

The budget is not mainly about money, it's about governance

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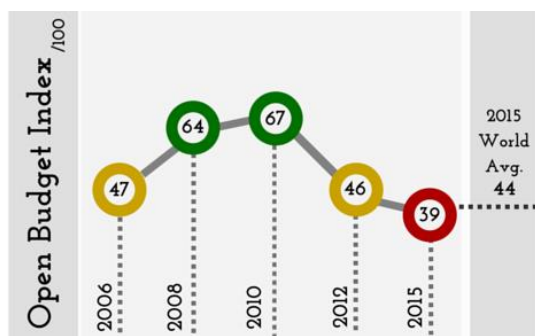
Budgeting is a governance process that drives national plans, priorities and policy. While much of that is reflected in the content of the budget, important governance aspects are also reflected in the budgeting process. The Open Budget Survey is designed to examine this process. This Insight suggests that a look at the process thus far, for the 2016 budget, gives no indication that the change in government has resulted in improved governance relative to the years past.

Open Budget: The past

The survey evaluates governance through the transparency of the budgeting process. Three aspects of the process are assessed: 1) Disclosure– level of disclosure in budget documents 2) Oversight by Legislature and the Auditor General and 3) Public-Participation in the budgetary process. The outcome is recorded in a score called the Open Budget Index (OBI).

Since its initiation in 2006, Sri Lanka was able to improve its OBI score from 47 in 2006 to 67 in 2010, when its governance process around budgeting was seen as promising. However, in 2012, Sri Lanka suffered a large drop in its score to 46, and the result in the recently released 2015 OBI was even worse – 39. Thereby Sri Lanka stood below even the world average of 45. Sri Lanka currently ranks as low as 69th in the world out of 102 countries assessed. Sri Lanka is assessed as disclosing 'minimal' information to the public and having weak public participation in the budgetary process – all this is based on what Sri Lanka did in 2014.

Exhibit 1: Open Budget Index score on Sri Lanka's budget transparency



Source: Open Budget Survey (multiple years)

Open Budget: The present

In 2015, in respect of its 2016 budget, Sri Lanka is seen to be repeating the sins of its troubled past.

In terms of **Disclosures**, the expected Pre-Budget Statement, highlighting the expected economic and budget targets of the government, was not published before the Appropriation Bill.

In terms of **Public-Participation**, this was limited to the formation of the current budget – through a public call by the Finance Ministry for submissions of budget proposals. This was without a feedback mechanism to show how the proposals were integrated into the budget, or why they were excluded. There has been no public engagement on the government’s performance in 2015 in executing the current budgetary cycle.

Open Budget: The road ahead

An elected government has two primary responsibilities towards its citizens: First, to announce its plans for the country’s future and second, to work towards accomplishing them. This making and keeping of promises can only be assessed if people have information of the government’s activities. Therefore, the timely disclosure of accurate information, proper oversight and public feedback are critical to governance, and are rightly assessed by the Open Budget Survey.

There are three key actions that Sri Lanka can take in improving its governance around the process of budgeting (See Exhibit 2).

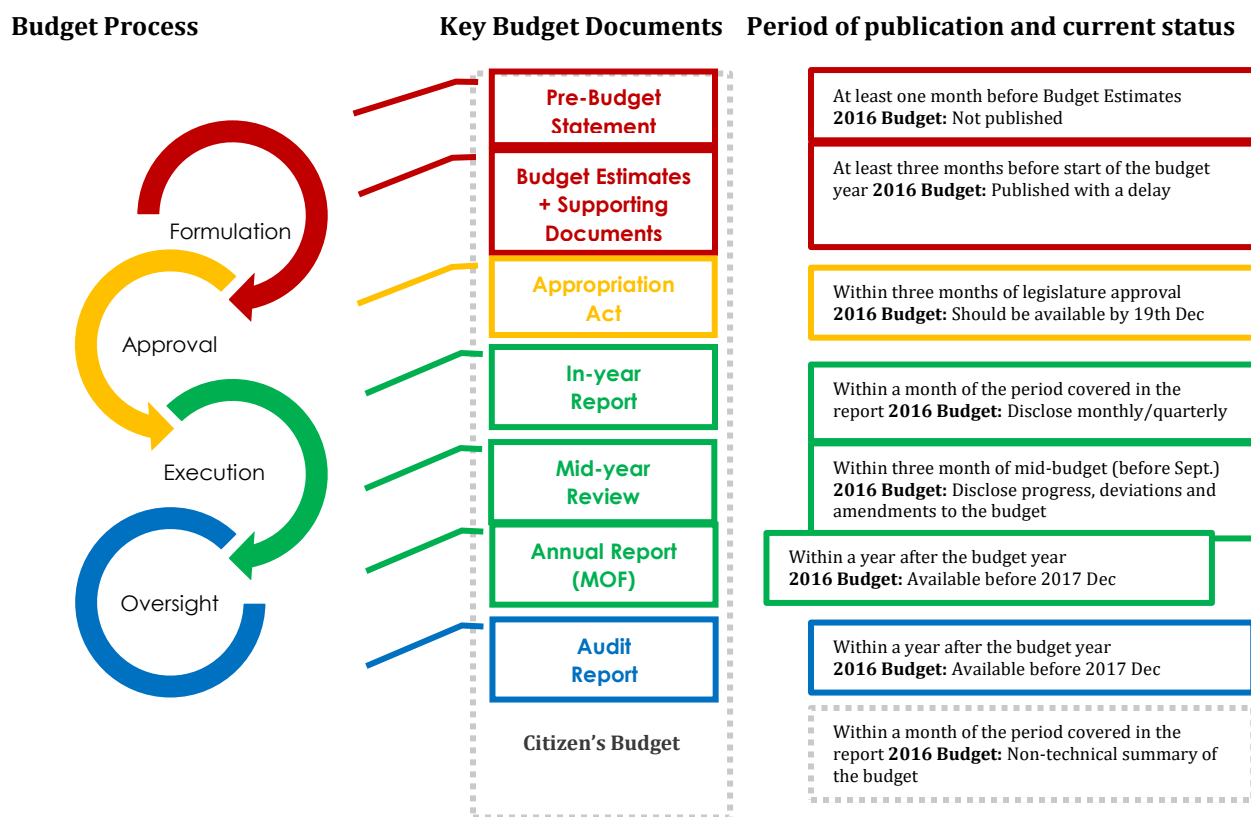
(1) Publish relevant documents in a timely manner. Currently Sri Lanka produces six of the eight budget-related documents that are expected from a well governed process. However, three of the six are published too late to be taken into account, and there are gaps in the relevance/quality of information.

(2) Publish a Citizen’s Budget. A Citizen’s Budget could be published at any point of the budget process by simplifying an existing budget document (such as the Budget Estimates

or Finance Ministry annual report) or publishing any document that includes simplified budget information to educate the public.

(3) Engage publicly on budget execution. Currently it is only during the formulation of the budget that there is public consultation. But there is another area in which public engagement is critical. That is on execution, where the government seeks public feedback on its performance (mid-year) to ensure it is on track with regard to accomplishing the undertakings given in the budget.

Exhibit 2: Disclosure of documents during the budget process



All of the above represent actions that Sri Lanka has shown itself as being able to take in the past, especially between 2008 and 2010 when it was renewing its engagement with the International Monetary Fund (IMF). However, it is important that Sri Lanka develop the institutional discipline to improve its governance, without depending on external pressure to keep it on course.

The current weakness in disclosures and public participation is also linked to the 'seasonal' attention of the media. In Sri Lanka, it is the budget approval stage (promise making stage) that receives most attention from the media and this initial stage is also where the budget documents are published without delay. When it comes to checking on whether the promises have been kept, the media turns its eye away and the government also tends to renege on its obligations.

The Open Budget Survey sheds light on the quality of governance, and as at present, the expectation of the new government turning over a new leaf is yet to be manifested.

(Verité Research is an independent think tank based in Colombo that provides strategic analysis to high level decision-makers in economics, law, politics and media. Comments are welcome. Email publications@veriteresearch.org)