

## Budget transparency: a clear solution?



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'Initiation of transparency in public finance need not necessarily be driven by government, but for sustainability, the process must quickly become government led'

Most agree that comprehensive, clear and transparent budget reporting is important for accountability between a government and its citizens, and there has been a drive for transparency in many countries over the last decade. A new Budget Performance Report (BPR) from Tajikistan presents an opportunity to examine what constitutes an open and transparent report, and its evolution and sustainability.

Tajikistan has no history of transparent public finances. The country emerged from civil war with a legacy of strict soviet controls on public finance and limited capacity for public policy and public management reform. As a result, in part, of the global financial crisis and the conditionalities of Tajikistan's budget support, growing demands for reporting on its budget performance have led to publicly available reports on national budget expenditure.

The Tajikistan experience suggests that transparency in public finance can start with a single push but, to gather momentum, the process needs capacity for delivery and growing sophistication in the dialogue on the process from all stakeholders. The preparation of an effective budget report could be the single push needed to begin the process, but requires sustainable and predictable resources and measures to increase the capacity of national staff.

### Budget transparency in Tajikistan

In early 2009 Tajikistan faced a fiscal crisis resulting from dependence on remittances that shrank dramatically during the global financial crisis. Inexperienced in dealing with such a shortfall, the Government asked for donor help to prioritise key expenditures, and for budget support to allow more planned priorities to be funded. A virtual poverty fund was proposed to support prioritisation, but during its planning process, the government and donors requested financial performance information on areas beyond the scope of such a tool. Given competing demands for budget reporting, the Budget Director decided to produce a single report covering all areas, outlined in Table 1 overleaf.

The BPR presents information on budget-wide financial performance, with details on key areas. This led to the development of a framework and process for undertaking a simple budget performance report.

### Working with available resources

Two editions of the BPR were produced for the half year and full year of 2009 and have been publicised in both English and Russian. Both include a remarkable amount of detailed financial data and some analysis. This sets a strong precedent for future transparency, though this depends on increasing capacity for delivery and on analysis and dialogue around the report.

The delivery of the report was the responsibility of Budget Department and Treasury staff, but its design and completion were dependent on external consultants. The Budget Department staff had limited experience in compiling a comprehensive report, and no experience in analysing or publicly communicating financial performance. While there is regular financial reporting from budget organisations to the Treasury, there is no history of consolidating financial reports for analytical purposes.

If the BPR is to reach its potential as a tool for accountability, its stakeholders need greater experience and interest in using such analytical reports, as well as in public financial management (PFM). Limited experience means less certainty on how best to respond to the findings. As a result, dialogue with other stakeholders such as donors, parliamentarians and civil society, is weak, and general engagement on the issues raised is underdeveloped.

### Into the future

The major constraints for the BPR have been the lack of national capacity for its development and production – literally, the capacity to get the data published. For the publication to survive, capacity for delivery needs to come from domestic sources, the process must evolve to take on more elements of the PFM cycle and engage more actors, and the engagement must become more sophisticated.

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**Table 1: Competing demands for financial reporting on the national budget of Tajikistan**

Budget support donors	<ul style="list-style-type: none"> <li>• Demonstration of fully funded allocations to social sectors</li> <li>• Demonstration of fully funded 'virtual poverty fund' budget items, including the subventions to poorer local governments</li> </ul>
International Monetary Fund and World Bank	<ul style="list-style-type: none"> <li>• Expenditure performance of social sectors</li> <li>• Additional to budget support donors, demonstration of wages meeting agreements of civil service wage reform</li> </ul>
Ministry of Finance, Budget Department	<ul style="list-style-type: none"> <li>• Monitoring of statutory items across the budget by quarter to track effects of low revenues and tight cash flow</li> <li>• Monitor the share of capital and recurrent expenditures</li> <li>• Monitor performance of local governments and subventions to local governments</li> <li>• Desire for a single report, both to avoid overloading treasury and Ministry of Finance staff, and to present a single account for general discussion</li> </ul>
Minister of Finance	• Demonstrate adherence to the agreements in the budget support and IMF financing negotiations
All	• Examine the expenditure on service delivery (largely at local government level)
All donors	• Examine the expenditure on Roghun dam, a large and controversial infrastructure project
Some additional pressures for information that did not exist, but may emerge in this context, or be present in other countries	
Parliament and the Public Accounts Committee	<ul style="list-style-type: none"> <li>• Examination of overall performance of the budget against agreed national plans and laws</li> <li>• Delivery of outputs against expenditure and any evidence for poor performance and potential revision of priorities</li> </ul>
Civil society	• Evidence of financial and non-financial budget performance to enable and improve accountability for public expenditure
External and internal audit, sectors level actors and ministries will also have data or analysis and incentives	

For now, low capacity in the Ministry of Finance means that the publication of such analytical reports will require external support. Greater efficiency and accuracy in providing the data and analysis for the report will be built through its regular cycle, but the capacity to manage the process and provide regular support to contributors will take time to develop.

The strength of the BPR has been its ability to satisfy a wide range of demands for reporting within a single document. Reinforcing the reporting for these existing demands, and allowing the BPR to expand its scope to other areas, will improve incentives for both production of the report and engagement with it. Some possible areas for expansion of the BPR are analysis of donor spending, linking with policy, forward looking data and links to budget preparation. However, any efforts to strengthen or expand the scope of the report must be modest and be integrated carefully into other PFM processes and reforms.

## Conclusion

The drivers of budget transparency are varied. Initiation of transparency in public finance need not be driven by government but, for sustainability, the process must become government led.

In Tajikistan the initial drivers were explicit demands for disclosure of financial performance of the budget. The real catalyst for wide ranging and detailed disclosure was the Budget Director's insistence on a single report to respond to many of the reporting demands he faces. In the US and UK, credible and persistent lobbying from civil society, translated into political platforms, has led to a shift towards greater transparency on aid expenditures.

Tajikistan provides a number of key lessons for other developing countries. Firstly, it demonstrates

that modest improvements to transparency in public finance can happen in surprising places, even where there is no history of transparency or public pressure for accountability.

Secondly, an open report on budget performance may be an attractive opportunity for a government. It can establish a single publication of financial information for a variety of different actors and can reduce transaction costs while providing a baseline for discussions around public finances.

Finally, the circumstances leading to an open publication on public finances may vary, but the precedent provided by this kind of report is an important opportunity for government actors, development partners, advocacy groups and NGOs.

Capacity is a binding constraint, but the repetition of the budget reporting cycle and the fairly wide involvement of civil service staff in the process allows for experience to be built in slow but steady steps. This makes it an excellent platform for building capacity in accounting, reporting and analysis, as well as for integrating future reforms such as budget preparation and in the longer-term linkage of policy with financial planning.

Continued transparency on issues of public finance is dependent on both credible demands for disclosure, as well as supportive, but challenging responses when disclosure occurs. The Tajikistan 2009 half year and full year BPRs have created a precedent of disclosure and a baseline for wide stakeholder discussion and analysis of public finance. The challenge now is to foster a discussion around these issues.

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## Reference

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