

The OECD Best Practice on Budget Transparency

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Second European Outreach and Support Meeting
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Declaration of Human and Citizens' Rights

France - 1789

“All citizens shall have the right to ascertain, personally or through their representatives, the need for public contribution, to consent it freely, to monitor its appropriation and to determine its rate, its assessment base, its collection and its duration.”

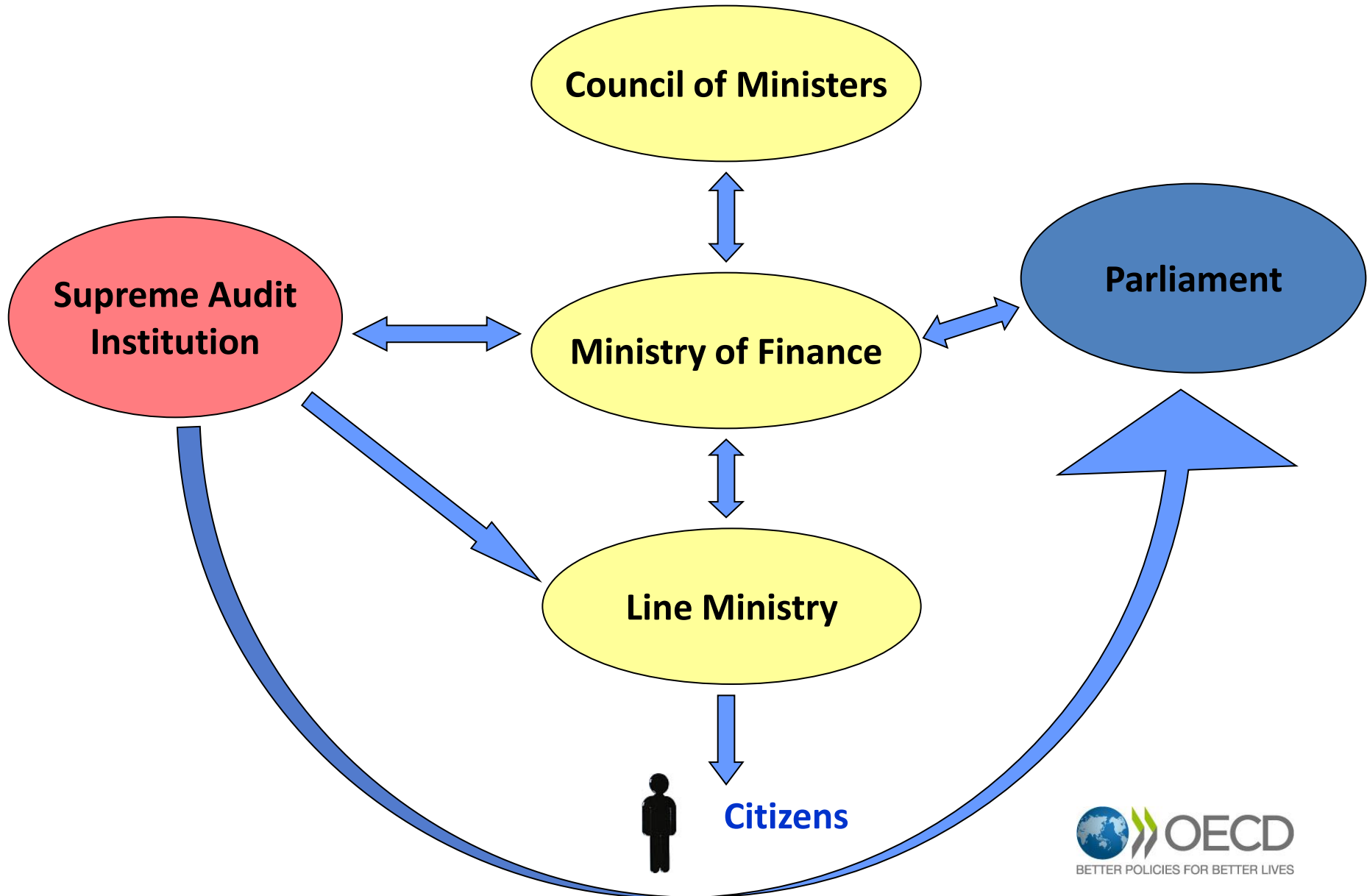
Obstacles to Budget Transparency

- **Vested interests**
 - “Information is Power”
- **Difficult to communicate**
 - Generally very technical
- **Individual citizens don’t see how it impacts them personally**
- **Parliaments not active in scrutinizing information**

Essential Elements of Budget Transparency

- **Release of Budget Data**
- **Effective Role for the Legislature**
 - Time frame, Committees, Resources
- **Effective Role for Civil Society**
 - Citizens, Media, NGOs

The Budget Process



OECD Best Practices for Budget Transparency

- **Part I - Budget Reports**
- **Part II - Specific Disclosures**
- **Part III - Integrity**

Budget Reports

- **The Budget**
- Pre-Budget Report
- **In-Year Reporting and Year-End Report**
- Pre-Election Report
- Long-Term Report

The Budget

- **Government's key policy document**
 - Comprehensive, encompassing all government revenue and expenditure
 - Medium-term perspective
- **Results Oriented**
- **Economic Assumptions**

Number of countries where...	Economic assumptions are included in the budget	The methodology is publicly available
Published	33	14
Available on request	0	7
Not available	0	12

In-Year Reports and Year-End Report

- **Monthly Report**
 - Compare actual with planned levels of revenue and expenditures
- **Mid-Year Report**
 - More comprehensive update
 - Reassess economic assumptions
- **Year-End Report**
 - Primary accountability document
 - Audited

Louis D. Brandeis (1856-1941), Supreme Court Justice, USA

"Publicity is justly commended as a remedy for social and industrial diseases. Sunlight is said to be the best of disinfectants; electric light the most efficient policeman."

Does transparency foster good fiscal performance and economic growth?

- **The main rationale for fiscal rules is to correct the “deficit bias” of fiscal policy (ECB)**
- **Sound fiscal management—including fiscal transparency—is a key aspect of good governance that contributes to macroeconomic stability and economic growth**
- **Empirical evidence: “Higher levels of transparency are associated with lower budget deficits” (Poterba and Hagen, 1999) – new research needed**

Conclusions

- **Budget transparency does not automatically result in fiscal discipline**
- **It means being open about the government's fiscal actions...**
- **...which should *foster* fiscal discipline**

Ruth Richardson, former New Zealand Minister of Finance

“[New Zealand’s fiscal responsibility legislation] places an onus on the government to be explicit about its fiscal strategy, but is neutral as to what that fiscal stance might be.”

Contact Information



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