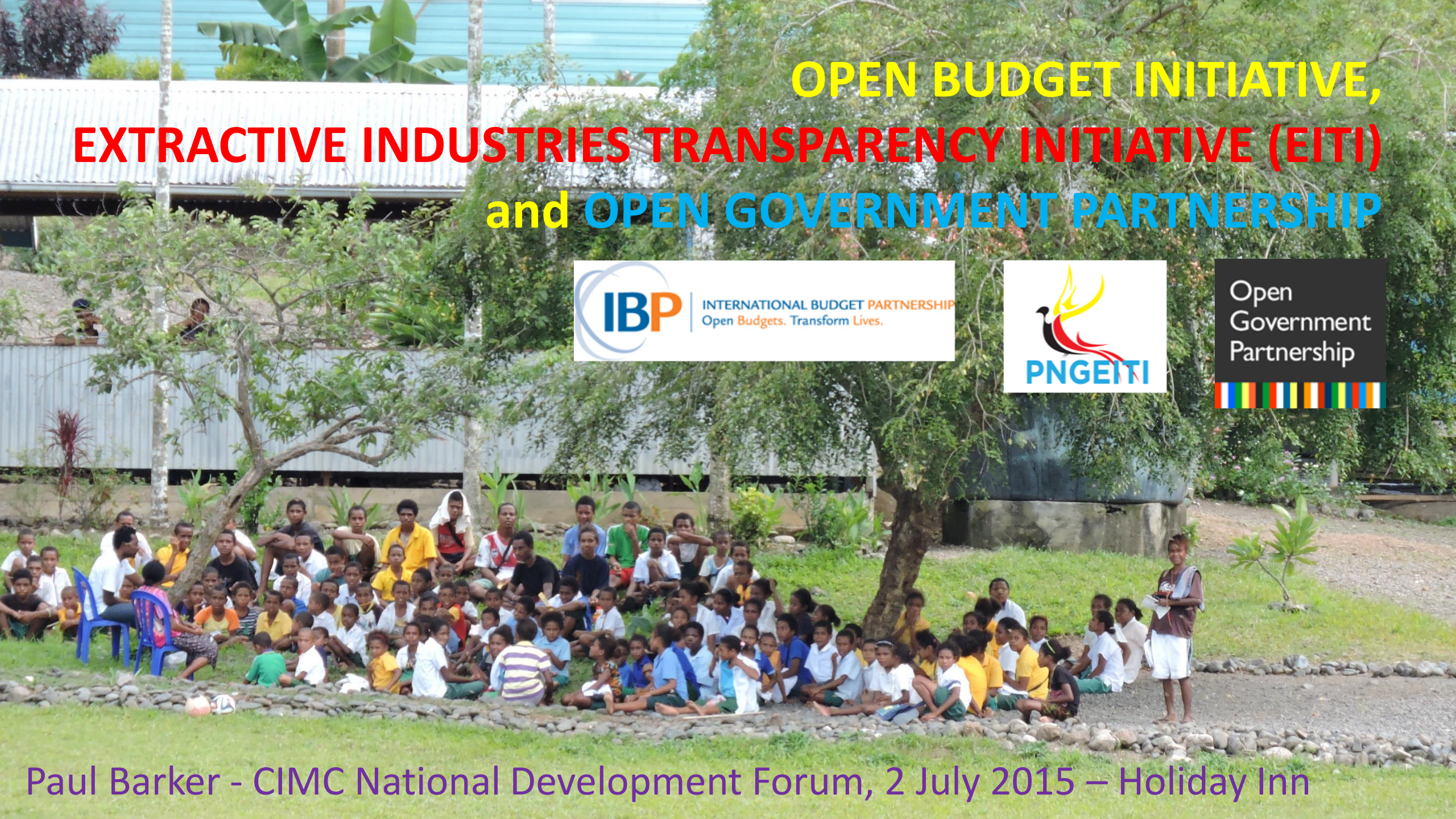


# OPEN BUDGET INITIATIVE, EXTRACTIVE INDUSTRIES TRANSPARENCY INITIATIVE (EITI) and OPEN GOVERNMENT PARTNERSHIP



Paul Barker - CIMC National Development Forum, 2 July 2015 – Holiday Inn



## **The Function of the State:**

Different systems of government and perceptions, but generally (through its 3 arms – Legislature, Executive and Judiciary), to safeguard the population from external and domestic threat and generally administer rule of law (including various regulations), to provide essential infrastructure and a range of core services (including health and education and various basic utilities, when not privatised), provide economic management, aspects of environmental and social security, and administer foreign relations; thereafter, there are varied views, how much further the remit of the State should go.

## **Performance of the State**

Some states function well and others fare poorly for various social, political, historic, geographic, economic and resource reasons; Some countries are seemingly successful, with strong, sustainable and perhaps booming economies with widespread participation; others are considered fragile, conflict prone or even failing or failed. The prevalence of rich natural resources is not the principle determinant of success, and in some cases undermines success. Other factors, such as the commitment to education and human resources, and social capital and cooperation, are often more critical factors. Budget transparency and accountability are critical factors in determining whether the State performs and Government delivers essential services

The Open Budget Initiative, the Extractive Industries Transparency Initiative (EITI) and the Open Governance Partnership are three global initiatives to improve aspects of Budget Accountability to enable the State to perform its functions, including provision of core services, effectively, by setting minimum standards for a range of functions, which are monitored, including through active participation of a well informed public.

The Open Budget Initiative, involves 102 countries worldwide (59 in 2006, 85 in 2008) in undertaking a survey every 2 years (the Open Budget Survey) of the level of accessibility the public has to Budget data, and engagement in the budget process, directly and through its representatives in the Legislature (Parliament), during the preparation, implementation and monitoring of expenditure. The survey also assesses the performance of the Supreme Audit office (Auditor General) in accessing and releasing timely audits of expenditure and addressing deficiencies in a timely manner.

The OBS is not an assessment of the quality of the budget, or its implementation, but rather is based upon the premise that unless the public has ready access to timely and quality Budget information it is impossible to hold government accountable.

So the Open Budget Survey , which includes an index measuring the 100+ participating countries, is undertaken every 2 years and includes well over 100 questions related to accessibility by the public to the entire Budget data and process; (91 questions in 2008) 125 questions in the 2012 survey and several additional questions in 2014. The survey is undertaken independently, and then peer reviewed, with the Government given the opportunity to respond before its finalised.

The results of the last survey were released in January 2013, the latest survey results will be released on 10 December 2014.

The budget is a government's plan for how it is going to use the public's resources to meet the public's needs. Transparency means all of a country's people can access information on how much is allocated to different types of spending, what revenues are collected, and how international donor assistance and other public resources are used. The IBP believes that open budgets are empowering; they allow people to be the judge of whether or not their government officials are good stewards of public funds.

While providing the public with comprehensive and timely information on the government's budget and financial activities and opportunities to participate in decision making can strengthen oversight and improve policy choices, keeping the process closed can have the opposite effect. Restricting access to information creates opportunities for governments to hide unpopular, wasteful, and corrupt spending, ultimately reducing the resources available to fight poverty. (The word corruption comes from

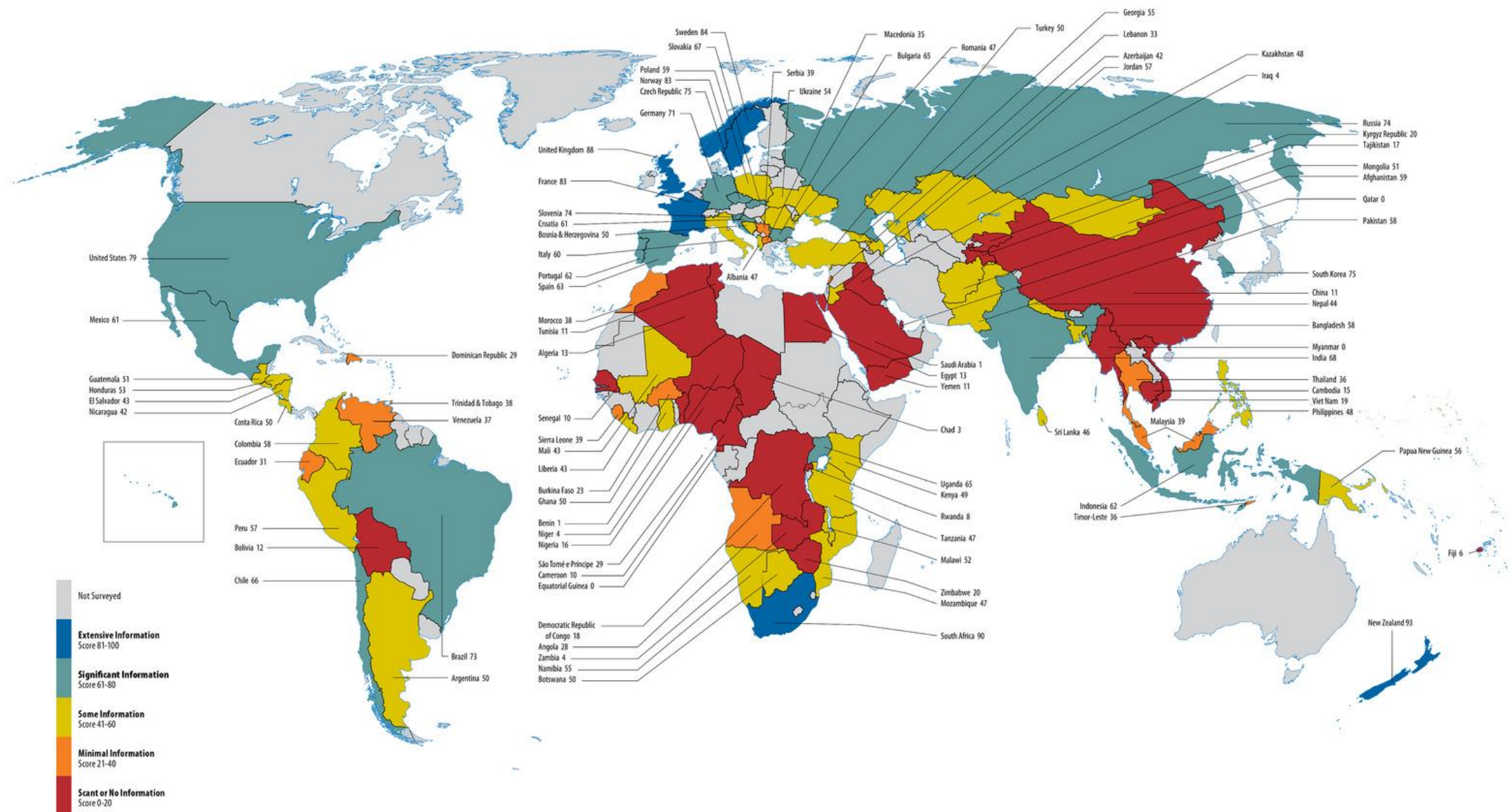
Here is a summary of the findings from the 2012 Open Budget Survey; You can find details on the INA website [www.inapng.com](http://www.inapng.com) (including some additional explanation of the PNG budget context) or the website of the International Budget Partnership (with further explanation on why the focus on Budget accountability): [www.internationalbudget.org](http://www.internationalbudget.org)

## Open Budget Index

The **Open Budget Survey** assesses whether the central government in each country surveyed makes eight key budget documents available to the public, as well as whether the data contained in these documents is comprehensive, timely, and useful. The Survey uses internationally accepted criteria to assess each country's budget transparency developed by multilateral organizations, such as the International Monetary Fund (IMF), the Organization for Economic

Co-operation and Development (OECD), and the International Organization of Supreme Audit Institutions (INTOSAI).

The scores on 95 of the 125 Open Budget Survey questions are used to calculate objective scores and rankings of each surveyed country's relative transparency. These composite scores constitute the Open Budget Index (OBI), the world's only independent and comparative measure of budget transparency.





# 56

OPEN BUDGET INDEX SCORE  
— OUT OF 100 —

81-100 Extensive

61-80 Substantial

41-60 Some

21-40 Minimal

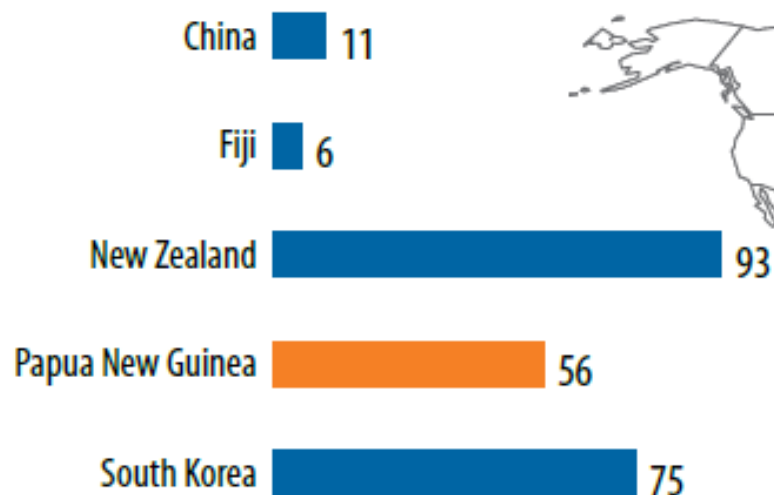
0-20 Scant or None

## PAPUA NEW GUINEA

Provides some information to the public in its budget documents during the year.



How does Papua New Guinea compare to its neighbors in East Asia & the Pacific?

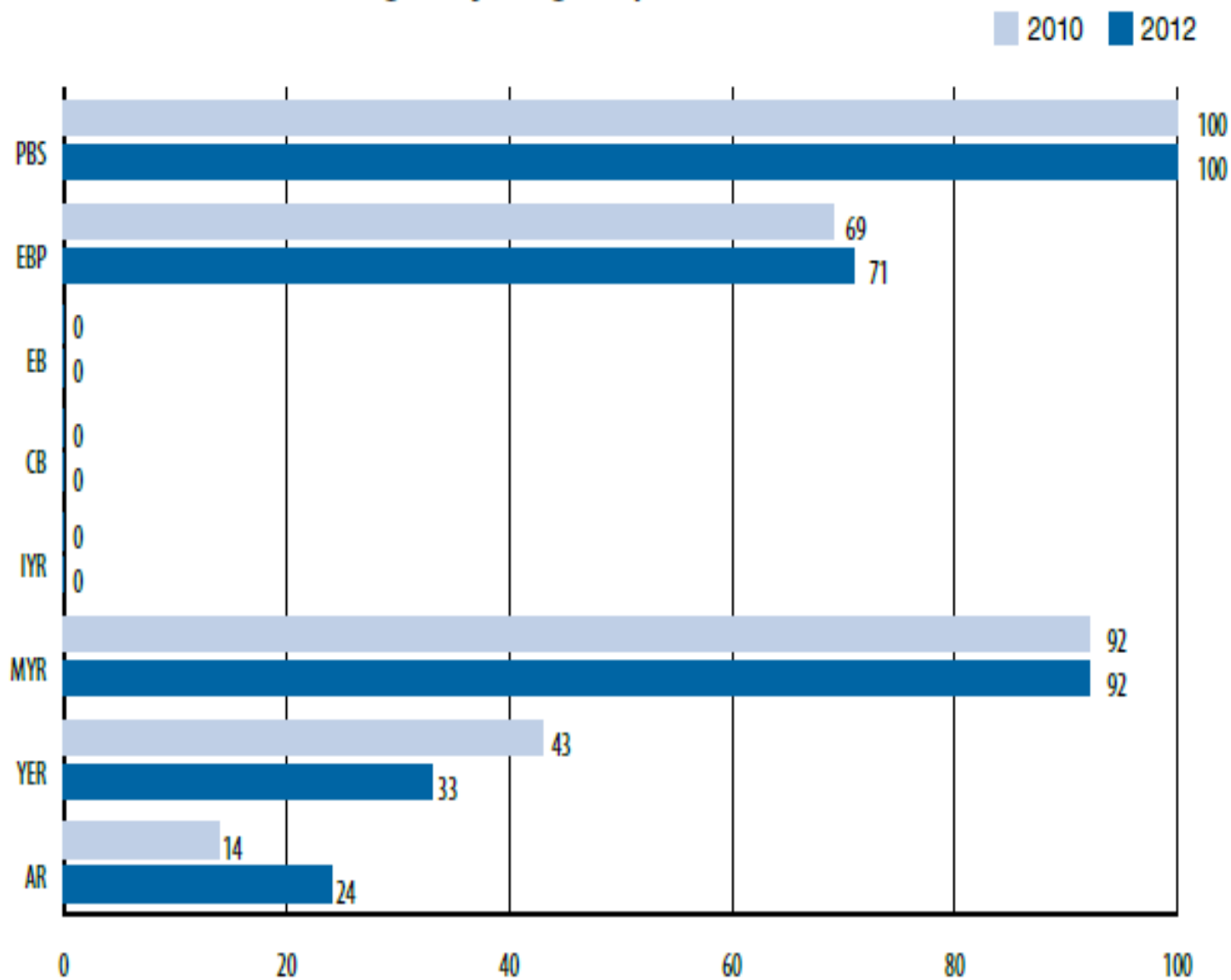




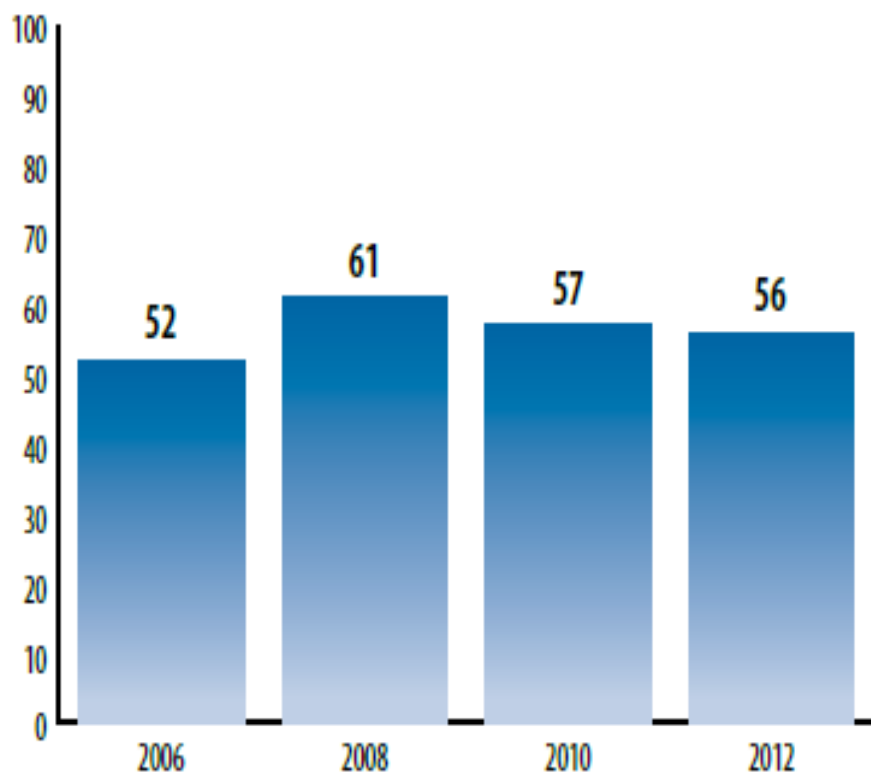
► What are each of the eight key budget documents, and does the public have access to them?

Document	Description of Document	Publication Status
PBS	<b>Pre-Budget Statement:</b> Provides information that links government policies and budgets and typically sets forth the broad parameters that will define the budget proposal that is presented to the legislature.	Published
EBP	<b>Executive's Budget Proposal:</b> Presents the government plans to raise revenues through taxes and other sources and spend these monies to support its priorities, thus transforming policy goals into action.	Published
EB	<b>Enacted Budget:</b> The legal instrument authorizing the executive to raise revenues, make expenditures, and incur debt.	Produced for Internal Use
CB	<b>Citizens Budget:</b> A nontechnical presentation to enable broad public understanding of a government's plans for raising revenues and spending public funds in order to achieve policy goals.	Not Produced
IYR	<b>In-Year Reports:</b> Periodic (monthly or quarterly) measures of the trends in actual revenues, expenditures, and debt, which allow for comparisons with the budget figures and adjustments.	Published
MYR	<b>Mid-Year Review:</b> An overview of the budget's effects at the midpoint of a budget year and discusses any changes in economic assumptions that affect approved budget policies.	Published
YER	<b>Year-End Report:</b> Information comparing the actual budget execution relative to the Enacted Budget.	Published
AR	<b>Audit Report:</b> Independent evaluation of the government's accounts by the country's supreme audit institution. It typically assesses whether the executive has raised revenues and spent monies in line with the authorized budget, and whether the government's accounts of its revenues and expenses are accurate and provide a reliable picture of the fiscal situation.	Published

From Zero to 100: Has Papua New Guinea increased the amount of information it makes available in the eight key budget reports?



OBI scores over four Surveys



Papua New Guinea's score is 56 out of 100, which is a little higher than the average score of 43 for all the 100 countries surveyed but is lower than the scores of its neighbors New Zealand and South Korea. Papua New Guinea's score indicates that the government provides the public with only some information on the national government's budget and financial activities during the course of the budget year. This makes it challenging for citizens to hold the government accountable for its management of the public's money.

**Papua New Guinea's OBI 2012 score of 56 has declined by one point from its score on the OBI 2010.**

The Open Budget Index is composed of subscores for each of the eight key budget documents assessed in the Survey. These subscores represent the average of the scores received on a set of questions in the Survey that measure the public availability of and amount of information in the documents. The subscores are comparable across all of the countries included in the Survey.



## Recommendations

Papua New Guinea's score on the Open Budget Index has remained largely the same as it was in the previous round of the Open Budget Survey. However, with a score of 56 out of 100 on the Open Budget Index 2012, the government of Papua New Guinea has the potential to greatly expand budget transparency by introducing a number of short-term and medium-term measures, some of which can be achieved at almost no cost to the government.

The International Budget Partnership recommends that Papua New Guinea undertake the following steps to improve budget transparency:

■ Publish the Enacted Budget which is currently being produced for internal use (detailed guidance on the contents of this document can be found in the guidebooks: <http://bit.ly/QGzHv8>). According to the Open Budget Survey 2012, 92 countries publish an Enacted Budget, including Papua New Guinea's neighbors Fiji, New Zealand and South Korea. Links to the budget documents published by these countries can be accessed from the IBP's website <http://bit.ly/P8NPOV>.

■ Produce and publish a Citizens Budget and In-Year Reports.

Detailed guidance on the contents of the Citizens Budget can be found in this guidebook: <http://bit.ly/QGzFmJ>. According to the Open Budget Survey 2012, 26 countries publish a Citizens Budget, including Papua New Guinea's neighbors New Zealand and South Korea; 78 countries publish In-Year Reports, including neighbors China, New Zealand and South Korea. Links to the budget documents published by these and other countries can be accessed from the IBP's website: <http://bit.ly/P8NPOV>.



■ Increase the comprehensiveness of the Executive's Budget Proposal, specifically by focusing on providing information on the following areas:

- program-level detail for expenditure estimates that cover a multi-year period and data on actual expenditures six months prior to the budget year (see questions 6 and 22 of the Open Budget Questionnaire);
- different macroeconomic assumptions used in developing the budget (see question 15 of the Open Budget Questionnaire);
- nonfinancial and performance data for assessing progress towards meeting policy goals (see questions 50-51 and 53-54 of the Open Budget Questionnaire); and

- extra-budgetary funds, transfers to public corporations, quasi-fiscal activities, expenditure arrears, contingent and future liabilities, nonfinancial assets, and tax expenditures (see questions 35, 37-38, 40-43, and 45 of the Open Budget Questionnaire).
- Increase the comprehensiveness of the Year-End Report by auditing outcomes and by increasing the level of detail of explanation of the differences between original expenditure estimates, original revenue estimates, original macroeconomic forecast, original non-financial and performance information, and enacted levels of funds intended to benefit the poor in the country and their actual outcomes, along with actual outcomes for extra-budgetary funds (see questions 78, 80, and 82-86 of the Open Budget Questionnaire).

■ Improve the quality of the Audit Report by publishing public audits six months after the end of the fiscal year, by including all expenditures, by including one or more executive summaries of the report's content, by publishing audit reports on extra-budgetary funds, by publishing reports listing actions taken by the executive to address audit recommendations, and by providing legislators with detailed audit reports related to the security sector and other secret programs (see questions 87-89, 91, 95-96, and 108 of the Open Budget Questionnaire).



# Strength of Legislatures and Supreme Audit Institutions in Budget Oversight

The Open Budget Survey examines the extent of effective oversight provided by legislatures and supreme audit institutions (SAIs). These institutions play a critical role — often enshrined in national constitutions — in planning and overseeing the implementation of national budgets.

The Open Budget Survey assesses whether legislatures provide effective budget oversight by measuring performance on 11 indicators, including: consultations with the executive prior to the tabling in the legislature of the draft budget, research capacity, formal debate on overall budget policy, time available to discuss and approve the budget, legal authority to amend the budget proposal, approval of shifts in expenditure budget and excess revenues collected, supplemental budget powers, authority to approve use of contingency funds, and scrutiny of audit reports.

The Open Budget Survey assesses whether supreme audit institutions are empowered to provide effective budget oversight by using the following four indicators: authority to remove the head of the supreme audit institution, legal power to audit public finances, financial resources available, and availability of skilled audit personnel.

## Recommendations

The International Budget Partnership recommends that Papua New Guinea undertake the following actions to improve budget oversight:

■ The executive should consult members of the legislature as part of its process of determining budget priorities. The legislature should have internal capacity to conduct budget analyses and have a formal pre-budget policy debate prior to the tabling of the Executive's Budget Proposal, it should have the authority in law to amend the Executive's Budget Proposal and should view and scrutinize the audit reports. The executive should be required to seek approval from the legislature prior to shifting funds between administrative units and between line items and prior to using excess revenues that may become available during budget execution (see questions 59, 97-100, 102, 103, and 107 of the Open Budget Questionnaire).

■ The budget for the SAI should be determined by the legislature, and the funding level should be broadly consistent with the resources required by the SAI to fulfill its mandate; and the SAI should have skilled staff designated to undertake audits of the central government agencies that handle the security sector (see questions 93 and 94 of the Open Budget Questionnaire).

Papua New Guinea is an average performer in East Asia & the Pacific on budget oversight and engagement

Country	Legislative Strength	SAI Strength	Public Engagement
China	Weak	Weak	Weak
Fiji	Weak	Weak	Weak
New Zealand	Moderate	Strong	Moderate
Papua New Guinea	Moderate	Moderate	Weak
South Korea	Strong	Strong	Strong

**Strong:** average score above 66 of 100; **Moderate:** average score between 34 and 66; **Weak:** average score below 34

# Opportunities for Public Participation

Research and advocacy experience of civil society over the past 15 years has demonstrated that transparency by itself is insufficient for improving governance. Transparency along with opportunities

for public participation in budgeting can maximize the positive outcomes associated with open budgeting. Therefore, the Open Budget Survey assesses opportunities available to the public to participate in national budget decision-making processes. Such opportunities can be provided throughout the budget cycle by the executive, legislature, and supreme audit institution.

Based on these indicators, the Open Budget Survey 2012 finds that opportunities for public participation in the budget process in Papua New Guinea are limited.



Papua New Guinea has much room to improve public participation

Requirement		Finding
Process Followed Before Consultation		
Formal requirement for public participation (Q114)		Exists but is weak
Articulation of purposes for public participation (Q115)		Exists but is weak
Communication by the SAI of audit findings beyond publication of audit reports (Q124)		Does not exist
Process of Consultation		
Mechanisms developed by the executive for participation during budget planning (Q116)		Exists but is weak
Public hearings in the legislature on macroeconomic budget framework (Q119)		Does not exist
Public hearings in the legislature on individual agency budgets (Q120)		Does not exist
Opportunities in the legislature for testimonials by the public during budget hearings (Q121)		Does not exist
Mechanisms developed by the executive for participation during budget execution (Q117)		Exists but is weak
Mechanisms developed by the SAI for participation in audit agenda (Q123)		Does not exist
Process Followed After Consultation		
Feedback by the executive on use of inputs provided by the public (Q118)		Does not exist
Release by the legislature of reports on budget hearings (Q122)		Does not exist
Feedback by the SAI on use of inputs provided by the public (Q125)		Does not exist

## **Description of Survey, Methodology, Reliability, and Researcher Contact Information**

The Open Budget Survey is a fact-based research instrument that uses easily observable phenomena to assess what occurs in practice. The research conclusions are typically supported by citations and comments, including reference to a budget document, a law, or other public document; a public statement by a government official; or comments from a face-to-face interview with a government official or other knowledgeable party. The Survey is compiled from a questionnaire completed for each country by independent budget experts who are not associated with the national government. Each country's questionnaire is then independently reviewed by two anonymous experts who also have no association with government. In addition, the IBP invites national governments to comment on the draft results from the Survey and considers these comments before finalizing the Survey results. The entire research process for 2012 took over 18 months between July 2011 and December 2012 and involved approximately 400 experts.

The Open Budget Survey provides a reliable source of data on national budget transparency practices for governments, development practitioners, the media, and citizens. Current users of the Survey results include the Open Government Partnership, Collaborative Africa Budget Reform Initiative, INTOSAI, the World Bank in its Worldwide Governance Indicators, and a number of bilateral aid agencies and international and regional multilateral bodies. The publication of the Open Budget Survey 2012 has reinforced the Survey's preeminent position as a global data repository on budget transparency, participation, and accountability.

Research to complete this country's Open Budget Survey was undertaken by Paul Barker and Elizabeth Avaïsa, Institute of National Affairs, P.O. Box 1530, Port Moresby, National Capital District, Papua New Guinea, [inapng@daltron.com.pg](mailto:inapng@daltron.com.pg); [paul.barker@cimcpng.org](mailto:paul.barker@cimcpng.org); and [elizabeth.avaïsa@cimcpng.org](mailto:elizabeth.avaïsa@cimcpng.org).

Despite repeated efforts, the IBP was unable to get comments on the draft Open Budget Questionnaire results from the Papua New Guinean government.

## What is the Open Government Partnership?

OGP was launched in 2011 to provide an international platform for domestic reformers committed to making their governments more open, accountable, and responsive to citizens. Since then, OGP has grown from 8 countries to the 65 participating countries, including Indonesia, Philippines and Australia, next door. In all of these countries, government and civil society are working together to develop and implement ambitious open government reforms.

Unlike OBI, but more like EITI, OGP entails Governments applying for membership and needing to meet a range of criteria related to fiscal transparency, Access to Information, Income and Asset Disclosure and Citizen Engagement. The OBI, however, is one of the criteria used in the assessment for membership. Like EITI, OGP is a multi-stakeholder initiative, with civil society enshrined in its principles and management

Governments interested in participating in the Open Government Partnership should take the following steps: 1. Achieve Eligibility The first step towards full OGP participation is meeting the OGP eligibility criteria. In order to be eligible to participate in OGP, governments must demonstrate a minimum level of commitment to open government principles in four key areas (Fiscal Transparency, Access to Information, Income and Asset Disclosures, and Citizen Engagement). A country is eligible to join the OGP if it meets those criteria measured by objective governance indicators using public data sources. To participate in OGP, countries must score at least 75% of the total possible points available to them. (For a detailed explanation of eligibility criteria and how countries are scored to determine eligibility as well as a list of eligible countries

<http://www.opengovpartnership.org/how-it-works/how-join#sthash.ZjAOTjUk.dpuf> ); Currently PNG just meets the eligibility criteria for membership, although lower scoring under OBI or other criteria would jeopardise that.