



Fundación Ford

BUDGET TRANSPARENCY IN LATIN AMERICA

A MEASUREMENT EFFORT TO IMPROVE THE TRANSPARENCY OF BUDGETS

GENERAL INDEX OF TRANSPARENCY

- 1. Introduction: the design and objectives.
- 2. Survey of experts and information users
 - 2.1 Methodology
 - Sample design
 - Population of experts and users
 - Weighting of the data
 - Questionnaire
 - Reported values
 - Variables / topics
 - 2.2 Results
 - General index
 - Classification of the budget by topic and variable
 - Classification by country
- 3. Analysis of the legal framework

1. INTRODUCTION

The design

- An international initiative of civil and academic organizations that study the budget.
- With the support of the Ford Foundation.

PARTICIPATING ORGANIZATIONS AND INSTITUTIONS

Country	Institution
Argentina	Poder Ciudadano (Citizen Power)
Brazil	El Instituto Brasileiro de Analices Sociais e Economicas (IBASE) (Brazilian Institute for Social and Economic Analysis)
Chile	El Departamento de Economía de la Universidad de Chile (Department of Economics, University of Chile)
Peru	El Centro de Investigación de la Universidad del Pacífico (Research Center, University of the Pacific)
Mexico	CIDE; Equidad de Género; and Fundar (Center on Research and Teaching; Gender Equity; and Fundar.)

OBJECTIVES

- To generate an index that permits the measurement of the degree of transparency in national public spending and that permits comparison between countries over time.
- To generate knowledge about the budget and the importance of transparency.
- To identify the specific areas of the budget which lack transparency so that the governments can work on concrete solutions to improve it. In particular, the analysis of the legal framework distinguishes between legal gaps and problems in the application of the law.

2. SURVEY OF EXPERTS AND KEY USERS OF INFORMATION

2.1. METHODOLOGY

Sample Design

- Participating countries: Argentina, Brazil, Chile, Mexico and Peru.
- Survey of experts and key users of budget information: Deputies and/or Senators from the budget, health, education and defense committees; researchers or academics; experts from the print media; NGOs working on the topic.
- Sample design: The size of the population is small; therefore, an attempt was made to cover the entire population of experts and users of budget information.
- Data collection methods included: self-administered surveys via the internet, fax or mail, and face to face interviews by an interviewer.
- Using the simple random sample formula, the margin of error in the total survey is 4.2%. The margins by country are: Argentina 16.8%, Brazil 7.6%, Chile 6.1%, Mexico 9.9% and Peru 7.7%.

- This margin does not include the effects of errors that cannot be measured such as:
- The effect or possible bias of no response,
- The coverage errors due to defects in the sample framework.

Population of Experts and Users

The criteria to define the experts and/or key users are:

- **Legislature:** Popular representatives that participate in one of four committees were chosen: the budget committee and the three committees in charge of the allocation of spending on education, health, and defense.
- **Journalists:** Newspapers and magazines with national coverage were selected, and for each publication, the journalists that write about the budget were chosen.
- **Academics or researchers:** The experts included those that study the subject and /or have published on the budget. They were chosen based upon a census of research and/or superior education institutions and indexes of bibliographic references.
- **NGOs:** The civil society organizations that work on the topics of the budget, accounting, transparency, corruption, and the monitoring of government resources. In some countries, directories of NGOs exist (Brazil), and in others, the NGOs were identified based on their appearance in press stories on the budget (Mexico).

With these criteria, the census of the population is 792 people, of which 555 belong to a legislature.

Population Surveyed and Responses by Country

Group of Experts	Total	Argentina*	Brazil	Chile	Mexico	Peru
Legislature	555	154	167	67	115	52
Researchers, printed media, and NGOs	237	40	46	35	67	49
Universe Total	792	194	213	102	182	101
Response Total	320	29	93	73	63	62
Margin of Error	4.2%	16.8%	7.6%	6.1%	9.9%	7.7%

*Unfortunately, the number of responses in Argentina was very low, in part due to the occurrence of elections. As a result, the margin of error is high (almost 17%) and one ought to be careful reading the results for this country.

Weighting

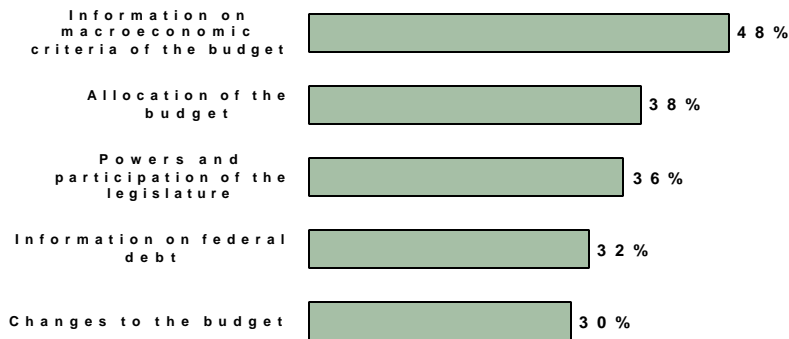
The analysis of the results demonstrates that the responses of legislators tend to be more positive than the responses of the rest of the survey population.

- Furthermore, the percentage of the responses of legislators varies considerably between countries, between 29% and 69%.
- As a result, the countries where there were more responses of legislators would have had more positive scores.

- Therefore, in order to avoid legislative bias, the results were weighted so that the responses of legislators represent 30% in each one of the countries.

Questionnaire

- The questionnaire consists of 78 questions and took approximately 20 minutes to complete.
- The general index of budget transparency consists of two questions of general classification on a scale of 1 to 10. This overall question was asked at the beginning and at the end of the questionnaire in order to measure the impact of greater information on transparency on the respondents' answers.
- The specific questions were constructed as Likert scales (to measure the level), which permit us to simultaneously measure agreement and intensity. For example:



Reported values

In order to more clearly observe the differences between the responses, we use what is known in the research literature as “Top two boxes,” which means the two values of positive scores. The positive scores are equal to the values “of agreement” in the following scale:

1 Do not agree at all	2	3 Neither agree nor disagree	4	5 Totally agree
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Top two boxes

To report the grouped scores of variables, topic, or stage, simply sum all the questions that belong to that group and report the percentage of the positive responses over the total responses. For example:

Variable Accountability = Sum of 8 questions ($i=8$):

$$\text{Positive scores for the variable "Accountability"} = \frac{\text{Sum of the number of positive scores for the 8 questions that make up the variable}}{\text{Sum of all answers for the 8 questions that make up the variable}}$$

Variables

Based on the many questions, 14 variables are constructed, which can be grouped into five topics:

Topic	Variables	Total Questions
Participation in the budget	Citizen participation in the budget	4
	Authority and participation of the legislature in the budget	4
Elaboration of the budget	Information about macroeconomic criteria of the budget	2
	Changes in the budget	3
	Allocation of the budget	5
Oversight/Auditing	Supervision of the budget	6
	Evaluation of the internal comptroller	3
	Capacities of the institutions of external oversight/auditing	4
Accountability	Accountability	8
	Oversight of federal funcionarios or officials	8
Access to information	Information about federal debt	7
	Quality of information and statistics in general	4
	Access to information about the budget	4
	Timeliness	4

Concepts or sentences that make up the score of each variable¹

Citizen participation in the budget

- 1.- Mechanisms exist and are known by the public to incorporate its opinion during the approval of the budget.
- 2.- Mechanisms exist that allow the incorporation of public opinion in the formulation of the budget in general.
- 3.- In the event that there are substantial changes in the approved budget during its execution, the executive branch sufficiently informs the public about the changes.
- 4.- When the execution of the budget is complete, the executive branch provides exhaustive reports regarding the impact of its spending.

Powers and participation of the legislature in the budget

- 1.- The majority of legislators that are responsible for determining the budget have the capacity to analyze the proposed budget well.
- 2.- The calendar for the approval of the budget allows sufficient time for analysis and discussion.
- 3.- The legislature has sufficient powers to modify the budget proposed by the executive branch.
- 4.- In practice, the legislature has used its powers and has substantially modified some budget proposal of the executive branch.

Information regarding macroeconomic criteria of the budget

¹ A version of the questionnaire was made for each country ; in the interest of simplicity, only the Mexican version of the questionnaire is presented here.

- 1.- The executive publishes the macroeconomic assumptions that are used to elaborate the new budget.
- 2.- The macroeconomic assumptions of the budget published by the executive are easy for users to understand.

Allocation of the budget

- 1.- The federal executive explains the criteria used for the allocation of the budget by sector or functions, such as education, health, etc.
- 2.- The majority of the resources that the federal executive assigns to the states are assigned according to public criteria.
- 3.- The allocation of the budget is basically based upon past allocations.
- 4.- The annual budgets are formulated according to the long-term policies established in the National Development Plan.
- 5.- The delivery of federal government resources to the states follows the promised schedule.

Changes to the budget

- 1.- In the event that there are substantial changes in the budget approved during its execution, the executive branch sufficiently informs the legislature about the changes.
- 2-3.- In the event that substantial modifications are made to the approved budget during its execution, to what extent do each of the following actors participate in such modifications?
 - * The legislative branch .
 - * All of the ministries whose budgets are modified.

Supervision of the budget

- 1.- In the federal budget, all the line items of spending are supervised.
- 2.- The resources exercised by parastatal enterprises, such as PEMEX or CFE, are well supervised.
- 3.- The resources exercised by all the remaining decentralized organizations, such as IMSS, ISSSTE, UNAM, etc., are well supervised.
- 4.- Federal spending on defense is well supervised.
- 5.- The external comptroller verifies that the executive complies with the programmatic and non-financial objectives of the budget.
- 6.- The responsibilities for the execution and supervision of the budget are clearly separated.

Evaluation of the internal comptroller

- 1.- The internal comptroller or SECODAM is trustworthy.
- 2.- The recommendations made by SECODAM during the execution of the budget are taken into account.
- 3.- The SECODAM regularly verifies compliance with the non-financial objectives of the budget.

Powers of the institution of external comptroller

- 1.- The external comptroller is trustworthy.
- 2.- The recommendations of the external comptroller have helped combat corruption.
- 3.- The external comptroller is an institution that is independent and autonomous of the executive.
- 4.- The external comptroller has the capacity to efficiently supervise federal spending.

Accountability

- 1.- The purchase prices that the executive pays are public when large amounts of spending are involved.
- 2.- The indicators to evaluate federal programs are appropriate measures of their impact.
- 3.- Data regarding the execution of the expenditures of whatever type of decentralized organization are included in the reports on the execution of the budget.
- 4.- The federal executive publishes the information necessary to evaluate the progress toward accomplishment of the goals of its programs.
- 5-6.- The partial reports of the execution of the budget are comparable with the approved budget:
 - * Reports regarding the state of revenue and expenditures of the government
 - * Reports regarding the progress of the execution of programs and their non-financial objectives.
- 7-8.- The reports with partial results of the execution of the budget are published in a timely manner that provides an opportunity to allow revision of the expenditures during the execution.
 - * Reports regarding the state of revenue and expenditures of the government.
 - * Reports regarding the progress of the execution of programs and their non-financial objectives.

Supervision of federal functionaries

- 1.- It is possible to know with certainty the salaries of federal officials.
- 2.- Information regarding the benefits of federal functionaries, such as bonuses, medical insurance, use of autos, personal expenses, etc., is public.
- 3.- It is possible to detect inexplicable enrichment by way of the declarations of goods that functionaries have made.
- 4.- In the event of an irregularity in the execution of the budget, it is possible to identify those that are responsible.
- 5.- In the event of administrative error or negligence, it is possible to identify those that are responsible.
- 6.- A functionary that misuses the budget for his or her own benefit or the benefit of others is penalized.
- 7.- The penalties assessed to functionaries for misusing public resources are really applied.
- 8.- The penalties assessed to functionaries for misusing public resources are adequate punishment for these crimes.

Information regarding federal debt

- 1-5.- The following information is made public when federal debt is contracted:
 - The amount of the debt.
 - The destination of the contracted debt.
 - The interest rates to be paid.
 - The duration of the debt (time periods).
 - Projections of payment of the debt.
- 6.- Future or past obligations of the federal government are made public.
- 7.- All future obligations of the government, such as labor liabilities, financial investment, or rescues of economic sectors are recorded as public debt.

Quality of the information and statistics in general

- 1.- In general, the institutions that generate national statistics act with complete independence from the Executive.

- 2.- In general, the institutions that generate national statistics produce accurate data.
- 3.- Budget information is presented with disaggregations that permit detailed analysis.
- 4.- Budget information includes aggregations that permit an integral analysis.

Access to information on the budget

- 1-4.- During each one of the phases of the budget process, how easy is it for researchers to gain access to budget information?
- * Formulation.
 - * Discussion and Approval.
 - * Execution.
 - * Oversight – Supervision/Auditing.

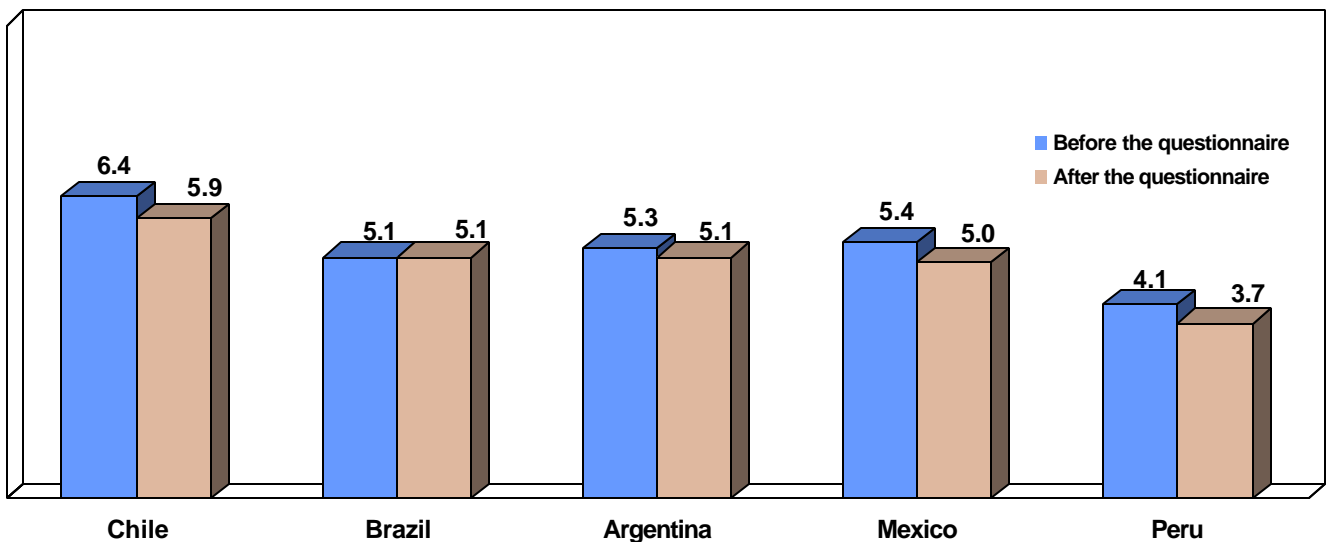
Timeliness of budget information

- 1-4.- With what degree of expediency is budget information made public during each phase of the process?
- * Formulation.
 - * Discussion and Approval.
 - * Execution.
 - * Oversight – Supervision/Auditing.

2.2 RESULTS

General Index of Transparency²
Average score from 1 to 10

- In general, the scores are low: all scores are lower than 6. That is, according to expert opinion, there is much to be done.
- In all the countries, except Brazil, the scores declined about 7% after those interviewed answered the questionnaire and learned the survey’s definition of transparency.

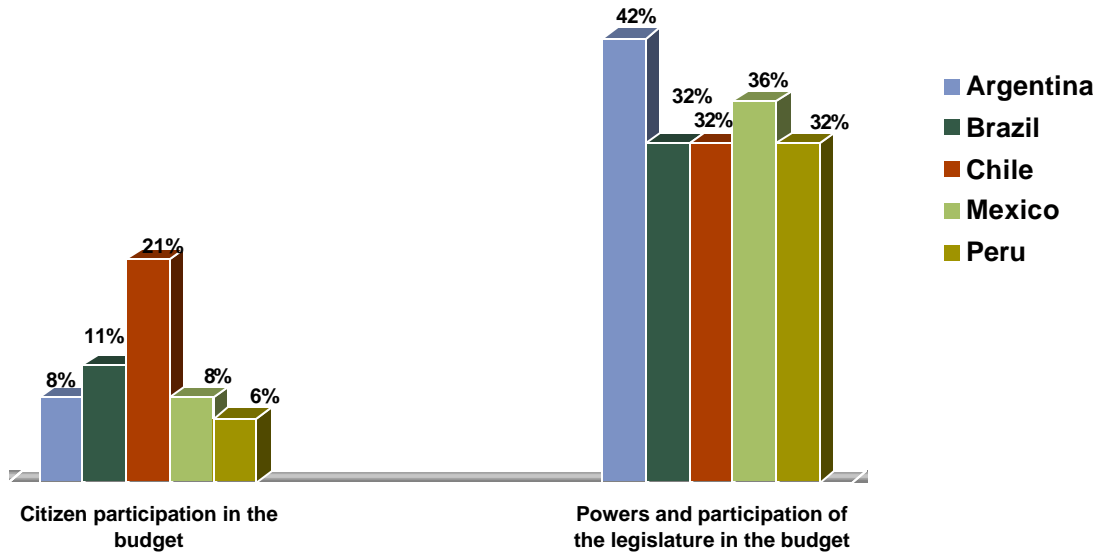


² Scale of 1 to 10 where 1 is not transparent and 10 is very transparent.

PARTICIPATION IN THE BUDGET

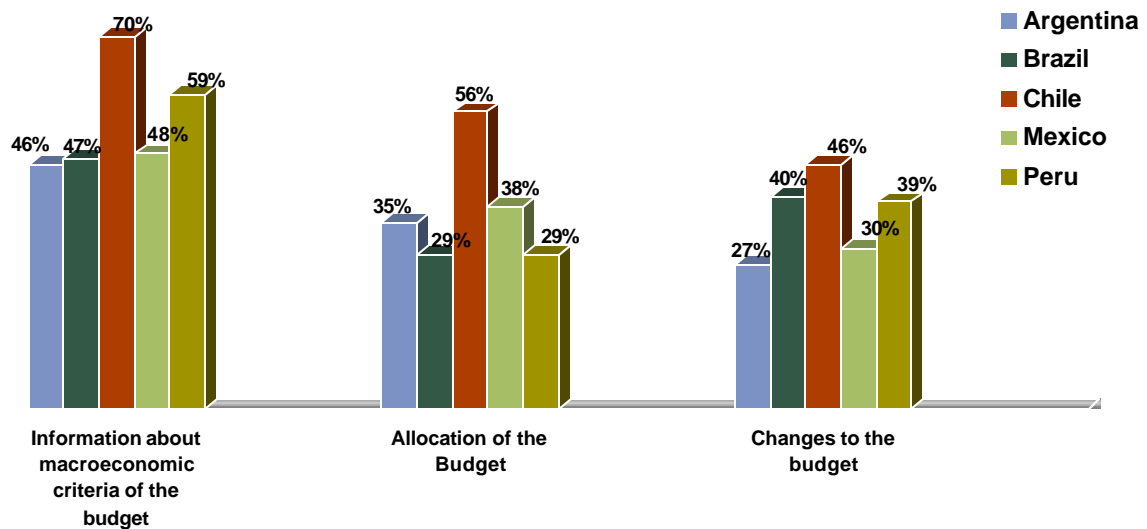
Percent of answers that indicated positive scores³

- Citizen participation is minimal. In particular, Mexico, Peru, and Argentina only received 8% positive scores when experts are asked about participation in the approval and formulation of the budget and about information on changes to the budget and the social impact of spending.
- The participation of the legislative branch in the budget only receives positive scores about one-third of the time.



DEVELOPMENT AND ADOPTION OF THE BUDGET

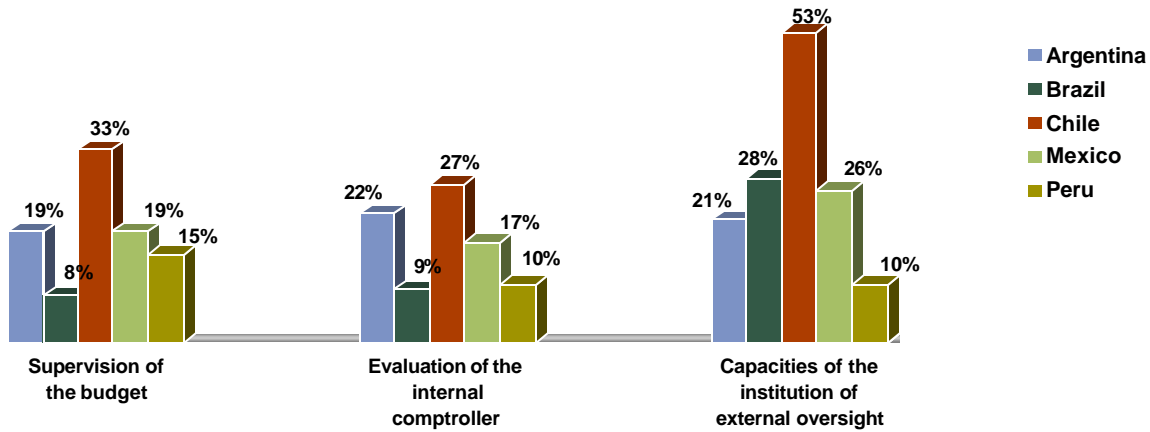
- The process of changing the budget generally receives the lowest scores due to limited participation in the modification process.



³ Top two boxes or values of 4 and 5 on a scale of 1 to 5.

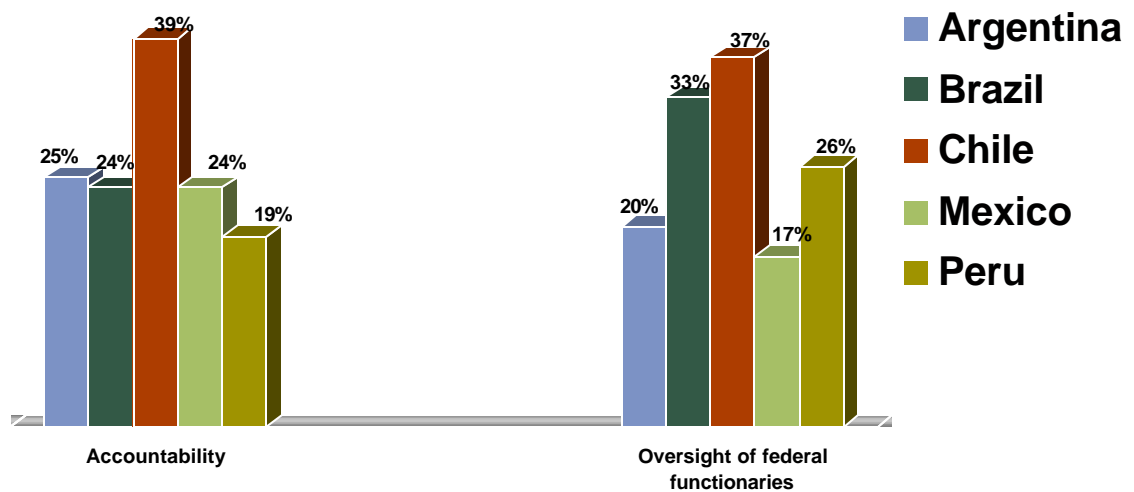
SUPERVISION AND COMPTROLLER

- In general, the process of supervision is evaluated as very poor. In particular, the internal comptroller only receives between 9% and 27% positive scores.
- The external comptroller also receives very low scores in general, although the case of Chile stands out. The experts in this country score the capacities of external oversight much higher than in the other countries.



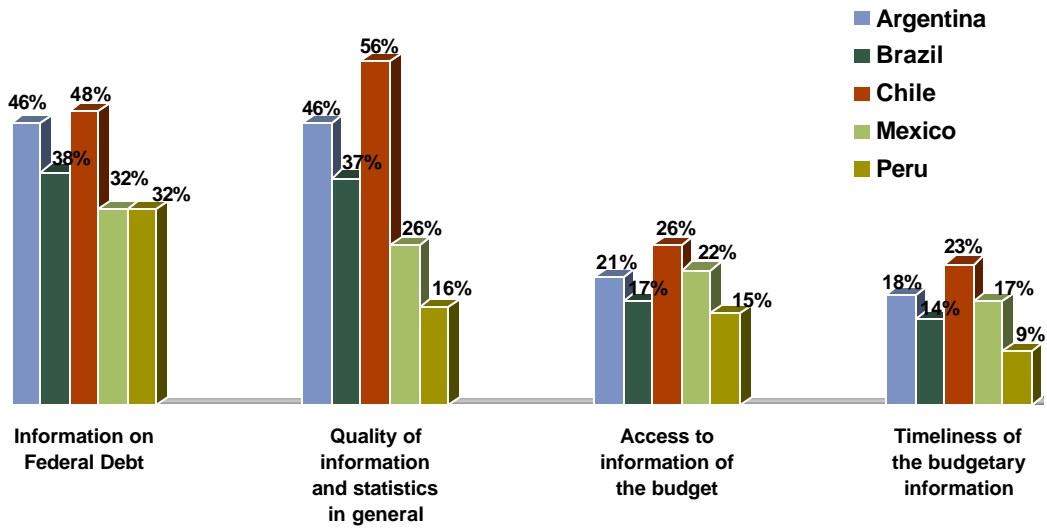
ACCOUNTABILITY AND OVERSIGHT OF FEDERAL FUNCTIONARIES

- Oversight and accountability are insufficient in all the countries and only receive between 17% and 39% positive scores.

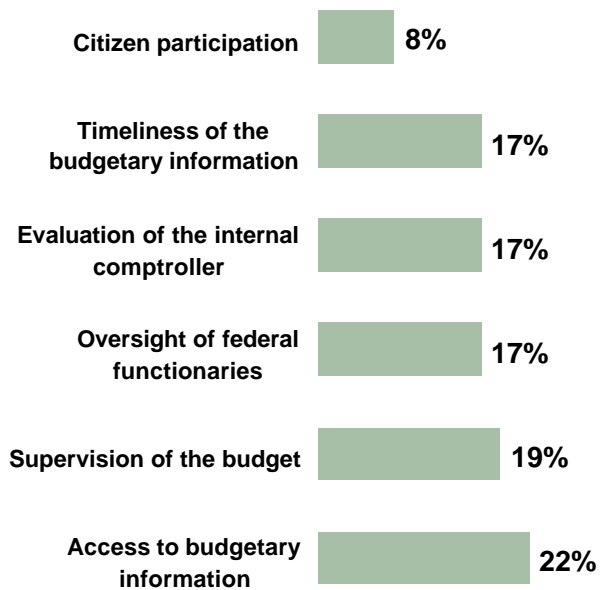


INFORMATION

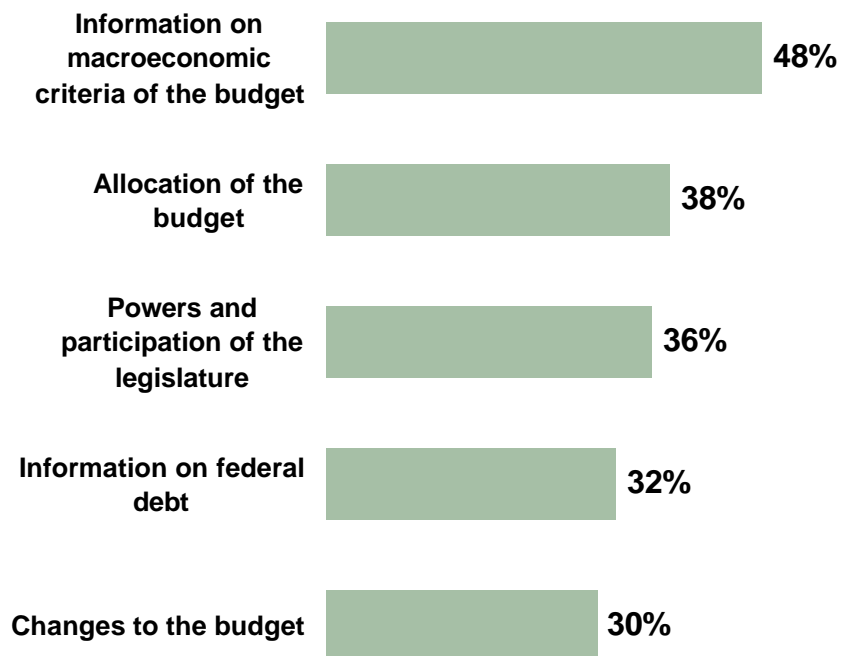
- The experts believe that access to information about the budget and the timeliness with which this information is provided are very weak with positive scores between 9% and 26%.
- The general statistics and the information regarding public debt receive higher positive scores of about 40%.



RESULTS BY COUNTRY:
(Percentages of positive scores)⁴
MEXICO: WEAKEST AREAS

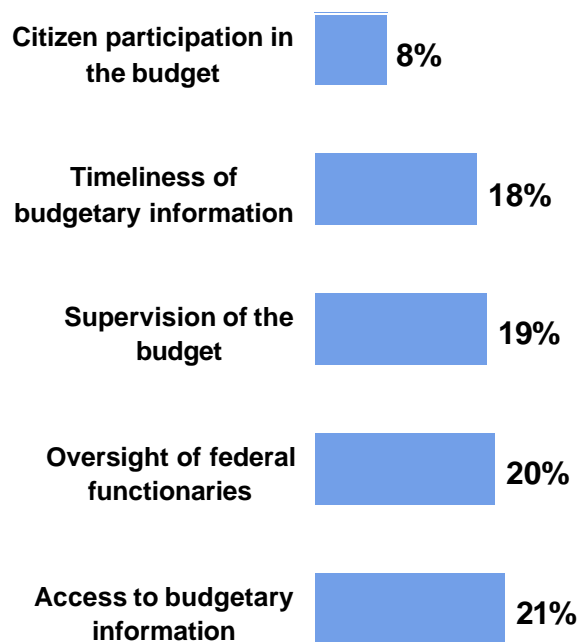


MEXICO: BEST-EVALUATED AREAS:

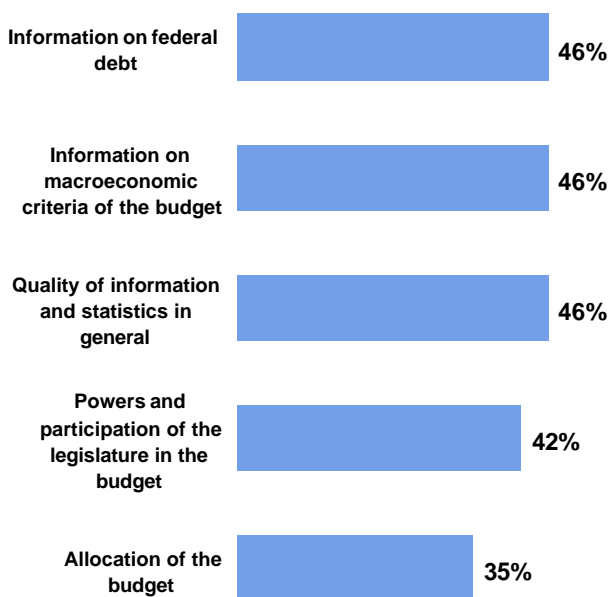


⁴ Top Two boxes or scores of four and five on a scale of one to five.

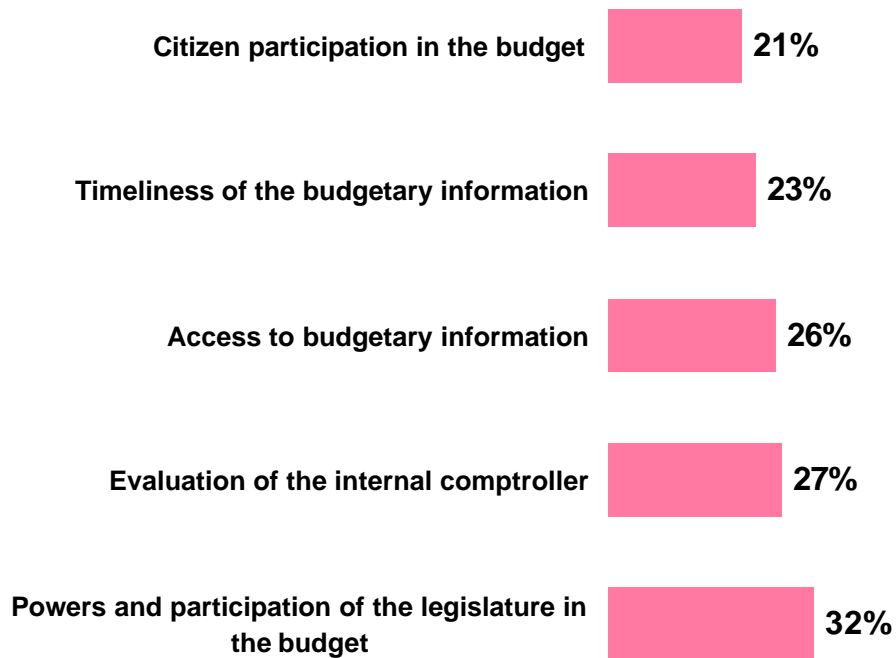
ARGENTINA: WEAKEST AREAS



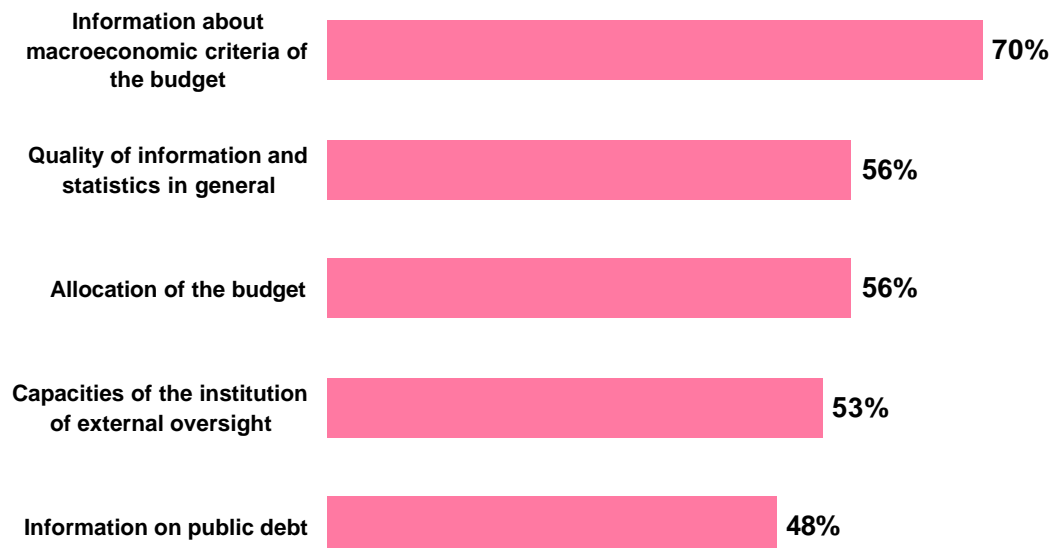
ARGENTINA: BEST-EVALUATED AREAS



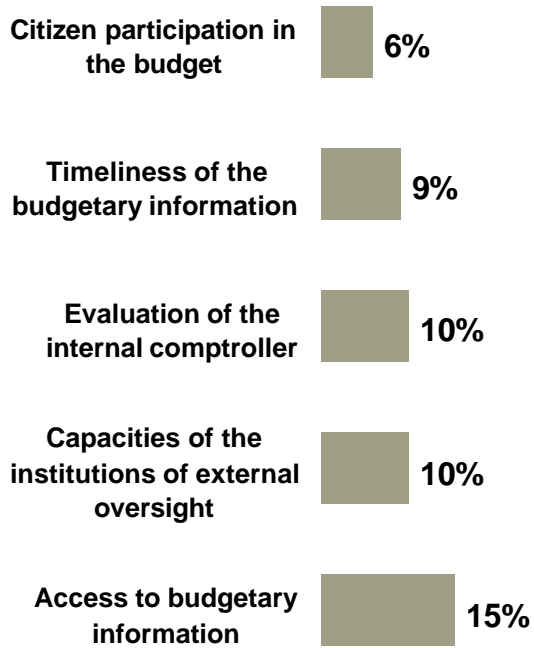
CHILE: WEAKEST AREAS



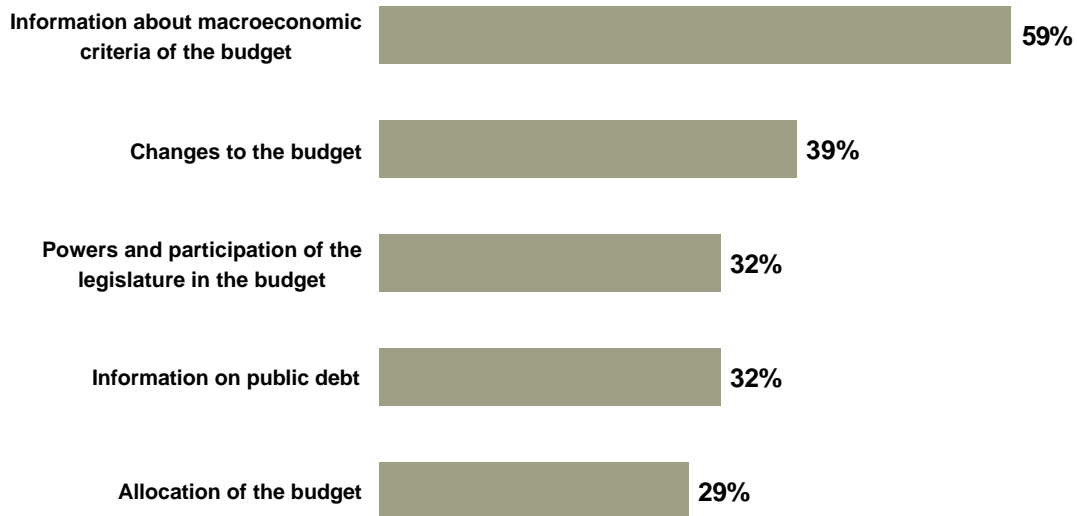
CHILE: BEST-EVALUATED AREAS



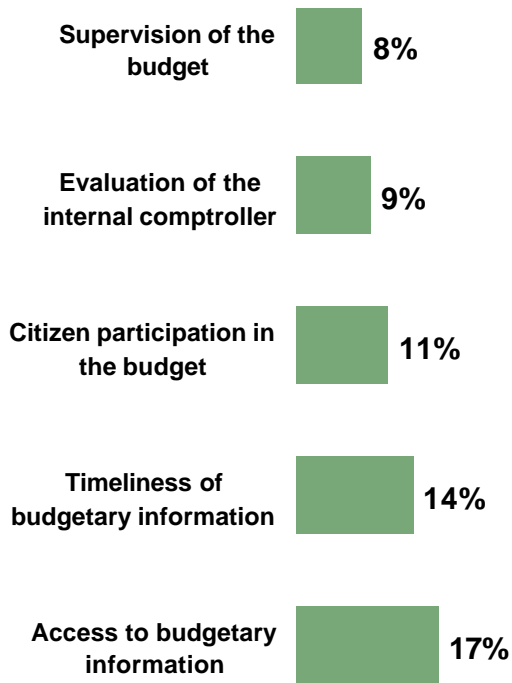
PERU: WEAKEST AREAS



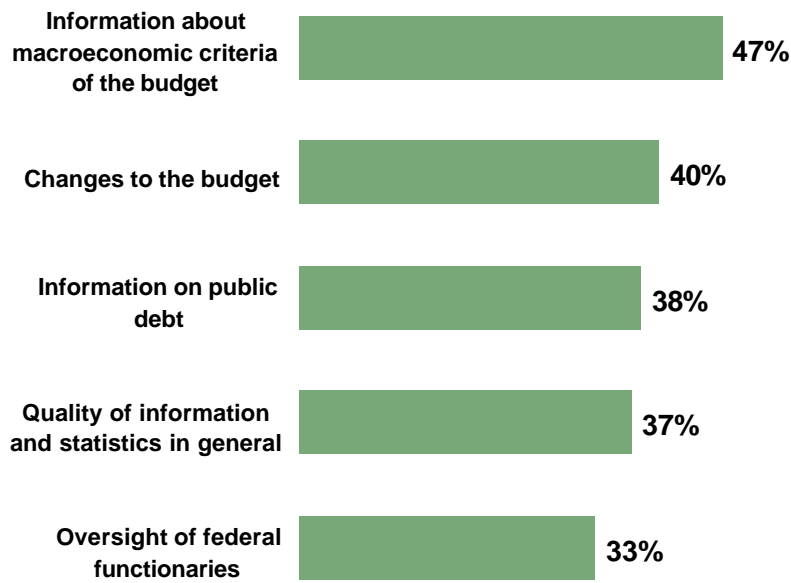
PERU: BEST-EVALUATED AREAS



BRAZIL: WEAKEST AREAS

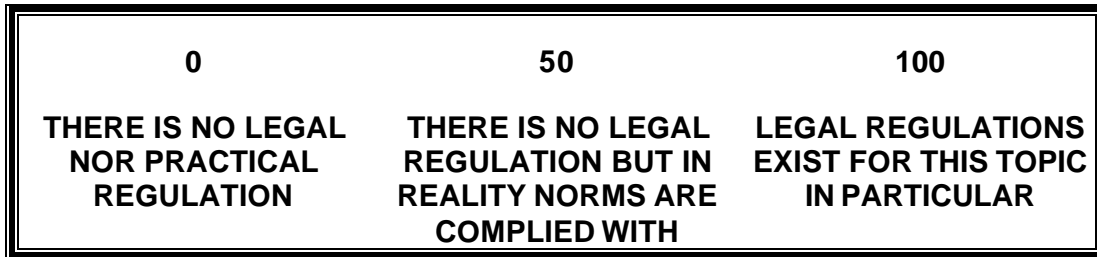


BRAZIL: BEST-EVALUATED AREAS



3. ANALYSIS OF THE LEGAL FRAMEWORK

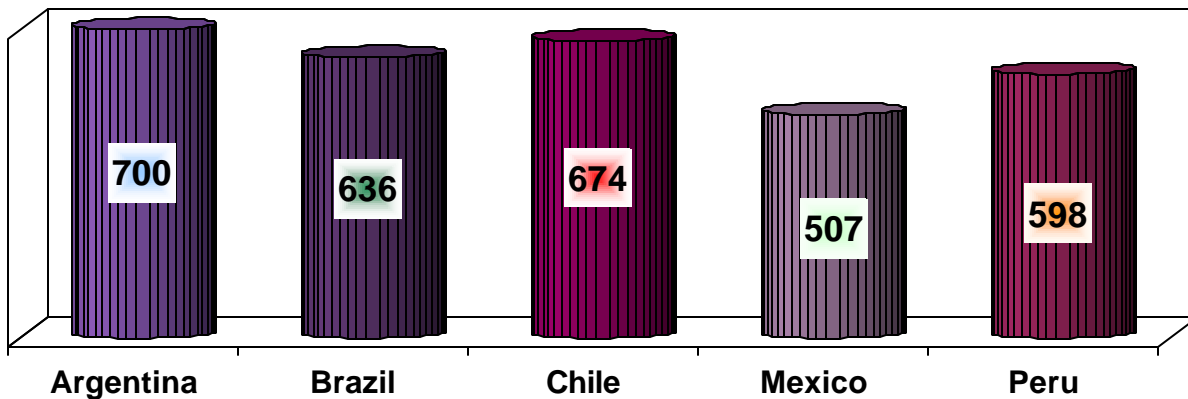
- This is an effort independent of the survey.
- It relates to an in-depth analysis conducted by a researcher in each country to determine the state of the legal framework based on 85 questions. The following scale was used.



- Examples of measurements
 - The functionaries are obligated to report on their possessions.
 - The obligation exists to publish the manual for the formulation of the budget.

Average value on a scale of 0 to 1000

The existence of a legal framework oriented toward transparency does not guarantee transparent budget practices that depend upon the level of application of the law.



ANALYSIS OF THE LEGAL FRAMEWORK: PARTICIPATION AND THE RENDERING OF ACCOUNTS

Average value on a scale of 0 to 1000

