

Case Reflections Brief

ELLA Area: Governance

ELLA Theme: Budget and Public Policies



ELLA

Evidence and lessons
from Latin America

Latin American civil society organisations have created the first budget transparency index that measures not only if budget information has been published, but if that information is useful. What's more, it does so by surveying the users of budget information themselves.



CITIZEN ASSESSMENT OF BUDGET TRANSPARENCY: LATIN AMERICAN BUDGET TRANSPARENCY INDEX

SUMMARY

Civil society organisations (CSOs) developed a new benchmarking exercise to assess and compare levels of budget transparency across countries in order to address a specific transparency problem: budget information may be available, but it is not useful. Since 2001, CSOs and academic institutions have implemented the Latin American Budget Transparency Index ([Índice Latinamericano de Transparencia Presupuestaria - LABTI](#)) to measure not only the accessibility of budget information, but also its usefulness. As a perceptions-based exercise, LABTI innovates by surveying not only budget specialists, but also the variety of stakeholders that use budget information. An exercise like this one allows governments to assess if the information they are publishing is useful, while also promoting citizen participation and creating a budgetary culture, and giving a variety of actors a tool to push for transparency reforms. This Brief describes the distinctive features of this index, concrete changes LABTI has achieved and the key factors underpinning the tool's successful use, all in an effort to offer useful lessons learned for other contexts.

THE TRANSPARENCY CHALLENGE: ACCESSIBLE AND USABLE BUDGET INFORMATION

The state of budget transparency in the world is quite poor. According to the Open Budget Survey, out of 94 countries surveyed, only 20 provide extensive or significant budget information.¹ Poor budget transparency is worrisome for a variety of reasons: it weakens the intra-governmental checks and balances system; undermines citizens' right to be informed about government spending and performance; creates opportunities for corruption;

¹ International Budget Partnership (IBP). 2010. [The Open Budget Survey 2010](#). IBP, Washington, DC.

KEY LESSONS LEARNED

Carrying out a perception-based exercise gives stakeholders an assessment of the state of budget transparency in terms of the usefulness and quality of budget information. Additionally, improving the quality of information strengthens the checks and balances system.

LABTI is helping to create bridges between governments, parliamentarians and citizens by providing concrete recommendations to improve the way budget information is published.





limits accountability; weakens citizens' trust in government; and makes citizen participation in the budget process difficult.

However, getting information published is not the end of the story. Many governments publish plenty of budget information, but it is difficult to access or impossible to understand.

International organisations such as the International Monetary Fund (IMF) and Organisation for Economic Cooperation and Development (OECD) tend to work with a narrow definition of budget transparency: "full disclosure of all relevant fiscal information in a timely and systematic manner".² However, they do not consider other characteristics of the information, such as if it is useful for the people that consult it, or if there are mechanisms for citizen participation within the budget process. This definition characterises international best practices in budget transparency and is largely the definition in use by the other benchmarking exercises.

DESIGNING AN INNOVATIVE INDEX TO IMPROVE BUDGET TRANSPARENCY

LABTI's Origin and Scope

Created in 2001 by the Center for Economic Research and Teaching (*Centro de Investigación y Docencia Económicas*), a Mexican research centre, and Fundar, a Mexican CSO, LABTI assesses the state of budget transparency in 12 Latin American countries³ by taking into account the perceptions of the users of the budget information and by identifying legal gaps in the accountability and decision-making obligations between governments and their citizens.

Unlike other benchmarking exercises, LABTI assesses the usefulness and quality of the budget information provided by the government, as well as the existence and effectiveness of mechanisms for citizen participation in the budget process; it is also unique because it surveys the users of budget information, rather than just experts.⁴

LABTI provides a systematic and comparative assessment of budget transparency across countries, and always includes

specific recommendations for governments to improve budget transparency by refining the way they publish their budget information. The ultimate aim of the instrument is to help build a bridge between government and civil society, facilitated by both governments and citizens having access to quality budget information.

Since its inception, LABTI has been implemented in 13 countries – Argentina, Bolivia, Brazil, Colombia, Costa Rica, Dominican Republic, Ecuador, Guatemala, Mexico, Panama, Peru and Venezuela – and by 17 CSOs and academic institutions with expertise in budget transparency.⁵ Since 2003, Fundar has coordinated the project regionally.

LABTI provides a comprehensive citizen diagnosis of the level of budget transparency of a particular country – which it achieves by asking the users of budget information to assess its usefulness.

LABTI's Main Features

Analytical Framework: LABTI assesses three critical aspects of budget transparency: participation in the budget process; transparency throughout the budget cycle; and accountability. For the latter, LABTI considers that accountability goes beyond the provision of information, assessing, for example, the existence of formal and informal sanctions.

Methodology: Perhaps the biggest difference between LABTI and other benchmarking exercises is its methodology. LABTI uses two complementary data collection methods. The first is a perceptions survey conducted with the primary users of budget information: legislators, academics, journalists, opinion-formers and CSOs. The second is an analysis of the legal and institutional framework and practices of the budget process, what it terms its 'Formal-Practical Guide'. The first provides a citizen assessment of the three critical budget transparency aspects, while the second helps to contextualise and interpret respondents' perceptions and identify areas that require specific improvement.

² OECD. 2002. [OECD Best Practices for Budget Transparency](#). OECD, Paris.

³ Country reports for the individual countries are published on the [LABTI website](#).

⁴ To find out more about the methodology, consult the [LABTI website](#).

⁵ Not all countries and organisations have participated in all editions of LABTI.



The survey is revisited every edition to ensure questions are still relevant and to occasionally add extra contextual questions, such as in 2009 when questions were included to assess transparency in government decisions about spending cuts coming from the economic crisis.

Results and Recommendations: Using its survey and assessment results, LABTI makes country-specific, implementable recommendations for governments.

LABTI vs. OTHER BUDGET TRANSPARENCY INDICES		
Index	What does it measure?	How does it measure it?
Global Integrity Report (GIR)	<ul style="list-style-type: none">Evaluates anti-corruption legal frameworks and their practical implementation and enforcementThough not focused on budget transparency specifically, it does assess the budget processes and the role of the Supreme Audit Institution	<ul style="list-style-type: none">Countries are scored by a lead in-country researcherResults are then blindly reviewed by a panel of peer reviewers and a mix of other in-country and outside experts
Open Budget Index (OBI)	<ul style="list-style-type: none">Assesses availability of eight key budget documentsEvaluates extent of oversight provided by the Supreme Audit InstitutionAssesses opportunities for citizen participation in the budget process	<ul style="list-style-type: none">Survey administered to independent budget experts based on availability of budget informationSurvey is then reviewed by two other independent experts
LABTI	<ul style="list-style-type: none">Assesses if budget information provided by government is available, useful and accessibleEvaluates both existence and effectiveness of citizen participation mechanisms during the budget processAssesses legal framework that regulates budget transparency	<ul style="list-style-type: none">Perception-based survey methodology, surveys users of budget information - academia, CSOs, legislators and journalistsUses its 'Formal-Practical Guide' to complement the information obtained from the surveys

LABTI IN ACTION

In the last ten years, LABTI has been used by a variety of actors to measure and improve budget transparency in their countries and at the regional level. Here are some of the uses so far:

Respected Indicator: LABTI scores and results are increasingly used as an indicator, demonstrating the instrument's validation by government agencies, legislators, and regional and international organisations alike.

- [Mexican Supreme Audit Institution](#) and the [Ministry of Public Administration](#): LABTI is a regional indicator for comparing Mexico to other countries in the region and Mexican legislators have used the results as a source of information for projects and reforms
- [Organization of American States](#): LABTI is included as a tool to measure budget transparency in the [Guide of](#)

[Mechanisms for Promoting Transparency and Integrity in the American States](#)

- [Inter-American Development Bank](#): the index is included as an indicator in its Governance Indicators Database, DataGov
- [Freedom House](#): LABTI is used to measure government transparency in some of its country reports

Public Attention: Through LABTI, the relevance of budget transparency and citizen participation in the budget process has been slowly introduced in the public agenda at the local and national level.

- In 2009, more than 35 media outlets covered LABTI's launch in 11 different countries, all highlighting the need to improve budget transparency.⁶
- Legislators and senators have used LABTI results to draw attention to the need for advancing and implementing reforms. In 2009, for example, former

⁶Latin American Budget Transparency Index 2001-2011. Presentation made during the Meeting of the Latin American Network on Budget Transparency. Fundar, Mexico, June 2th, 2011.



Mexican presidential candidate and current Senator, Santiago Creel, used LABTI's findings to push for a budget transparency initiative in the Senate.

Advocacy Tool: CSOs are using LABTI's results and recommendations to carry out advocacy and work collaboratively with the government to improve budget transparency.

- Bolivia: Answering a request from the Ministry of Economy and Public Finance, the Centre for Studies on Labour and Agrarian Development ([*Centro de Estudios para el Desarrollo Laboral y Agrario*](#)) provided detailed information to this Ministry on LABTI recommendations
- Mexico: Fundar provided technical assistance to the Ministry of Finance, Mexico City's government and the local government of Puebla to advance transparency reforms. In 2010, Fundar also collaborated with the Public Information Institutes of the Federal and Mexico City governments to draft specific recommendations that were sent to the National Congress and the Ministry of Finance.
- In Costa Rica, the organisation *Estado de la Nación* (State of the Nation) uses LABTI as a governance indicator and as a tool to collaborate with the Supreme Audit Institution

Concrete Reforms: Perhaps most importantly, governments have begun implementing LABTI recommendations, thereby making the budget process more transparent, inclusive and sensitive to citizens' need for information.

- Mexico: Fundar has used the results of LABTI's 2009 edition to push for key budget transparency reforms, one of which is improving citizens' access to budget information. The Ministry of Finance was open to this civil society demand, and asked Fundar to provide technical assistance for elaborating a Citizens Budget, a document that summarises and explains the budget using simple

and easy-to-understand language. Importantly, the Ministry consulted budget users to measure the usefulness of such an instrument. As a result, the Ministry of Finance has published a [Citizens Budget](#) since 2010, and has created a budget transparency [webpage](#) which includes key budget indicators to help citizens assess information about the use of their taxes.

Key Challenges

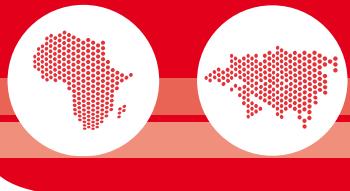
The biggest challenge that an exercise like this one faces is actually what makes it innovative: the perception survey. Governments tend to be sceptical of exercises that are subject to personal opinion, regardless if the person is an expert or not. These difficulties are worse in countries where there are limitations to freedom of expression.

In some countries, the overall movement for transparency experienced some setbacks which undermined the improvements LABTI could have achieved. Some of these setbacks are due to the fact that budget information is often published merely to comply with the country's transparency requirements. Key budget documents are sometimes eliminated from the transparency requirements in order to make government agencies' job easier. For example, in 2009, a legal reform to the Budget Law eliminated the Mexican federal government's obligation to publish the Mid-Year Budget Review, even though this document was useful for assessing the impact and performance of the budget during the fiscal year. Legislators removed it because the Ministry already published a second quarterly report so they argued it was unnecessary to have two 'similar' documents.

Undertaking and sustaining transparency reforms over time requires legal and institutional changes which are difficult to achieve, yet many of LABTI's recommendations require just such types of changes, such as enacting legal reforms or implementing new processes within government ministries.

CONTEXTUAL FACTORS

ENABLING LABTI'S SUCCESS



Some key contextual and enabling factors underpinned the successful development and use of LABTI in the region.

Latin America's overall democratisation processes in the last decades have created a general acknowledgement of citizens' right to access public information and participate in the policymaking process. These processes push governments to assume their obligations to be transparent, open to participation and accountable.

CSOs' increasing interest and technical expertise in issues related to budget transparency was crucial for designing and carrying out LABTI, and for undertaking advocacy work using its results. These organisations were able to engage with the media, collaborate with policymakers and provide technical advice to achieve concrete changes.

As some of the cases illustrate, governments showed an openness and willingness to interact and collaborate with CSOs and to implement LABTI recommendations. However, in less open countries, these types of exercises are still worthwhile, in order to continue to shed light on the importance and usefulness of budget transparency.

Regional and international organisations' acknowledgment of LABTI as a useful indicator to benchmark countries regionally provided an important backing which was crucial to ensuring the success and sustainability of the initiative.

A strong and independent media facilitated wide dissemination of LABTI results and successfully introduced budget transparency in the public agenda.

LESSONS LEARNED

1 LABTI is an instrument that demonstrates that budget transparency is not only about disclosing information, but also about the usefulness and quality of that information, in order to ultimately enable citizens to make their governments accountable.

2 By improving the quality of the information that is published by the executive branch, the checks and balances system is strengthened and citizen participation is promoted.

3 A citizen assessment of a broader definition of budget transparency is useful for identifying areas of greater opacity in the budget cycle and for opening new spaces for citizens' involvement in policy processes.

4 Pressure from civil society, the media, and international and regional organisations, combined with governments' own willingness to undergo reform, have made possible the collaborative work between

government and civil society and the implementation of budget transparency reforms recommended through LABTI.

5 A variety of actors - media, academia, legislators and international and regional organisations - use the results of LABTI to benchmark their governments, make authorities accountable and highlight the need for specific budget transparency reforms.

CONTACT [FUNDAR](#)

To learn more about LABTI, contact Janet Oropeza Eng, ELLA Project Coordinator: janet@fundar.org.mx.

FIND OUT MORE FROM [ELLA](#)

To learn more about Budgeting and Public Policies, read the [ELLA Guide](#), which has a full list of the knowledge materials on this theme. To learn more about other ELLA Development issues, browse other [ELLA Themes](#).

ELLA is supported by:



The views expressed here are not necessarily those of DFID.

