



OPEN BUDGET INDEX 2010

Background

- The Open Budget Survey is undertaken every two years and for 2010 (which is based upon the 2009 Budget process) it comprised 94 countries worldwide; including developing and developed countries, democratic and autocratic States, oil rich and resource poor nations
- The survey assesses each country's openness and transparency in the preparation and reporting on the budget, and how open the process is to active participation by the public and Parliament, and how thorough and timely the reporting by government and the Auditor General to Parliament and the Public
- It is a survey of how comprehensive the information is and how readily and promptly it is made available; it is not a survey of how accurate the material is, or how effectively the funds have been used, or of sub-national budgets (by provinces or Districts)
- The reason why Budget Transparency is considered so important, and hence also this survey, is that more openness (or shining light) on to the workings of government and how public funds are planned and managed, at the national and local level, enables governments to better serve their people, and especially meet the needs of the poor, who are the most reliant on public services. Greater budget transparency enables better oversight, better policy choices, better service delivery, better access to credit (where needed), greater accountability and hence legitimacy.
- The survey worldwide has been organised by the Center on Budget and Policy Priorities, through its International Budget Partnership, working in cooperation with 94 local organisations around the world; in most cases

these are public policy institutes like the INA, universities, and in some countries, like Georgia and Fiji, it's been undertaken, for example, by the local chapter of the Transparency International. The Open Budget Initiative of the IBP is funded by the Ford Foundation, the Open Society Institute, the Hewlett Foundation and DFID.

- The survey entails responses to 92 questions on the transparency of the Budget process itself, particularly whether governments produce and disseminate 8 key budget documents required by international best practice, namely: -
 - Pre-budget statement
 - Executive's Budget Proposal
 - Enacted Budget
 - Citizen's Budget
 - In-year Reports
 - Mid-Year Review
 - Yea-End Report
 - Audit Report
- A further 31 questions on the performance and capacity of the National Parliament (legislature) and Auditor -General (Supreme Audit Institution). The survey worldwide involves a rigorous process of questions, with standardised for grading to reach each outcome, and a thorough peer group review and verification process, to ensure standardisation, and avoid any bias.
- The scores for the 92 questions on the Budget process are used to compile each country's total score, which are then ranked to comprise the Open Budget Index. The scoring for each country is marked out of 100, with the most open and transparent budgeting gaining scores near 100, and the least transparent scoring near to zero.
- The 31 questions on the legislature and auditing functions are not included within the Index itself, but marked as falling within three grades of performance, strong, moderate and weak.
- As with the 2006 and 2008 surveys, the research in PNG was undertaken by the Institute of National Affairs, but the process also entailed 2 independent peer group reviewers, and further checking by the

Independent Budget Partnership team in Washington; the Treasury was also given an opportunity to respond to the draft survey findings.

Global Survey Results

See Open Budget Survey: Key findings

Key Findings for PNG

- For background context: The 2008 survey (based upon 2007 figures) showed a significant improvement over the 2006 results for PNG, from a score of 52 rising up to 61, largely as a result of a marked improvement in Budget accountability by the Treasury, with greater use and prompter postings to its web site, and notably following several years of preparing new medium term fiscal and debt management plans, and the Government, under former Treasurer Bart Philemon, had pushed through the valuable *Fiscal Responsibility Act*. So it was a time when at least parts of the Government, notably Treasury, were really pushing for greater fiscal transparency.
- In the 2010 survey Papua New Guinea has slipped slightly. Its score is 57 out of 100, which is above the average score (42) for the 94 countries surveyed, but down from 61 in 2008. Papua New Guinea's score indicates that the government provides the public with **some** information on the central government's budget and financial activities assessed by the Survey. However, the absence of full information makes it challenging for citizens to hold the government accountable for its management of the public's money.
- Before I go into the details, let me explain: - the score of 57 falls in the upper portion of the category of providing 'some' details, which leaves a lot of room for improvement, but is certainly well above many other developing countries and some emerging economies.
- It has secured reasonable points based upon the Treasury (and Central Banks) commitment to openness. It has lost some points in the 2010 survey, however, partly because the data is:
 - not considered comprehensive, notably there is inadequate information on the burgeoning Trust Funds and quasi-government funds, managed by organisations like IPBC, the Fisheries Authority

from license fees, etc.; i.e. there is a lack of accountability over these funds.

- Has entailed unfortunate delays in the provision of reports, and the comprehensiveness over the reports on budget performance. The end of year and mid-year fiscal reporting has been timely, but unfortunately the in-year reports, although undertaken, gained PNG no points, because they were released well beyond the deadline required by the survey.
- As stated, the review is not an assessment of actual budget performance or accuracy, nor does it undertake sub-national assessments, which would drag down PNG's ratings. As it is the sub-national tier of government (including at the District level) that is responsible for most infrastructure and services which affect the population, clearly this transparency process needs to go down to that level, and as the Districts (through the DSIP programme) now have substantial funding, despite the poor prevailing services, these funds need greater transparency.
- With respect to oversight of the Budget process by the legislature and the Auditor General, PNG falls into the lowest category, of '**weak**'.
 - Parliament plays a very limited role in the preparation and oversight of the Budget process, really limited to the quick approval process in November, and the role of the revived, but inadequately resourced Public Accounts Committee.
 - The enormous backlog in Departmental and other agency audits, and the exemption of some bodies from the SAI's audits, is abysmal, and gives PNG a low mark. It is recognised that the fault here lies not with the Auditor-General's office itself, but the lack of commitment by line and Central agencies and Statutory bodies to this function, including lack of funding for preparation of financial reporting.
- So the Treasury should be given some commendation for its commitment to openness and its efforts so far, but needs to do better, and not allow slippage. But overall the Government and its agencies need to make a far greater commitment to Open Government, including Budget Transparency, as poor or unaccountable use of money costs lives

and undermines the welfare and opportunities of the people of this country: this should start with:

- the passing of specific Freedom of Information legislation, which does not leave all kinds of gaps for secrets to be held and retained from the public
- extending the current Public Finance and Fiscal Responsibility legislation to the requirement that Budget details, right down to the District and LLG level, must be made publicly available in a prompt and timely manner, and an accessible form, right down to the local community
- publish the Enacted Budget;
- begin to produce and publish a Citizens Budget;
- provide opportunities for the public to testify at executive and legislative hearings on the budget;
- strengthen the role of the legislature and the SAI in the budget process;
- empower the SAI to secure timely and comprehensive accounts of all public funds from all public bodies to publish comprehensive Audit Reports, including information on extra-budgetary funds and future mechanisms, such as sovereign wealth fund(s);
- increase the resources of the SAI and encourage line agencies and other public institutions to submit timely accounts to the SAI for audit; and
- improve the timeliness and comprehensiveness of the Executive's (notably Treasury and Planning Department's) In-Year Reports on budget performance.

For the full Open Budget Survey worldwide and country report, index and key findings, please go to: www.openbudgetindex.org