental organization that works with civil society organizations (CSOs) from around the world to improve governance and ensure that scarce public resources are used effectively to improve the provision of services and fight poverty. The Open Budget Survey has been produced every two years since 2006. This survey is the only independent, comparative, regular measure of budget transparency and accountability in the world. Its 2012 issue covers a total of 100 countries evaluated by a survey of 125 questions. Thanks to this, we can assess the level of transparency and evolution of countries with comparable data. It also analyses citizen participation in the budget process, and the

roles of legislature and supreme audit institutions in the formulation and monitoring of the budget.

This project consists of six parts. Firstly, the various reports made on budget transparency will be analysed. Secondly, we will look at the codes of practice proposed by various international organizations and studies by the Financial Secrecy Index and the International Budget Partnership. In the third part, we will focus on the Open Budget Survey, explaining its main characteristics and general results, and fourthly, there will be an analysis of the state of budget transparency according to IBP. Following this we will see how the level of openness of budget transparency has evolved in recent years. Finally, conclusions and reflections on budget transparency will be discussed through analysis of different studies and reports, and which will attempt to explain the reasons for their importance today.

2. Literature Review

There is a wealth of authors who have conducted numerous studies on the subject, at local, state or even global level. There are also proposals for transparency indices, the purpose of which is to rank and position, from a high to low level of transparency, countries that are considered in the study - transparency index". All these reports, whether of great empirical component or descriptive, try to explain budget transparency in greater detail.

For the budget information that governments present to have clear consideration, they must meet a number of characteristics: be understandable and appropriate, covering all operations performed by all government entities, and be internationally comparable. These standards were defined by Kopits and Craig (1998), and thus, the public and the financial markets can accurately assess the financial position of the government and the true costs and benefits of the activities carried out, including its economic and social implications both and present and future.

Most transparent processes have four different characteristics (Alt and Lassen, 2006). Firstly, they must process the majority of information, but do it in the fewest number of documents. This refers to the openness and ease of access and monitoring. Secondly, transparency depends on the content and dissemination of information. For this reason there must be a commitment to non-arbitrary language, words and classifications should be clear, unambiguous and with shared meanings, for example, the use of generally accepted accounting principles. Thirdly, the possibility of independent

verification, which has been shown to be a key feature of effective and credible communications and increases the level of transparency. Finally, the presence of a greater justification increases transparency, reducing optimism and creativity used to manipulate strategic accounts.

The authors Alt and Lassen (2005 and 2006), propose a transparency index which takes into account 11 indicators selected from a questionnaire sent to 19 OECD member countries in 1999. Previously, Von Hagen (1992) had created an index of eight European countries, taking into account among others, whether there were special funds not consolidated in the general budgets, whether there was correspondence between the budget and national accounts, or whether they were or including or not, debt of government subsidiaries and associates.

Continuing with Alt and Lassen (2006), their work provides a new way of approaching some of the effects of fiscal transparency. Predictions have been obtained on the effect of fiscal transparency, political polarization and the governments supporting public debt and deficits. The prediction that fiscal transparency leads to lower deficits and lower debt accumulations has received strong empirical support. These solid conclusions report the existence of a negative relationship between the index of fiscal transparency and debt levels. In their sample of OECD countries, the results suggest that increasing fiscal transparency is an important element to improve fiscal performance.

The work of Guillamón et al (2011) should also be highlighted. This study aims to analyse the relationship between the level of financial transparency and various political and economic factors, using the index prepared by Transparency International. Specifically, they analysed the level of financial transparency in the 100 largest municipalities in Spain in 2008-2010. The results show that municipalities with progressive governments are more transparent than those governed by conservative parties. In addition, further fragmentation of local government leads to greater transparency. This shows that those parties that govern alone with absolute majorities, do not abuse their power to hinder the process of open information. The most transparent municipalities have a higher per capita total expenditure. The results also indicate that the unemployment rate is lower in those municipalities where there is greater information openness. Municipalities with more favourable economic conditions have higher levels of transparency. Finally, the study indicates that the most transparent municipalities receive more transfers from higher government.

The current crisis has brought to light the mismanagement of governments in finance and state accounting, as well as financial reporting. This has caused serious trust

issues, by citizens and the financial markets as well as other countries. Since then stronger pressure has been put on governments for greater transparency of budgets and public finance. It seems that in recent years central governments have begun to take action because of these pressures. According to Ian Ball (2011), "Without transparency there can be no trust or responsibility and a crucial element of transparency in the public sector is a good accounting." However, he believes that there is a general lack of critical value and importance of good accounting of governments.

Referring to the experience of the New Zealand Treasury, he explains how more than 20 years ago the Public Finance Act 1989 was approved, which ordered the implementation of accrual in budgets and accounting, forcing the government to a radical change in both financial management and financial reporting. As a result the government drew up the first financial statements with the new bases. This revealed the real state of the economy, and it turned out that New Zealand had a negative equity reaching 10% of GDP. Just before the current financial crisis, New Zealand equity had reached 60% of GDP, remaining above 50% during the recession. "Good financial management and accounting are not the only causes of this, but would not have been possible without them" (Ian Ball, 2011).

As mentioned earlier, some authors go a step further when analysing the transparency of governments. These take the form of proposals for transparency indices based on different issues. Firstly the analysis realized from an international perspective by Bastida and Benito (2006), "Proposal of an index of Budget Transparency". They believe that in recent years there has been a growing relationship between the transparency of governments and the services provided by them. However, the existence of excessively bureaucratic models and "fiscal illusion" has caused the tendency for public entities to produce less transparent financial statements. The aim of their work is to develop an index based budget transparency which establishes the "OECD Best Practices for Budget Transparency", using as a source information provided by the OECD / World Bank Budgeting Database. This database contains comparable information about 300 relevant aspects at the time of budget formation, their approval, implementation, and monitoring in the 30 countries of the OECD and another 30 non-member countries.

Bastida y Benito (2006) observe in their work that the average score of the 41 countries analysed is 56.4%, reflecting the need to increase the level of transparency of financial statements in some countries in order to improve the transparency of public

administration. Among the most important data are the countries who obtain a transparency index higher than would be expected according to their level of economic development, such as Bolivia, Jordan and Hungary. This may be due to the pressure exerted by the International Monetary Fund and the World Bank to implement fiscal and budgetary reforms, as they are the key agencies in the financing of their projects. At the other extreme are countries with high economic development, such as Germany, Austria or Spain, with much lower levels of transparency than would be expected. Also surprising is the huge gap between the most and least transparent countries, reflecting the large global imbalances in transparency. Finally the case of New Zealand should be highlighted, which, as mentioned above, has made enormous efforts in recent decades to improve the levels of transparency of both government and financial statements prepared by public entities.

3. International Organisations and Budget Transparency

Fiscal transparency, in which budget transparency is included, is closely related to stability and economic growth. In a world where economic and financial integration is increasing, the vast majority of governments and international organizations have given more importance to the transparency of fiscal and budgetary information they publish, for greater credibility of their economic policies, thus improving the prospects for economic growth. In the same way that involvement of governments in budget transparency has been growing, there has also been an increase in the number of studies related to transparency. A number of important international organizations have helped in the development of international standards for budget transparency. The following information outlines the standards developed by the International Monetary Fund (IMF) and The Organisation for Economic Co-operation and Development (OECD).

3.1. International Monetary Fund (IMF)

The International Monetary Fund (IMF) has developed a set of codes and standards for fiscal transparency, called the "Code of Good Practices on Fiscal Transparency". This was developed by the IMF in 1998, with updates in 2001 and 2007. This code is based on the four general principles of all transparent administration:

1. *Clarity of roles and responsibilities.* The Code suggests that the government should be clearly distinguishable from the rest of the public sector and the economy in

general, responsibilities must be properly defined and managed in the formulation of policies and clear legal frameworks must exist for fiscal administration. The legal, regulatory and administrative framework for the management of public finances should be clear and transparent.

2. *Transparent budgetary processes.* Budget preparation should follow an established timetable and be guided by clearly defined objectives of macroeconomic and fiscal policy, and should establish clear procedures for implementation, monitoring, and reporting budget.
3. *Public access to information.* The public should be provided with full information on past, present and future fiscal activity and on major fiscal risks. Tax information should be presented in a way that facilitates policy analysis and encourages accountability and should be committed to promptly report information on public finances.
4. *Guarantee of integrity.* This stipulates that tax data must meet the generally accepted standards on the quality of the data. Fiscal activities should be subject to supervision and effective internal safeguards and, in turn, fiscal information should be externally scrutinized.

There have been important changes in the latest revision with respect to previous versions in the structure and content of the Code of Fiscal Transparency:

- Increased importance of the quality of fiscal reporting.
- Updating the principles of fiscal transparency.
- Practices have been placed on a scale: good and advanced.
- Quantitative indicators of fiscal transparency.
- Scope and complementary nature of the evaluation framework of public expenditure and financial accountability.

3.2. The Organization for Economic Cooperation and Development (OECD)

Another important body, the Organization for Economic Cooperation and Development, better known as the OECD, designed a document in 2002 entitled "OECD Best Practices for Budget Transparency". This is designed as a reference tool to be used by governments in order to increase the degree of budget transparency in their respective

countries. It recommends that governments publish seven key budget documents that reveal an additional piece of information, such as information on tax expenditures and pension obligations.

The code of best practice is divided into three parts:

- The first part contains the principal budget reports that governments must draw up and their general content.
- The second part describes the specific explanations to be included in the reports, including both financial and non-financial information.
- The third part highlights practices for ensuring the quality and integrity of the reports.

These best practices are based on the experiences of different countries in each area and are organized around specific reports. Different countries have different reporting regimes and can have different areas of emphasis for transparency.

3.3. Financial Secrecy Index (FSI)

Another index that provides interesting data is the Financial Secrecy Index (FSI). The publication of the third edition was in 2013 after editions in 2009 and 2011. In this latest issue the countries covered has increased, reaching 82 jurisdictions. The general objectives of the FSI are:

- Contribute to and promote research through data collection and provide an analytical framework to show how jurisdictions facilitate illicit financial flows.
- Focus on policy debates that promote and control global policy change towards greater financial transparency by involving the media and public interest groups.

The FSI measures the contribution of each jurisdiction to the global problem of financial secrecy, using both qualitative and quantitative data. Qualitative data is based on the laws, regulations, cooperation in the process of exchange of information and other sources of data variables, and are used to produce a result of secrecy for each country. Jurisdictions with higher scores for secrecy are characterized by being more opaque in their operations, being less committed to the exchange of information with other states and to international rules on fighting money laundering. This unwillingness to participate in effective exchange of information, along with the lack of transparency

makes these secretive jurisdictions more attractive to illicit financial flows and for criminal and corrupt activities.

For quantitative data, publicly available data on international financial trading in each country is used, if available. These serve to create a global weighting for each jurisdiction, according to their participation in offshore financial services activity in respect to the world total. Countries with a higher weight are those that have a greater importance in the market of financial services offered to non-residents.

The result is the Financial Secrecy Index that ranks secrecy jurisdictions according to their degree of secrecy and the scale of their international trade in financial services, providing an answer to the question: Through the provision of offshore financial services, combined with the lack of transparency, how much damage is each country responsible for? Critics have argued that this classification points to the major financial centres. However, if the scale of risks is not taken into account the financial market heavyweights would be ignored. While the big players may be a little less secretive than the others, their large size in the financial sector offers more opportunities to hide illicit money flows. Therefore, the larger the international financial sector the better the regulation transparency should be. This logic is shared by the FSI and avoids the conceptual pitfalls of the "usual suspects" who belong to the list of tax havens, and are often remote islands whose total participation in global financial markets is small.

Although the term "tax haven" lacks a coherent and agreed definition, this is still associated to the political and academic debate on the issues of "offshore tax evasion" and "illicit financial flows". However, in a world where economies are deeply integrated, where more than 200 tax jurisdictions exist, almost any country could be a tax haven in relationship to others. Arguably, the lack of clarity, consistency and objectivity in the definition and identification of tax havens has contributed to a failure to deal with the associated problems.

The FSI offers a partial solution to this problem by replacing the term tax haven by the term secrecy jurisdiction. They define it as a jurisdiction that "provides facilities that allow individuals or entities to escape or break the laws, rules and regulations of other jurisdictions, using secrecy as a primary tool."

The overall message is that the FSI has made progress in international tax transparency, but this has been more modest than the politicians of tax havens would have us believe. The good news is that the automatic exchange of information has the

opportunity to develop, a global standard, over time. The bad news is that financial secrecy is still very much alive.

3.4. International Budget Partnership (IBP)

On the other hand, international standards and practices identified eight key documents that are internationally recognized and should be published by all governments at different times of the budget cycle. These are used by the International Budget Partnership (IBP) for implementing the Open Budget Index, which will be discussed in more detail at a later stage.

During budget formulation, governments should publish:

- *The Pre-Budget Statement*, which lists the general parameters and macroeconomic assumptions that frame the draft budgets of the Executive.
- *The Executive Budget Proposal*, which presents the detailed plans of the government and budget policy priorities for each ministry and agency for next year.

During the adoption of the budget, governments should publish:

- *The Enacted Budget*, which is the legal document authorizing the Executive to implement the policy measures contained in the budget.

During execution of the budget, governments should publish:

- *The In-Year Reports*, which include information on expenditures, revenues collected and the debt incurred. These are usually monthly or quarterly reports.
- *The Mid-Year Review*, which summarizes information about what happened during the first six months, allowing corrections to be carried out mid-term, or to reassign certain items or additional contributions wherever necessary.
- *The Year-End Report*, which allows comparison between planned spending and actual spending, showing the situation of public finances at the end of the year. This helps to improve the accountability process by providing real information to be used for decision making in the following year.

During the audit stage, governments should publish:

- *The Audit Report*, which contains formal and independent evaluations of the auditory institution, assessing whether the government has collected and spent funds in accordance with approved budgets and in compliance with the law. Citizens should have access to this document to properly assess the activity of the government.

In addition to these documents, governments should publish:

- *A Citizens Budget*, consisting of a simplified, non-technical version of the budget documents that is easily accessible to all citizens. Although this paper is mainly produced in connection with the Executive's Budget Proposal or the Approved Budget, this version can and should be produced for some or all of the documents listed above.

In order for these reports to be useful it is important to provide adequate details to allow citizens to have a full and complete picture of how the administration collects and spends money. This implies that the budget reports should provide information on flows (expenses, income and balance sheets), but also on stocks (public debt, financial and non-financial assets and liabilities). Budget reports should also include information on the implementation (objectives and results) of the most important government programmes. This information should be completed with documents on fiscal strategy and reports on compliance. Finally, governments should provide information on management of fiscal risks, government guarantees, macroeconomic crises and financial sector risks.

The fiscal transparency code for the IMF, the best practice guidelines of the OECD Budget Transparency, and Open Budget Survey of the IBP recommend the publication of the most important reports during planning, implementation and evaluation of budgets. In addition, the IBP survey details the information that should be included in these reports. The IMF conducts regular assessments of fiscal transparency through its ROSC (Reports on compliance with standards and codes).

The OECD and the IBP evaluate budget transparency through rigorous surveys. Not only the IBP in its Open Budget Survey, but also the IMF's fiscal transparency code and the OECD's best practice guidelines suggest good practice on meeting deadlines and extent of budget reports.

As is apparent, there are numerous authors and organizations trying to deepen the level of transparency of countries. The studies range from budget transparency, the

main objective of this work, to other areas such as fiscal transparency or level of financial secrecy. All are important and contribute to a greater commitment from governments on transparency. The following section will focus on an analysis of the Open Budget Survey, the only measure of budget transparency and accounting that is independent, comparative and regular in the world. Through this it is possible to see the current situation of budget transparency and its evolution in recent years.

4. Open Budget Survey

The Open Budget Survey, 2012, measures the state of budget transparency, participation and supervision in 100 countries around the world. To undertake this survey, the support of civil society groups and independent researchers was used. The latter are responsible for completing the survey, consisting of 125 questions. Ninety-five of the questions are related to public access and comprehensiveness of the eight key budget documents that governments should publish at key points during the economic cycle (as explained above). The remaining thirty questions deal with the opportunities for citizens to participate in the budget process and the roles of legislatures and supreme audit institutions in the formulation and monitoring of the budget. Once the questions were completed, two independent reviewers and the IBP conducted a thorough review of the results.

As we have seen, many international organizations, governments and independent experts believe that in order to make budget information available to the public, it is necessary that complete public budgets are administered efficiently and in accordance with the needs of the country. Furthermore, it should provide opportunities for society and citizens to participate in decisions, to monitor the budget and for independent monitoring of the legislature and supreme audit institutions. Never before has there been such a level of importance surrounding open budgets.

However, the data reflected in the survey is that the state of budget transparency and accountability are not yet adequate. This is because only a few governments publish full and meaningful budget information. Adequate citizen participation mechanisms are available in few countries, and independent monitoring institutions do not have adequate resources and capabilities. However, the Open Budget Survey found some progress. Government budgets are important for everyone, people want them, and they have the right to know the contents. Mechanisms should exist for citizen participation and accountability, to ensure that the budget is spent appropriately.

Countries continue to struggle with the consequences of the crisis, the international community continues to seek solutions to overcome persistent poverty and the effects of climate change, and the coffers of governments expect significant inflows of new funds from foreign and domestic help. Budget decisions are a key element to the success of these efforts. During the last decade, it has been shown that the best way to improve the allocation of public finances is through transparent budget systems, open to public participation and scrutiny, and solid institutions and monitoring mechanisms. There is evidence that budget transparency and accountability improve a country's economy:

- Transparency can help to obtain international credit at a lower cost.
- Fiscal discipline may be affected by a lack of transparency in tax matters.
- Transparency and public participation can help control leaks and improve allocation of public spending.
- Transparency and participation promote equality between resources and national priorities.

The International Budget Partnership (IBP) plays an important role in the study of Budget transparency. We will now move on to an analysis of the current state of Budget transparency at a global level through the Open Budget Survey.

5. The state of budget transparency according to the IBP

The International Budget Partnership's Open Budget Survey is designed to better understand the situation and evolution of budget transparency and accountability. The survey consists of a range of 100 countries responding to 125 questions completed by independent researchers from each country and then subsequently revised. With 95 questions related to the quantity and quality of the eight key budget documents performed by the Open Budget Index (OBI). This is a broad measure of a country's budget transparency and varies between 0 and 100. The map below shows the OBI scores in each country.

[Insert Graphic 1]

The average OBI 2012 score of the 100 countries analysed is 43. The most significant figure being that there are 26 countries that provide little, or no, budget information, obtaining a score on the OBI scale of 20 or less. The next group receives a score between 21 and 40, and consists of 15 countries, characterized by a low level of

published budget information. Carrying on from this group are 36 countries that provide some budget information, who score between 41 and 60 on the OBI scale. Only 23 countries provided significant information, obtaining a score of 60 or more, of which only six provide extensive and comprehensive budget information. At the top of this ranking is New Zealand, followed closely by South Africa, with scores of 93 and 90 respectively. The graph below shows the results of the Open Budget Index.

[Insert Graphic 2]

Countries could rapidly improve their OBI score, with the simple task of publishing budget reports that governments then develop. Of all the documents that should be published by 100 countries, there are 131 that are only for internal use by governments but not made available to the public. To reach the total, taking into account that of the 491 documents that are published, there are a total of 178 that are not elaborated.

Another serious problem of budget transparency is based on the comprehensiveness of the published documents, since in many cases the level of detail and the variety of information they contain is limited. The OBI calculates a sub-score for measuring the integrity of each of the eight records. In general, governments publish little information in the budget documents on late fees, quasi-fiscal activities, tax expenditures and sources of significant risk such as contingency liabilities and futures. Information on financial and non-financial assets held by the government is inadequate in most cases, resulting in greater difficulty in obtaining a complete picture of public finances. There is also a limitation on the information published in the papers on the goals and outcomes of the government. This lack of information provides an important barrier to society and others who control government spending to carry out a proper assessment of the budget.

There are significant differences that exist between different regions of the world in average levels of budget transparency. On the one hand, the Middle East and North Africa have lower scores on the OBI, obtaining an average of 18. While on the other, Western European countries (including the U.S.) have the highest OBI score, obtaining an average of 75. Moreover, there are significant differences in the level of budget transparency between countries in the same region. For example, South Africa, located in sub-Saharan Africa, a region with an average score of 31, is in second position on the OBI scale with a score of 90. The following table shows the average scores of the OBI in different regions in the world.

[Insert Table 1]

These important differences suggest that there are several factors that can influence the level of transparency of a country. The IBP conducted a study to investigate the determinants of transparency with the following results:

- The level of income of a country is a key factor affecting the level of budget transparency. However, the geographic location of a country is not a factor.
- A democratic government is a significant factor that helps budget transparency in two ways. The first is through elections, and as political power comes from the voters, governments have an incentive to provide the public with credible and detailed budget information. The second is through the political competence of legislature. The greater the variety of parties involved in the government, the more likely it is that there are open budgets.
- The correlation between the level of budget transparency and reliance on income from oil and gas is negative, although this negative impact only occurs in autocratic regimes. In democratic regions, this dependence on oil does not significantly influence the level of budget transparency.
- Budget transparency of low-income countries is affected by the type of support they receive and donor behaviour. If the aid provided by donors is channelled through the budget systems of the host country and reinforces these systems, this helps to improve the level of transparency.

It must be emphasized that although there are many factors that affect the levels of transparency, they are not determining factors and do not predict the level of budget transparency in the country.

The Open Budget Survey 2012 also contains questions which assess citizen participation in the budget process. The results show that most countries offer few opportunities for public participation. The average score of the 100 countries surveyed is 19 points, with South Korea the only one that provides such opportunities for participation, obtaining a score of 92.

Legislative strength is another factor analysed by the survey, with generally positive results. However, there are significant gaps that hinder the monitoring of the budget process on the part of the legislature. In almost one third of the countries, legislature does not have the time to review the budget proposal before it is approved. Moreover, in the majority of countries there are limited legislative human resources to analyse the budget. On the other hand, there are Supreme Audit Institutions (SAIs) which are

responsible for analysing the use of public funds. These are generally mostly independent and have sufficient human resources. The IBP has found that countries with limited public participation, or weak legislatures and SAs, are usually countries with lower budget transparency, which could indicate that other aspects of the financial system are also deficient.

With reference to the level of budget transparency in Spain, the country gets a score of 63 on the OBI. This is below other countries in Western Europe and the U.S., although it exceeds their Italian and Portuguese neighbours. The information provided by Spain, according to their position in the OBI, is significant but still has major shortcomings. Of the eight key budget documents, the Spanish government only produces and publishes five of them, the Citizen Budget, and Mid-Year Review are not produced. This causes difficulties in the understanding and analysis of these budgets.

The Open Budget Survey 2012 reveals that the state of budget transparency around the world is not satisfactory. Many governments do not publish key budget documents, which could be made available to the public at minimal cost within the government network, since these are made for internal use. In addition, many documents omit essential elements or formats are difficult for the public to understand. The following section will analyse the evolution countries have made regarding the surveys in the years 2006, 2008, 2010, and 2012.

6. Evolution of budget transparency

The Open Budget Survey was first conducted in 2006 and looked at 59 countries. The latest study of OBI, after carrying out studies in 2008 and 2010, was in 2012 and covered a total of 100 countries. Of the 40 countries with comparable data from the four surveys, the observed progress has been widespread and significant. The average score moves up from 47 in 2006 to 57 in 2012, showing improvements in almost all regions of the world.

Progress between 2006 and 2012 has been more significant in countries that provided little budget information at first. Countries with higher levels of transparency have only had a minor breakthrough. The 14 countries with a rating of 40 or less in 2006 went from an average score of 25 in 2006, to 41 in 2012, representing an increase of 64 percent. The 16 countries that were rated between 41 and 60 in 2006, increased from an average score of 48 in 2006 to 57 in 2012, increasing nearly 20 percent. Finally, the 10 countries with an OBI 2006 score higher than 60, increased their average score

from 78 in 2006 to 80 in 2012, increasing almost two percent. The following table summarizes the evolution of comparable countries in different cycles of the survey. The positive changes in the four editions of the survey are observed.

[Insert Table 2]

The stagnation of budget transparency in almost half of the countries that did not have an efficient performance in previous editions of the survey is a major concern. Among the countries with comparable data for the period 2008-2012, there are 59 who had a poor result in 2008. Of these countries, 28 have a similar or lower score on the OBI 2012 and only 18 improved their score during this period by 10 points or more. This reflects the countries with unacceptable levels of budget transparency are making no effort to improve their situation.

In the period 2010-2012, the least transparent countries are the ones where most progress has occurred, while countries that provided some information, or meaningful information, have reduced their level of budget transparency. The average score of comparable countries has increased from 43 to 45. The number of countries that publish extensive or sufficient budget information has gone from 20 to 23 and the number of countries that publish minimal or no information has reduced from 40 to 34. Additionally, there were 7 countries that increased their score on the OBI over 15 points.

Positive change is also observed in the evolution of documents issued by countries with comparable data (93 countries) in the period 2010-2012. Almost all budget reports have experienced growth in publication during this period. The only exception is the Year End Report, which eight countries stopped publishing, while five others began to do so. Reports which have increased in publication are the Preliminary Documents, Citizens Budgets and Audit Reports.

Specifically, the net increase in budget documents that these 93 countries have started to publish is 41, of which 22 were already produced by governments for domestic use and 19 were elaborated and published for the first time. Although more documents in total have been published, there have been countries that have hindered access to budget information, either because they stopped publishing it, or published late, or because their production costs were very high.

There have been two countries that have significantly increased their level of budget transparency. The first case is Honduras; thanks to the involvement of the Ministry of Finance they began publishing the eight key budget documents, logging a rise in score

on the OBI from 42 points to 53 in 2012. This improvement is due to both changes in internal and external pressures. The second country that has experienced significant growth in the level of transparency has been Afghanistan. Key factors for the country have managed to increase their score from 51 points in the OBI, reaching 59 in 2012. This has been due to the will of the political leadership of the Ministry of Finance and the government's desire to improve its international image. Society and researchers have contributed to this improvement by participating in government budget issues, their publication and in organizing public awareness campaigns to highlight the importance of budget transparency.

According to the evolution of the Open Budget Index, the average score of budget transparency has increased in almost all countries, especially in those countries where low budget information is provided. Given this situation, the International Budget Partnership raises a number of general recommendations. First, countries with a lower score on the OBI should start posting a minimum of budget documents regularly and on time, holding public hearings to disclose budget information and be examined by the public. Second, countries in the middle category of the OBI should expand the scope of the budget documents already published. They should encourage public participation in the budget process and ensure that legislatures and SAIs have the necessary resources to perform their task. Finally, countries should promote mechanisms for innovative participation by posting their budget documents on the web in useful and easy to understand formats.

7. Conclusions

In this study a review of the reports of the various authors related to budget transparency has been performed. We have also seen how various international agencies proposed codes of practice to achieve the opening up of the budget process. In addition, we can analyse the Open Budget Survey, the only independent, comparative, regular measure of budget transparency and accountability in the world, carried out by the International Budget Partnership. The survey comprised 125 questions to assess availability to the public and comprehensiveness of the eight key budget documents that governments should publish, public participation in the budget process and the mechanisms for control of legislatures and supreme audit institutions.

The average score of the Open Budget Index is 43 points out of 100. Their results show that globally, budget transparency, public participation and accountability are not

satisfactory. There are too many countries that provide little budget information and few opportunities for citizen participation in the budget process. The level of monitoring institutions is strong, but they often have deficiencies or limitations in their tasks. Although some progress is noted it is very slow. It can be said that the improvements are obvious, but not enough.

A series of events have meant that budget transparency has become increasingly important over the last decade. Governments are under pressure to reduce large accumulated deficits, and to achieve this goal, they ask citizens to make an "effort" with taxes, while cutting social spending. For this reason, budget transparency is a key element for governments in different countries so they can show that they are making the same "effort" that they ask of their public. This has happened during the current economic crisis, however, during times of economic prosperity, citizens seem unconcerned by budget transparency. This is a very serious mistake, as budget transparency encourages leaders to make responsible use of public money and helps identify and prevent corruption.

In my opinion, I think the best way for citizens to appreciate and rely on government policy is through a completely transparent and open budget process, as citizens are entitled to access to this budget information and assess management that carries out public finances. As we have seen, there is a large consensus for budget transparency. All authors agree that there should be an overall improvement, as there are still many countries that publish little budget information. In each of the reports we can observe the different benefits a high level of budget transparency brings to a country, and the world economy in general.

Providers of aid to poor or developing countries should motivate them to greater budget transparency. The best way would be to reward improvements in the openness of the budget process, punishing countries that do not carry out these reforms. For their part, developed countries should be exemplary in terms of budget transparency and show that they are true democracies.

Apart from publishing all budget documents, governments should promote public participation in the budget process so that citizens can assess the work of their agents, and to prevent them making improper and fraudulent use of public money. To make this possible, the public should be very involved in the country's policies. They must be willing to read and review the various documents published by the government and to periodically go to the polls to vote for new laws or budgets. The involvement of the media is very important, and should provide unbiased and comprehensive information

on published documents, so that citizens can more easily understand the information provided. The existence of media with a clear political bias makes it difficult for citizens to judge for themselves the information offered by the government since they disclose biased information which puts their political identity in a good position.

One of the measures that could be taken by the Spanish government to improve budget transparency would be to produce and publish these documents. It should also improve the comprehensiveness and detail of many of them, as there is a great deal of information to which no reference is made or not specified in the documents. The quality of the audit report should also be improved, including reports on the actions taken by the government to implement the recommendations made by the audit. Finally, it is noteworthy that in Spain public participation in the budget process is weak.

Another key issue in the transparency of a government is how to respond to questions from the public and society. That is, whether they offer answers to the questions, if the information provided is what was requested, and clarifying the doubts completely. There are countries, such as Spain, where only 16.7 percent of the questions are answered, either totally or partially. This is due to the lack of resources to help respond to citizens. However, there are other countries that have achieved these mechanisms and have increased the percentage of responses provided to citizens. This is the case of Czech Republic, United Kingdom, New Zealand and Hungary, where over 55 percent of the questions put forward are answered.

These unsatisfactory results clash with important evidence that has been obtained on the benefits that transparency brings, in addition to helping to obtain international credit at lower cost, it is also necessary for fiscal credibility and the development of the country. Furthermore, a high level of budget transparency and public participation allows better control of the budget process by society, exposes corruption and allows the encouragement of national priorities. As a result of this evidence, a global consensus has been reached to promote budget transparency, in order to improve governance and economic development.

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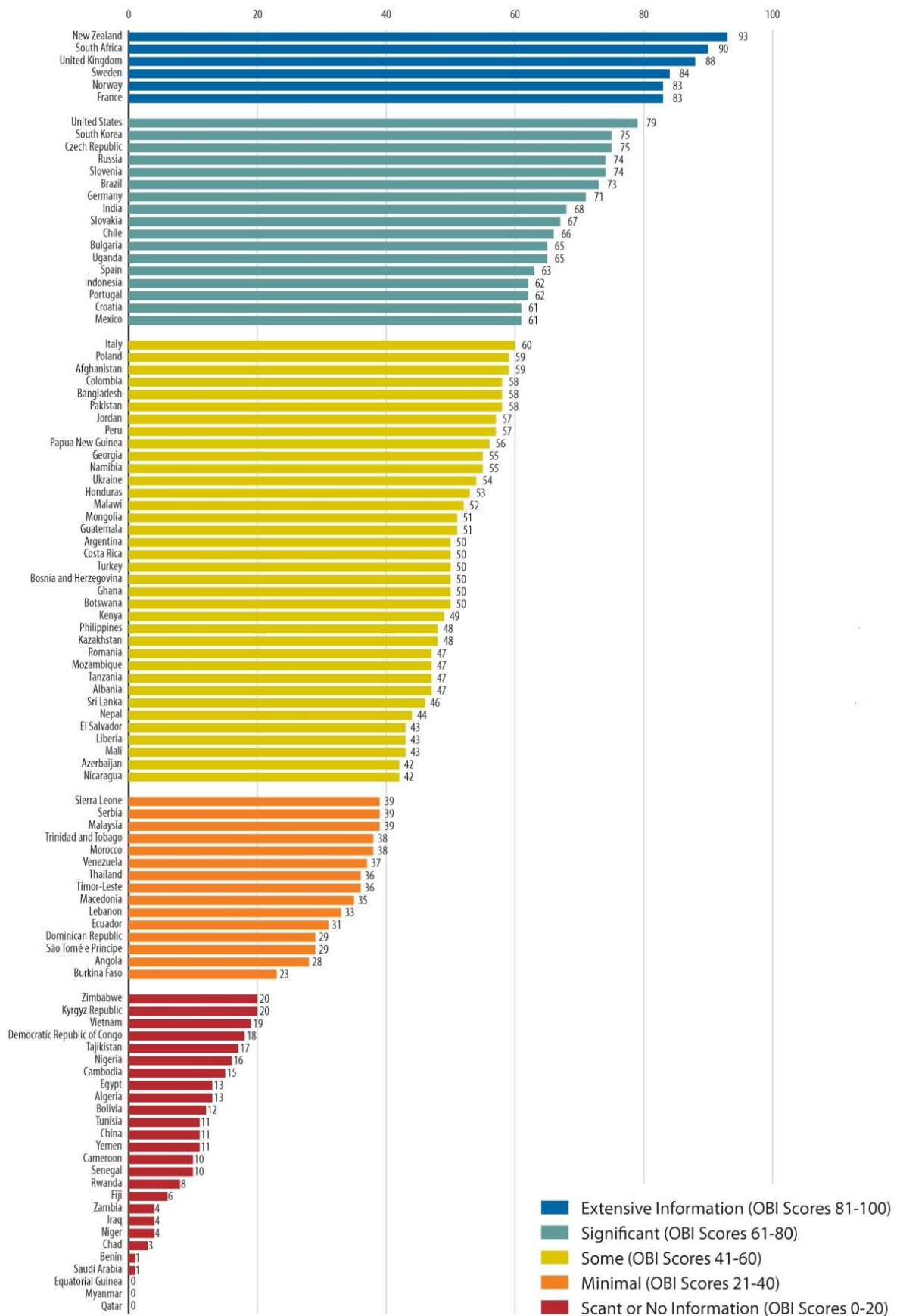
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Graphic 2: Open Budget Index 2012



Appendix 2, Tables

Table 1. OBI scores by region

Regions	Average Scores OBI 2012
East Asia and Pacific	39
Eastern Europe and Central Asia	52
Latin America and Caribbean	47
Middle East and North Africa	18
South Asia	55
Sub-Saharan Africa	31
Western Europe and the U.S.	75
Average Performance	43

Source: OBI 2012

Table 2. Changes in OBI scores over subsequent rounds of the Open Budget Survey

Period	# of Comparable Countries	Change in Average OBI Score	Greatest Improvers (+15 points or more)	Worst Performers (-15 points or more)
2006-2012	40	+10 (47 to 57)	Angola, Albania, Bangladesh, Bulgaria, Croatia, El Salvador, Georgia, India, Indonesia, Mongolia, Morocco, Russia, Uganda, Vietnam	Romania
2008-2012	77	+5 (41 to 46)	Afghanistan, Angola, Bangladesh, Democratic Republic of Congo, Dominican Republic, Honduras, Malawi, Liberia, Mongolia, Pakistan, Russia, São Tomé e Príncipe	Egypt, Macedonia, Niger, Romania, Sri Lanka
2010-2012	93	+2 (43 to 45)	Afghanistan, Burkina Faso, Dominican Republic, Honduras, Mozambique, Pakistan, São Tomé e Príncipe	Egypt, Serbia, Sri Lanka, Zambia

Source: OBI 2012