

**Latin American Index
of Budget Transparency**

2005

A comparison of 8 countries

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1. ADMINISTRACIÓN PÚBLICA-AMÉRICA LATINA
2. HACIENDA PÚBLICA 3. PRESUPUESTO-AMÉRICA
LATINA-EVALUACIÓN

The results presented in this document reflect the conclusions of those involved in the study.

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Coordination: Mariana Pérez

Translation: Tom Lee

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Introduction

In general, transparency implies that the reasons for all governmental and administrative decisions, as well as the costs and resources committed in the application of these decisions, are accessible, clear and communicated to the public. Understood in this manner, transparency brings several advantages: it favors compliance with the law, promotes restrained use of public resources, reduces margins of discretion with which the law is interpreted, and impels honest and responsible behavior in the exercise of public authority.¹

Transparency in public spending is particularly relevant given the central character of the budget of any government. The objectives, commitments and priorities of those in control of the government are tangibly expressed in the budget. Applied budget analysis therefore makes it possible to evaluate who wins and who loses with the distribution of public resources. In other words, the availability of budget information favors accountability over state finances and encourages civil society's informed participation in relevant debates. Finally, transparency in budget processes makes it possible to determine the effectiveness and efficiency of public spending and to detect potential cases of corruption. In sum, analysis and evaluation of the level of transparency in budget processes help to strengthen democratic institutions and to consolidate the rule of law.

As part of civil society's recent focus on the measurement and strengthening of transparency in different arenas of government action, in 2001 eight organizations in five Latin American countries (Argentina, Brazil, Chile, Mexico and Peru) prepared the first edition of the Index of Budget Transparency in Latin America (*Índice de Transparencia Presupuestaria en América Latina* – ITP.) The project's main objective was to provide information that would enable evaluation of the transparency of budget practices in the five countries involved in the study. In order to achieve this objective, a two-part study was designed, including 1) a survey of perceptions to be completed by groups of experts in the participating countries, and 2) guidelines for analysis of the legal framework governing the budget process, to be completed by an expert in legal matters and public spending in each country.

In 2003, this measurement and evaluation tool was replicated in a total of ten countries. The inclusion of five additional countries made it possible to enrich the study by incorporating new experiences and increasing the possibilities for comparison between countries. Efforts were also made to improve the methodology applied in the study, ensuring that results obtained from the perceptions survey could be explained based not only on the legal framework governing public finance but also on budget practices.

Finally, this third edition of the Index was published in 2005. Participants in this effort included the following non-governmental organization, universities and study centers in eight Latin American countries:

- Poder Ciudadano (**Buenos Aires, Argentina**)
- Corporación Fondo de Apoyo de Empresas Asociativas – CORFAS (**Santa Fe de Bogota, Colombia**)
- Postgrado de Economía de la Universidad de Costa Rica, Programa Estado de la Nación and Fundación Arias (**San Jose, Costa Rica**)

¹ J.P. Guerrero Amparán, *La reforma a la administración pública mexicana en el nuevo régimen político ¿Por dónde empezar? Ideas para la creación de un gobierno transparente, responsable y cercano a la ciudadanía*, DTDAP 89, p. 22, October 2000.

- Probidad (**San Salvador, El Salvador**)
- Centro de Investigación Económicas Nacionales – CIEN, (**Guatemala City, Guatemala**)
- Fundar, Centro de Análisis e Investigación and Pearson (**Mexico City, Mexico**)
- Centro de Información y Servicios de Asesoría en Salud – CISAS (**Managua, Nicaragua**)
- Centro de Investigación de la Universidad del Pacífico (**Lima, Peru**)

All of these institutions participated actively in applying the perceptions surveys and in the investigation and analysis of budget transparency in each country. Fundar was responsible for regional coordination of the effort and for the preparation of this document.

Three objectives guided the implementation of this study:

- Replicate and improve an index that makes it possible to measure the degree of transparency in national public spending and facilitates comparisons between countries over time.
- Update existing knowledge on the budget process and the importance of transparency in this field.
- Identify specific budget areas with less transparency so that governments can work toward concrete solutions.

In order to fulfill these objectives, the analysis was based on a methodology that combined three basic elements:

1. A survey completed by experts and users of budget information, evaluating their perceptions with respect to transparency. The survey was applied using the same criteria in each of the eight countries (see section on methodology), allowing for comparison of the different relevant characteristics of transparency in quantitative terms. The survey was used to construct the General Index of Budget Transparency, which rated the countries on a scale of 1 to 100 (where 1 is equivalent to no transparency and 100 to total transparency.)

2. An analysis of practical conditions of the budget process, guided by a questionnaire. The questionnaire focused on the identification of information available to the public and particularly on the degree of openness at the different stages of the budget process, as well as the type of data found in the executive's budget proposal. The objective of including this survey in the study were to delve deeper into the reasoning behind the above-mentioned perceptions about transparency and to identify obstacles.

3. A minimal guide to link the perceptions survey and the practical questionnaire. Here, the objective was to facilitate the comparison of results, identification of relevant practices and feedback among participating countries. Linking the different parts of the study also made it possible to support the specific recommendations and proposals included in this document.

In addition, it is important to note that, in this third edition, the analysis of the legal framework governing the budget process carried out in 2003 was reviewed and updated in order to complement the investigation.

Based on these methodological tools, the transparency index was developed and an analysis was carried out of 14 variables that help to identify whether transparency exists in different stages of the budget process. Each of these variables was evaluated based on information obtained from the perceptions survey and practical questionnaire. Analyses of each variable also resulted in a set of recommendations per country, seeking to improve transparency in public finance. The recommendations are supported not only by analysis of the specific context in each country, but also by comparisons made between the different countries of the region.

This study is structured in five sections. The first briefly presents the methodology applied in the design and implementation of the perceptions survey. The second section presents the results of the General Index of Budget Transparency, as well as the scores awarded by experts in evaluating transparency and the importance of each of the budget phases. The third section presents the comparative analysis by variable. For each variable, a graph of results illustrates the scores obtained by each country in 2003 and 2005. This section also discusses the importance of each variable and briefly explains the level of transparency per variable in participating countries. Detailed statistical explanations of each variable and attribute are included in Annex 3 of this document. The fourth section presents recommendations by country. Finally, the fifth section includes three annexes: a detailed methodological explanation, the guidelines for the perceptions survey, and a detailed statistical breakdown.

The publication of this Index represents a significant international social contribution. As an evaluation instrument, it supports the application of social and political pressure to ensure more transparent budget practices in the countries that participate in the study. In addition, the study has contributed to a systematic and comparative evaluation of the level of budget transparency in several countries, representing a valuable source of information for observers and users of budget information.

The study seeks to offer a tentative agenda of country-specific improvements that will help to strengthen democratic institutions and transparency in Latin America. We hold the conviction that the implementation of independent studies of budget transparency can add significant value to budget discussions and practices and to the possible reforms that different countries apply in this area. The study is a means by which to reveal failures in communication about governmental budget decisions and to provide alternatives to enhance social participation in budget allocation.

In addition, the Index is an effort to generate greater knowledge about budgets and to promote transparency by establishing a precise, credible and simple reference regarding information on public finances and its availability to society. As such, it strengthens the call for more efficient governments with clear accountability, high levels of probity and increasingly smaller margins for discretionary practices and corruption.

Methodology ²

The original methodology to construct the Index of Budget Transparency was designed in 2000 and applied in 2001 in five Latin American countries: Argentina, Brazil, Chile, Mexico and Peru. With the preparation of subsequent editions of the Index, however, the methodology has evolved, experiencing certain additions and/or variations that will be detailed below. The 2005 edition used a methodology that, as in 2003, consisted of three parts:

1. Perceptions Survey

Due to the fact that budget transparency defines the surroundings in which decision-making, participation and advocacy in the allocation of public resources take place, it is essential to evaluate existing perceptions in this area. For this reason, a survey with the following characteristics and criteria was applied:

Population: Considering the lack of knowledge on the topics of budget transparency and budget practices, four groups of “experts on budget issues and users of budget information” were defined as target populations. These populations are small and were identified based on common criteria in the eight countries:

- Legislators: parliamentary representatives who participate in budget commissions were selected (representatives and/or senators.)
- Communications media: journalists who write about the budget in national newspapers and magazines were chosen.
- Academics or researchers: experts who study the topic and/or have published work about the budget were selected based on censuses of research centers and/or institutes of higher education.
- Civil society organizations (CSOs): CSOs working in the areas of budget, accountability, transparency, corruption and the monitoring of public resources were selected. Directories were created based on declarations in the press about budget issues or based on existing CSO directories in the countries.

Questionnaire: The same basic questionnaire used in 2003 was applied to carry out the 2005 survey on budget transparency in Latin America.³ This questionnaire contains 70 questions grouped in three categories:⁴

1. Scores for budget transparency at different levels: a score for general budget transparency conditions and scores for the specific processes or topics of budget formulation, approval, execution, oversight, citizen participation and access to information.
2. Scores for the importance of each of the budget stages or related topics (formulation, approval, execution, oversight, citizen participation and access to information.)
3. Specific questions about transparency in the budget. These questions were constructed as a Likert scale ranging from 1 to 5⁵, measuring levels of agreement.

² For further details about the methodology, see Annex 1.

³ Each country adapted the questions and terminology in the questionnaire to its own conditions.

⁴ See questionnaire in Annex 2.

⁵ Some questions follow a scale from 1 to 3.

Reported Values

Results are reported according to two units or scales. The score for general transparency conditions and the scores for specific budget stages or processes are obtained by averaging results from the survey of experts, using a scale of 1 to 100. The General Index of Budget Transparency is given by a score of this type.

Also reported is the percentage of positive responses or answers of “fully agree” and “agree” (values 4 and 5), divided by the total number of valid responses, as per the following scale:

1 Fullydisagree	2	3 Neither agree nor disagree	4	5 Fullyagree
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Weighting: In 2001, the transparency index included larger populations of legislators in all participating countries because three parliamentary commissions were incorporated instead of one. Analysis of the results showed that legislators’ answers tend to be more positive than responses by the rest of the population of experts, particularly with respect to certain budget stages. In addition, the size of the populations of legislators varied significantly by country, and the proportion of responses by this population in each country ranged from one to ninety percent. In order to prevent varying proportions of “legislative bias” in the different countries, responses were weighted in such a way that legislators’ answers represented ten percent of each country’s total responses.

Construction of variables: The variables are groups of questions that investigate particular aspects of transparency. Fourteen variables were constructed, based on 49 specific questions. The variables and their corresponding number of questions are illustrated in the following table:

Variable	Questions
Citizen participation in the budget	5
Authority and participation of the legislature in the budget	3
Information on macroeconomic criteria in the budget	2
Changes in the budget	1
Budget allocation	4
Budget oversight	5
Evaluation of the internal comptroller	1
Capacities of external oversight institutions	3
Accountability	7
Control over public officials	5
Responsibilities among government levels	1
Information on federal debt	4
Quality of information and statistics in general	4
Timeliness of budget information	4
Total	49

2. Practical Questionnaire

In order to put perception survey results into context and to emit fundamental recommendations on the budgetary practices of each country, a questionnaire was included as part of the study methodology. The questionnaire made it possible to determine the level to which budget information is available in practice. One main characteristic of the questionnaire was its focus on *public* information, since access to complete, quality information is considered to be an essential aspect in evaluating the degree of transparency in budget processes.

The questionnaire was completed by one or more experts from the organizations in charge of implementing the study in each participating country. It had three specific objectives:

1. Examine the availability and distribution of the main budget documents in the country.
2. Analyze the type of information available in the budget proposed by the executive, and identify additional information that may be of use in monitoring and analyzing the information contained in the budget.
3. Study and measure the degree of openness in each of the four phases of the budget process.

The questionnaire was designed by *International Budget Project* and forms part of the Open Budget Initiative.

3. Linkage Guide

The perceptions survey and practical questionnaire were linked through a guide, which followed the order of the survey variables. The objective of the guide was to explain results within the context of budget practices, specifically with respect to the access to and quality of information. In this manner, the linkage guide related questions in the perceptions survey to questions included in the practical questionnaire. A digital version of the guide is available at www.fundar.org.mx/indicetransparencia2005 and on the CD that accompanies this study (available from the organizations in charge of the study in each country.)

For this edition, the formal study included in the methodology applied in 2003 was updated. The objective was to provide current information about the legal frameworks that govern budget processes in the different countries.

Methodological Changes

Certain aspects of the methodology used in 2005 differ from that applied in 2003. The main difference is that Point Two of the 2003 methodology consisted only of a formal / practical analysis based on a guide that analyzed budget processes from these perspectives. In other words, this part of the methodology consisted of a study of the legal frameworks that govern budget processes and an exploration of practical conditions that make it possible to identify the level of compliance with that formerly established. In 2005, more focus was placed on the practical approach, emphasizing the access to and quality of information. In addition, the questionnaires and guides used to conduct the formal / practical analysis in 2003 and the formal analysis in 2005 were different in terms of their structures and questions, although both complied with the objective of putting into context and deepening the analysis of results obtained through the perceptions survey.

Again, it is important to note that the formal part of the guide used in 2003 was updated for use in the 2005 study. In the latter study, however, emphasis was focused on the results obtained through the practical questionnaire.

It is also important to take into account that the perceptions survey remained unchanged in 2003 and 2005. However, the linkage guide for each edition was different; although the perception survey was the same, the questionnaire to which it was linked changed radically from one edition to the next.

Methodological Changes	
Methodology 2003	Methodology 200
Perceptions survey	Perceptions survey
Formal / practical questionnaire	Practical questionnaire and updated formal / practical questionnaire used in 2003
Linkage between perceptions survey and formal / practical questionnaire	Linkage between perceptions survey and practical questionnaire (updated version)

Finally, it is important to mention that Guatemala was the only new participant in the study. Therefore, its results correspond only to 2005.

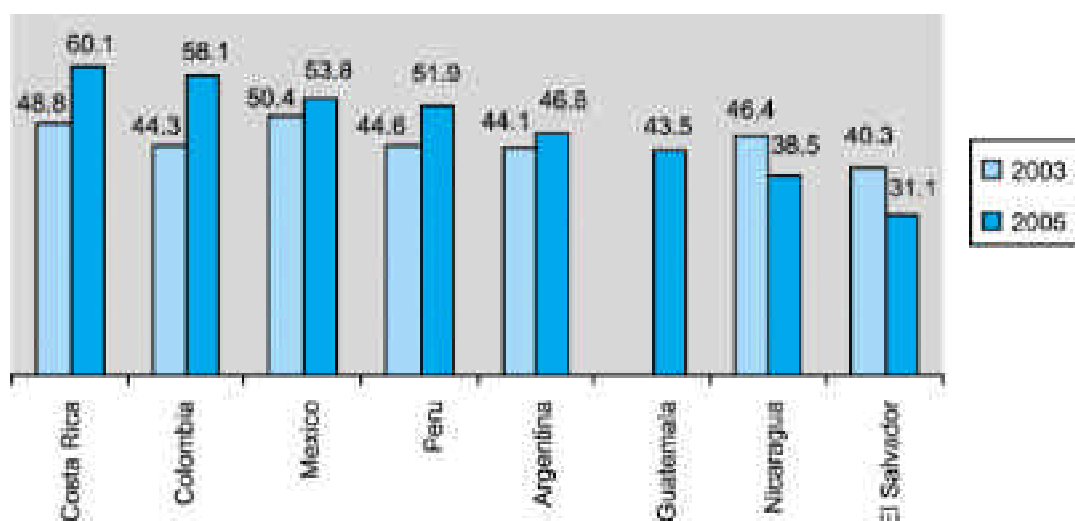
Results of the General Index of Budget Transparency

This section presents the results of the General Index of Budget Transparency (GIBT). An indicator that evaluates the general conditions of budget processes in the different countries, the GIBT was constructed around one question posed at the start and end of the perceptions survey. The question asks experts to rank, on a scale of 1 to 100, the general context of budget transparency in their respective countries.

The scores obtained in the GIBT show that most of the countries have unsatisfactory levels of transparency in public spending. The graph below demonstrates that only half of the countries achieved scores of above 50 points. Within this group are **Costa Rica** (the only country to receive what would be considered a passing score in 2005), **Colombia**, **Mexico** and **Peru**. A second group composed of **Argentina** and **Guatemala** shows scores ranging from 46.8 to 43.4 points. Finally, a third group includes the countries with the poorest ratings: **Nicaragua** and **El Salvador**, with scores of 38.5 and 32.3, respectively.

In general, the scores obtained by countries participating in this edition increased when compared to results in 2003. In this sense, the most notable improvements are seen in **Costa Rica** and **Colombia**, which experienced increases of 11.2 and 13.8 points, respectively. Indeed, from one edition to the next, Costa Rica rose from fourth place to first and Colombia from seventh place to second. On the contrary, **Nicaragua** and **El Salvador** are the only countries whose scores dropped in 2005 and, as a result, are ranked at the bottom of the list.

General Index of Budget Transparency⁶



⁶ The General Index of Budget Transparency (GIBT) is based on a single question posed at the beginning and then repeated at the end of the perceptions survey. This question asks experts to rank the general level of transparency on a scale of 1 to 100, where 1 is equivalent to "not transparent" and 100 is "very transparent." This graph represents the scores obtained from only the question asked at the end of the survey, both in 2003 and in 2005.

Costa Rica and Colombia: Two Exceptional Cases

Results of the 2005 Index of Budget Transparency rank Costa Rica and Colombia as the highest scoring countries in this Index. These results are exceptional, especially considering the fact that, as mentioned above, from 2003 to 2005 Costa Rica rose from fourth place to first and Colombia from seventh place to second.

Costa Rica is at the top of the 2005 Index of Budget Transparency mainly because, in 35 of the 48 attributes assessed in the Index, its percentages of positive responses increased with respect to 2003. In other words, 73% of the aspects evaluated by experts in Costa Rica experienced improvements.

The most significant increases were seen in attributes under the variables of "Control over Public Officials" and "Authority and Participation of the Legislature." With respect to the former variable, it is worth noting that the Law Against Corruption and Illicit Enrichment in Public Service was passed in 2004, within a national context influenced by a series of corruption scandals involving important figures from Costa Rica's two main political parties. The law introduced new penalties against corruption and established greater restriction in the implementation of public spending.

With respect to improvements under the second variable, the current composition of the Legislative Assembly has sought to exercise greater political control, including in its oversight over public spending. This is reflected in two aspects: first, legislators have demanded more information from the Comptroller General of the Republic in its role as an auxiliary body; and second, the role played by the Commission for Control over Public Incomes and Expenditures has evolved from the traditional political analysis of reports on budget execution to a more proactive involvement in the permanent supervision of the Public Treasury.

Colombia's improved standing in the GIBT is also due to an increase in the scores obtained in a majority of variables covered in the study. Under the topic of "Information on Macroeconomic Criteria," for example, Colombia raised its score by almost 20 points with respect to 2003. This increase may be due to the large amount of relevant information⁷ produced and disseminated, but it is especially due to the optimistic perspective that the media seem to transmit by reporting a situation of economic recovery.

The higher score obtained under the variable of "Capacities of External Oversight Institutions," which in this case evaluated the Comptroller General of the Nation (CGN), may be explained by two significant actions: first, this institution has made relevant information available to the general public through its web page; and second, there has been notable progress in the CGN's permanent efforts to encourage citizen participation in control and accounting processes since the 2003 edition of the Index.

Finally, another factor that wielded significant influence over the improvement of Colombia's score is that, since 2003, institutions such as the Ministry of the Treasury have assumed the task of maintaining unprecedented amounts of budget-related data on their web pages. This has undoubtedly innovated and contributed to the country's access to information about public finance.

⁷ See: <http://www.usergioarboleda.edu.co/tlc/EOI-ABRIL-05.doc> (Joint Industrial Opinion Survey) April 2005.

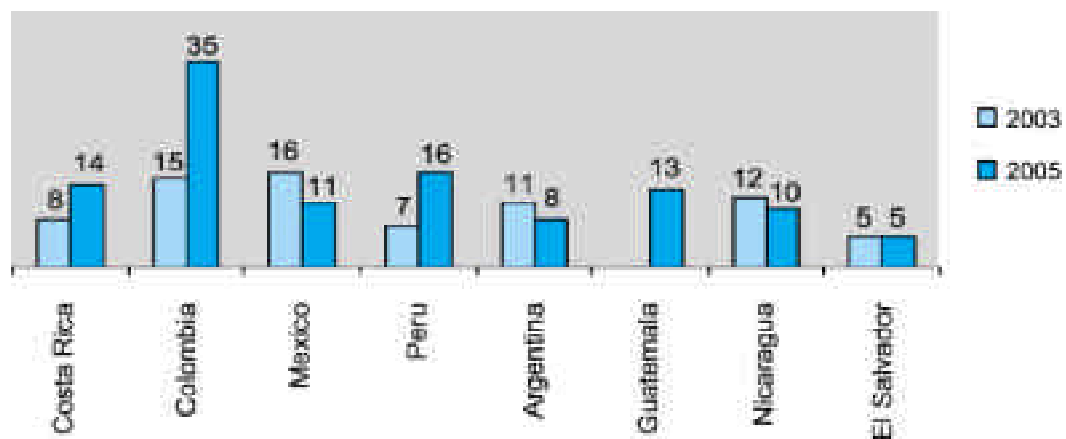
Analysis by Variable

Citizen Participation in the Budget

Participation by the citizenry throughout the budget process is indispensable, not only to strengthen the democracy of a country, but also because it represents an effective way to ensure that the population's most pressing needs are covered within the government's budget. In order for society to become involved in a sustainable manner in budget processes, it must have accessible, reliable, timely and easily interpreted information.

In spite of the importance of involving society in the budget process, this variable has received the lowest score in the two most recent editions of the Index. As seen below, scores for positive responses in 2005 ranged between the 35% and 5% obtained in Colombia and El Salvador, respectively. The most significant increase in positive perceptions with respect to this variable occurred in the former country, with a 20-point increase compared to 2003.

Citizen Participation
(percentage of positive responses)



This variable is composed of the following five attributes:

- Mechanisms exist to incorporate opinions of the general population in the budget formulation.
- Mechanisms exist and are known by the population for the incorporation of opinions during budget approval.
- In the event of substantive changes to the approved budget during its execution, the executive provides exhaustive reports on these changes to the public.
- Mechanisms exist to incorporate opinions of the population in the budget.
- Upon completion of budget execution, the executive provides exhaustive reports on the impact of its spending.

Citizen participation in the different budget stages has been characterized as a pending matter in the countries involved in the study. The explanation for this failure may be found through a structural approach, since most of the countries lack comprehensive legal frameworks that would encourage society's participation in affairs related to public spending. In practice, it is also uncommon for the population to become involved in these processes, not only due to the lack of mechanisms stimulating such actions but also because the citizenry, in general, lacks the minimum knowledge needed to express itself on the topic. With the exception of **El Salvador** and **Colombia**,⁸ the countries do not publish budget versions for their citizens that would facilitate understanding and bring the population closer to such a dry, complicated topic as the budget.

Laws on transparency and access to information have entered into effect in certain countries, such as **Peru** and **Mexico**, initially representing formal mechanisms through which valuable data is provided to the general population. However, incentives for citizen participation in the budget, as a customary practice, remain inexistent. In the rest of the countries, access to information (including budget information) has in some way been codified, but in practice, obtaining information remains a difficult task. In **Argentina**, **El Salvador** and **Guatemala**, for example, information is provided in a delayed or unreliable manner or is simply not provided at all.

If this variable is analyzed based according to its attributes⁹, it is clear that one of those most severely criticized by the experts is that referring to citizen participation in the budget formulation phase. The low scores are due to the fact that most of the studied countries do not hold public consultations to take society's opinions into account when establishing spending priorities. The exceptions in this case are **Colombia**, **Peru** (where these practices are relatively new) and **Guatemala** (where such consultations are held but are limited to specific groups.) In Guatemala, participation occurs through Development Councils, and the influence wielded by these groups is reflected in less than 3% of the budget.¹⁰ audiences to discuss the justifications for spending decisions before budgets are approved.

In order to encourage the citizenry to become involved in the different stages of the budget process, it will be necessary to design legal frameworks that force the different government actors with jurisdiction over this topic to hold public consultations in which the priorities of the population are taken into account. In addition, a "citizen's budget" must be published in each country, ensuring better understanding and allowing the people to approach this complicated subject.

Authority and Participation of the Legislature in the Budget

Participation by the legislature in the budget is of primary importance. On one hand, the legislature serves as the main counterweight to the executive. On the other hand, in principle it represents the interests and priorities of the population, which can be incorporated in monetary terms into the budget.

In Latin America, parliamentary interventions in decisions related to public spending is particularly relevant when one considers that most countries in the region have relatively nascent practical democracies. In this sense, the legislature's influence on public finance is a determining factor for the construction of governments that are more structurally balanced and participatory.

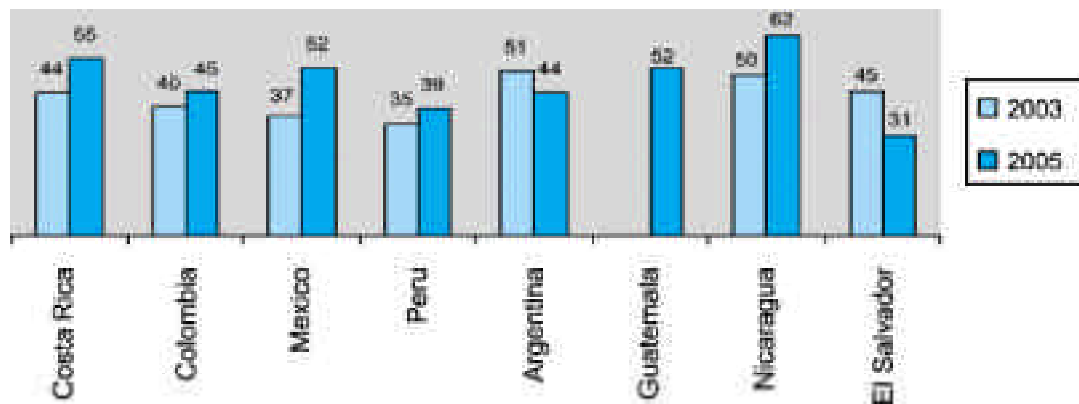
⁸ Although "citizen's budgets" are published in these countries, it must be noted that these documents are not exhaustive.

⁹ See Annex 3 for numerical results.

¹⁰ See Guatemala's *Proyecto Presupuesto General de Ingresos y Egresos del Estado para el Ejercicio Fiscal de 2005*.

This variable received high scores in both the 2003 and 2005 studies. Indeed, in the latter study this variable received the highest score in the entire Index. As illustrated in the graph below, most of the countries showed improvement with respect to the results obtained in 2003, especially **Nicaragua** with a score of 62%. On the contrary, **Peru** again received the lowest score, with 39% positive responses.

Authority and Participation of the Legislature
(percentage of positive responses)



This variable is composed of the following three attributes:

- The legislature has sufficient power to modify the executive's budget proposal.
- The legally-allocated time period¹¹ for budget analysis and discussion is sufficient.
- There is meaningful debate in the legislature about the executive's budget proposal.

In order to explain this variable's positive assessment, it is helpful to begin with an analysis of each attribute.¹² In this sense, the power held by legislatures to modify budgets proposed by the executive is the attribute that received the best score. The experts' positive perception of this aspect results from the fact that parliaments in all studied countries have broad jurisdiction to modify and approve budgets. In addition, the legislatures of countries participating in the Index, in general, have the capacity to request additional information from the executive regarding spending. This means that they can expand their knowledge in order to approve a budget that is more well-founded. Exceptions include **Argentina**, where these requirements have come to be ignored, and **Costa Rica**, a country in which this information tends not to be delivered in a timely manner.

¹¹ The time period in each country was specified in the perceptions survey.

¹² Global averages per attribute are included in Annex 3.

Also with respect to this attribute, it is important to address the particular case of **Mexico**. In 2004, the Mexican legislature saw its capacity to modify the budget reduced due to the Supreme Court of Justice's ambiguous resolution of a constitutional claim filed by the President of the Republic. The controversy arose after the presidential veto of a budget approved by the legislature.

The attribute with the second highest evaluation involves the time period available to the legislature to discuss the budget. Legislatures in the following countries receive the executive's spending proposal at least three months prior to the start of the fiscal year, as suggested by international standards in this area:¹³ **Colombia, Costa Rica,**¹⁴ **Guatemala, Peru** and **Mexico**.¹⁵ Practices in this area are less favorable in **Argentina, Nicaragua** and **El Salvador**, where budgets are discussed with at least six weeks but less than three months before the start of the fiscal year.

Finally, the attribute that received the lowest score is whether there is meaningful debate about budget proposals from the executive. Here, **Guatemala** received the lowest score at 13%, whereas **Mexico** scored highest at 39%.¹⁶ This result demonstrates that, even when legislatures have sufficient time and authority to discuss and approve budgets, the quality and breadth of debate are questionable in the different countries. In this respect, it is important to note that the most profound and well-established debate tends to occur in specialized parliamentary commissions, leaving the plenary with the symbolic task of budget approval. Also, the levels of knowledge and specialization of the legislators are often less than ideal, and the technical units that the legislatures should rely on do not always provide the necessary support, due either to the lack of professional personnel or to monetary limitations. Another aspect that must be strengthened involves the legislatures' holding of audiences in which there is active participation by the executive (mainly the administrative units of the central government) and by the citizenry in general. This type of audience helps to enhance debate over the budget, to increase knowledge levels, and to ensure more participatory budgets.

Information on Macroeconomic Criteria

In order to be more transparent, an annual budget must be prepared and presented within an exhaustive and consistent macroeconomic framework. Although the most significant macroeconomic information varies according to country, there is essential data that must be presented in the executive's budget proposal, including: projected GDP growth rate, the composition of GDP growth, employment and unemployment rates, current accounts, and interest and inflation rates (monetary policy).¹⁷

In participating countries, the variable involving the presentation of macroeconomic assumptions in the budget obtained high scores in both the prior and current editions of the Index. Indeed, in 2005 this variable received the second highest rating of all. As seen in the graph below, comparative results from one edition to the next show little variation, although the tendency has been toward decline. **El Salvador** experienced the most significant decrease, dropping 23 points from 2003 to 2005. On the contrary, **Colombia** showed a notable increase in this score, rising from 43% to 60%.

¹³ See: Organization for Economic Co-operation and Development, *OECD best practices for budget transparency*, section 1.1, 2001, <http://www.oecd.org/dataoecd/33/13/1905258.pdf>.

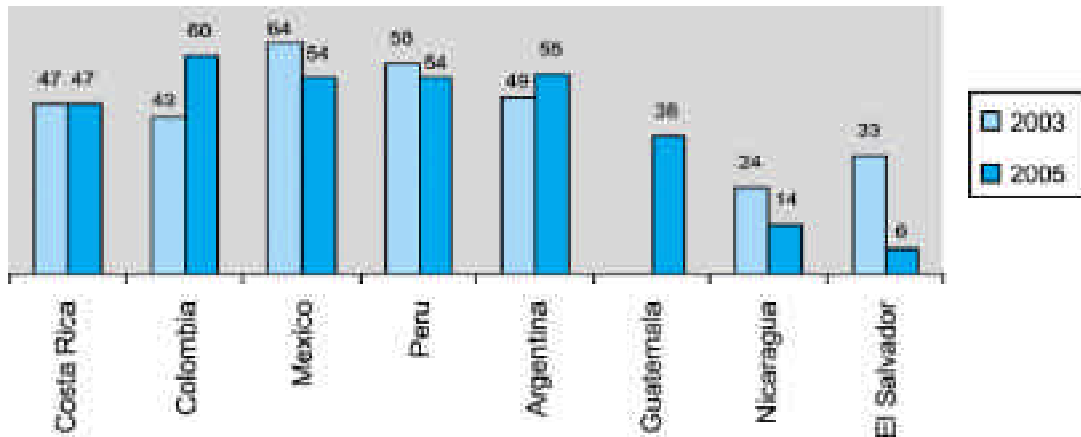
¹⁴ In Costa Rica, the legislature received the budget proposal from the executive four months before the start of the start of the fiscal year.

¹⁵ In Mexico's case, the significant improvement in the score for this variable resulted, in large part, from an increase in discussion time, which increased from one and a half months to three months after modification of Article 74 of the Constitution.

¹⁶ See Annex 3.

¹⁷ Organization for Economic Co-operation and Development, *op. cit.*, section 2.1.

Information about Macroeconomic Criteria (percentage of positive responses)



This variable is composed of the following two attributes:

- The executive publishes the macroeconomic assumptions used to prepare the new budget.
- Income projections in the budget are reliable.

Of the two attributes that form part of this variable, that referring to the publication of macroeconomic assumptions used by the executive to prepare the budget obtained the higher overall score.¹⁸ In a majority of the countries involved in this edition of the study, the key macroeconomic criteria used to predict spending are effectively public. Such is the case in **Argentina, Colombia, Costa Rica, Mexico** and **Peru**. However, there is another group of countries, including **Guatemala, El Salvador** and **Nicaragua**, in which the budget omits certain relevant details, such as interest rates, exchange rates and international interest rates.

The attribute referring to the reliability of income projections obtained low scores in all countries (**Costa Rica's** score was the highest at 43%.) The causes for this negative perception vary and may be due to errors in the calculation of inflation in prior fiscal years and erroneous or unclear information regarding income sources such as loans, grants or petroleum revenues.

The fact that macroeconomic assumptions are not reliable is of utmost importance, especially considering that "deviations from the forecast of the key economic assumptions underlying the budget are the government's key fiscal risk."¹⁹ In order to combat fiscal risks, an analysis should be carried out on the impact that any variation in the economic assumptions may have on the budget. The countries participating in this study only fulfill this requirement superficially or, as in the case of **Nicaragua, Costa Rica** and **Guatemala**, fail to fulfill the requirement at all.

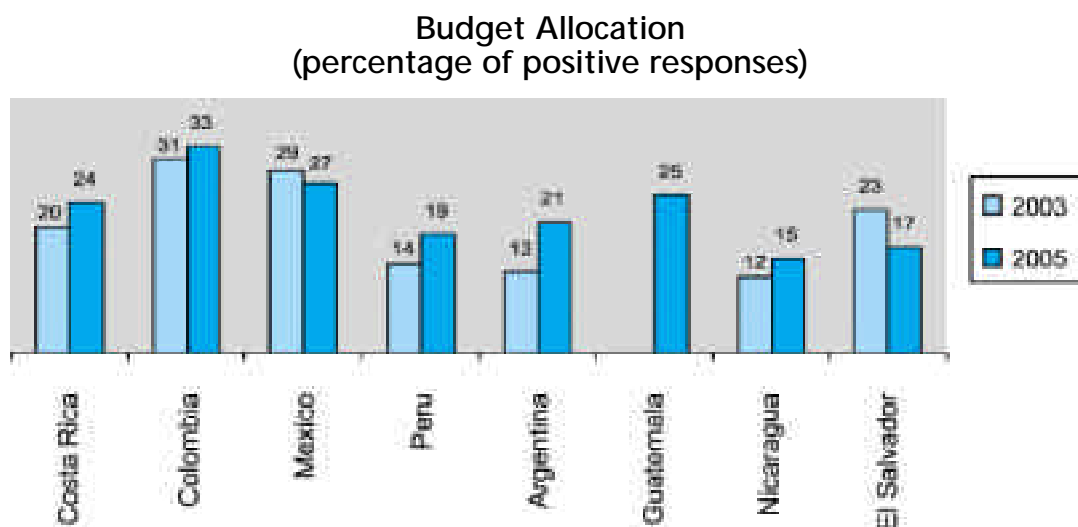
¹⁸ See Annex 3 for detailed results for each attribute.

¹⁹ Organization for Economic Co-operation and Development, *Ibid.*, p.7.

Budget Allocation

Budget allocation is a task requiring the design of efficient strategies for the distribution of resources (which are always limited) in such a way that the country's most pressing needs are reflected in public spending. Knowledge about these strategies and priorities is essential in order to ensure that public finances are transparent and respond to the national context.

In a general analysis of the scores illustrated in the graph below, it is clear that there were slight gains in almost all countries with respect to the study in 2003. The exceptions are **Mexico** and **El Salvador**, where the scores decreased by two and six points, respectively. **Argentina** experienced the largest score increase with respect to 2003 (from 13% to 21%.)



This variable is composed of the following four attributes:

- The majority of resources allocated by the national executive to the states are assigned according to public criteria.
- Budget allocation is for the most part inertial; in other words, it is based on past allocations.
- Annual budgets are prepared following long-term policies established in the National Development Plan.
- Executed resources faithfully follow the spending levels approved by the legislature.

Negative results under this variable demonstrate that the criteria according to which resources are assigned not only lack transparency but also fail to take into account reference points that are important for budget transformation (such as the National Development Plan.)

In this sense, it is precisely the attribute referring to whether annual budgets are prepared following long-term policies established in the National Development Plan that received one of the lowest scores.²⁰ In countries such as **Guatemala**, **México** and **Costa Rica**, the binding nature of public spending to long-term policies is codified in law. In practice, however, these laws are not necessarily followed. Development Plans do not exist in **Argentina** and **Nicaragua**. The former country establishes long-term policies in which multi-year entries are created, whereas in Nicaragua programs and projects lasting over one year are placed in the budget, thereby explaining the countries' respective scores. Finally, in **El Salvador** the budget is allocated according to the plans of each administration, although there is no legal obligation requiring this to be so.

Another attribute that obtained low scores (and that indirectly explains the negative results of the attribute covered above) is that which asks whether the budget is allocated in an inertial manner. In most of the countries involved in the study, a high percentage of each budget is pre-assigned. In **Guatemala** and **Mexico**, for example, pre-allocation represents between 60% and 70% of the total budget, whereas in **Colombia** and **Peru** it represents between 86% and 91%.²¹ In most countries, the destination of a great majority of resources assigned in an inertial manner year after year is basically the same: salaries for public functionaries, pensions and other fixed commitments established by law. In addition, in half of the countries (**Costa Rica**, **El Salvador**, **Nicaragua** and **Guatemala**), the prior year's spending is not updated or estimated. This is relevant in explaining the negative evaluation of this attribute, considering that information about the prior year's public spending is a key starting point for the elaboration of a new spending plan.²² In this sense, the presentation of government policies and the priorities that guide spending is also an uncommon practice in these countries. In principle, therefore, there are no clear guidelines making it possible to identify the criteria with which spending is assigned and, upon conclusion of the process, to evaluate whether resources were executed according to plan. Exceptions in this case include **Peru** and, to a lesser extent, **Mexico** and **El Salvador**.

The attribute related to the divulgation of criteria used to assign federal resources to the states obtained equally reproachable scores in all countries. One explanation may be that, although several of the countries have formerly stipulated that such criteria be made public, in practice the resources are distributed according to other variables different from those divulged. In **Argentina**, for example, although the law requires that the criteria for intergovernmental transfers be made public,²³ in practice such allocations are subject to political negotiations between the federal executive and provincial governors. **Mexico** stands out in this area,²⁴ having obtained the highest score under this attribute. This is not only due to the fact that allocation criteria are accessible to the general public, but also because this requirement is legally established in a number of regulations and decrees. In general, since 1997 no extraordinary funds have been assigned to the states that were not foreseen in the budget. Therefore, the states have a firm basis upon which to determine the federal resources corresponding to them.

²⁰ See Annex 3.

²¹ See Hofbauer, Lavielle and Pérez: *Índice Latinoamericano de Transparencia Presupuestaria 2003. Una comparación de 10 países*, Fundar, Centro de Análisis e Investigación, p. 21 and 22.

²² In section 1.1 of its document *OECD best practices for budget transparency*, the OCDE states: "Comparative information on actual revenue and expenditure during the past year and an updated forecast for the current year should be provided for each programme. Similar comparative information should be shown for any non-financial performance data." See: <http://www.oecd.org/dataoecd/33/13/1905258.pdf>.

²³ See: Argentina's *Ley de Administración Financiera y del Régimen de Coparticipación*.

²⁴ See Annex 3.

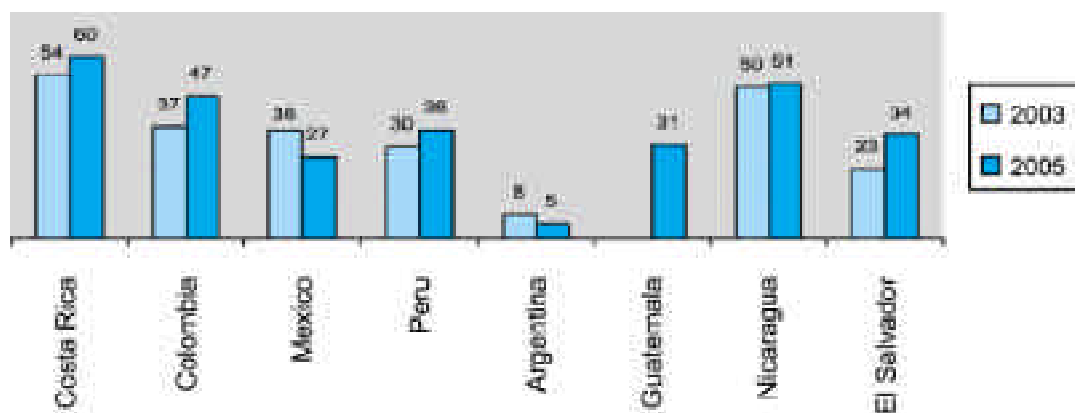
Finally, the experts' low assessment of whether expenditures are made in accordance with the levels established by the legislature also shows that such agreement does not occur in practice. It is common to see that approved spending and actual expenditures differ at the end of the fiscal year. However, it is important that these changes (especially when they involve significant amounts) be approved by the legislature and that clear and detailed accounting is provided. With respect to the latter point, in six of the eight countries (**Colombia, Costa Rica, El Salvador, Guatemala, Nicaragua and Peru**) only partial reporting is provided about such changes: the difference between the approved budget and actual spending is detailed to the level of departmental totals or at a higher level of aggregation, whereas highly important detailed information is ignored. The exception in this case is **Mexico**, where modifications are provided at the program level. On the opposite extreme is **Argentina**, where such differences definitely are not published.

Changes in the Budget

Changes to approved spending are frequent during budget execution. The authority and participation of the legislature must be adequately defined and codified in the event that substantial modifications are made to the original budget during its execution. This variable focuses precisely on this aspect.

In the 2005 Index, this variable obtained the third highest scores, together with the variable on quality of information and statistics in general. The graph below shows that **Costa Rica** obtained the highest score, raising its 2003 score by six points. On the other hand, **Argentina** remains notably below average, obtaining an even lower score than that of 2003.

Changes in the Budget
(percentage of positive responses)



The sole attribute of this variable is:

- In the event that substantial modifications are made to the approved budget during its execution, to what extent does the legislature participate in these changes?

It seems contradictory that this variable should obtain one of the highest scores when in several countries the legislature's participation in changes to the approved budget during its execution is limited or far from what would be considered good practice in this area. In **Argentina**, where the law²⁵ stipulates that the executive must inform the legislature about budget changes related to possible transfers, in practice such decisions about budget changes are made between administrative units, not only eliminating the legislature's participation but also neglecting to ensure adequate accounting.

In **Mexico**, the Law of Expenditures of the Federation stipulates that the Presidency must inform the House of any cuts of 15 billion pesos or more, in general the executive reassigns surplus resources without having to request the legislature's approval, whether or not these reallocations are "transfers."²⁶ In other countries such as **Colombia**, **El Salvador** and **Peru**, congressional approval is also required for transfers and modifications of the original budget.

One particular case is **Costa Rica**, where the legislature has the authority to suppress, decrease, increase or create new budget entries only with respect to one third of the total amount of public spending. The remaining two thirds must be approved by the Comptroller General of the Republic with no intervention by the legislature. Costa Rican legislators do have an influence on the approval of extraordinary budgets (representing approximately 10% of the ordinary budget), which must be approved before funds are expended.

Closely related to this variable, one common favorable point has to do with the legislature's approval of contingency funds. In all of the participating countries (except **Argentina**, where this spending mechanism does not exist), the legislature is always called upon to ratify this type of extraordinary spending.

Capacities of External Oversight Institutions

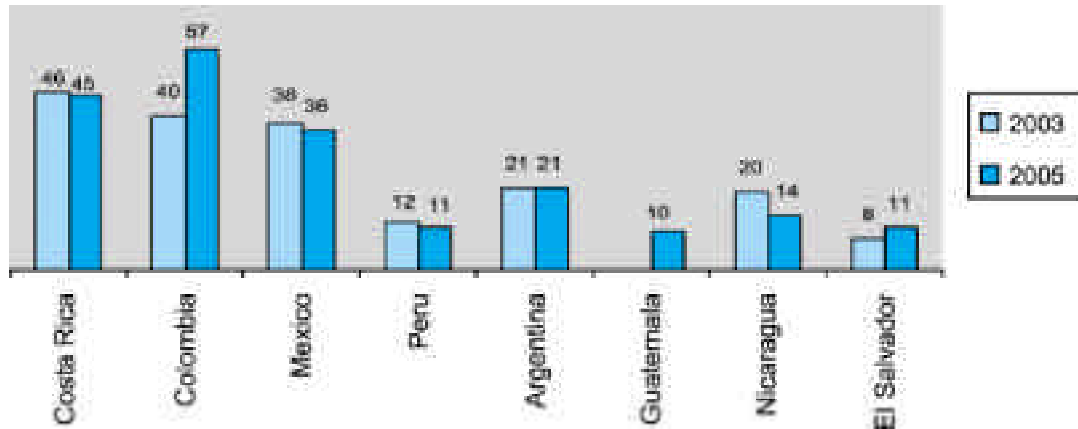
One of the key elements in the exercise of budget oversight involves the legal and effective capacities of external oversight bodies to carry out their institutional mission. In principle, external oversight institutions strengthen horizontal accountability and ensure the effective division of powers. A state that fails to guarantee external control may easily fall prey to corruption and the deviation of funds.

Results from this year's study show that, in general, external oversight in participating countries is perceived as ineffective. In this case, **Colombia** obtained the highest score at 57%, followed by **Costa Rica**, with 45% positive responses. **El Salvador**, **Guatemala** and **Peru** received the lowest scores, with positive responses of 10% to 11%.

²⁵ See Argentina's Law 24156.

²⁶ See *Cuestionario Práctico México*, question 97, at www.fundar.org.mx/indicetransparencia2005.

Capacities of External Oversight Institutions (percentage of positive responses)



In order to quantify this variable, the study focused on the following four attributes:

- The external comptroller is trustworthy.
- Recommendations of the external comptroller have contributed to the fight against corruption.
- The external comptroller verifies whether the executive complies with the physical goals of budget programs.
- The external comptroller has the capacity to exercise effective oversight over federal spending.

All of the attributes under this variable obtained very low scores. One problem that is common to the participating countries and that, in large part, explains these results is related to the lack of technical capacities and financial resources faced by the oversight institutions, as occurs in **Colombia**, **Guatemala**, **Mexico** and **Peru**. This, added to the slow capacity for reaction to cases of corruption, does much to explain the limited perception of trustworthiness regarding external oversight bodies in the region.

These factors also explain why the attribute asking whether recommendations of the external comptroller have contributed to the fight against corruption obtained one of the lowest scores in the entire study. One of the causes of this problem is that many of the countries lack the necessary mechanisms to follow up on the comptrollers' recommendations, thus making it difficult to perceive real changes in levels of corruption.

Another weakness detected under this variable is related to the capacities of external oversight institutions to verify the completion of the physical goals of budget programs. Certain countries, such as **Mexico** and **Guatemala**, have legal mechanisms requiring the review of physical goals. In practice, however, it is difficult to comply with such provisions due to legal loopholes in the countries and to the institutions' general lack of resources, which forces them to limit their financial analyses.

Although there is a negative public perception of external comptrollers in the countries assessed in this Index, it is worth highlighting the extraordinary cases of **Costa Rica** and **Colombia**. In the former country, the external oversight institution has historically maintained a very good reputation. One of the factors leading to such success is the importance that the institution has assigned to oversight (audit reports, statements of events, denunciations of legislators) in comparison to its traditional functions of budget control (approval of ordinary and extraordinary budgets and their modification.) Currently, the latter functions represent 35% of the institution's overall oversight activities. In addition, the Comptroller General of Costa Rica has the power to sanction, by means of which it may emit condemnatory or annulling resolutions against other institutions,²⁷ thus ensuring a higher level of trustworthiness.

Similarly, the Comptroller General of the Republic of **Colombia** has been improving its reputation and is also perceived by experts to be a trustworthy institution. In this case, the measures and investigations carried out by the comptroller have been taken into account, and its participation in different processes has contributed to the fight against corruption.

To a lesser degree, the Office of the Superior Auditor of the Federation of **Mexico** also obtained one of the highest levels of trustworthiness in the study. In recent years, this institution has represented the last resort in efforts to resolve important corruption scandals, and its recommendations have contributed to the recovery of public resources.

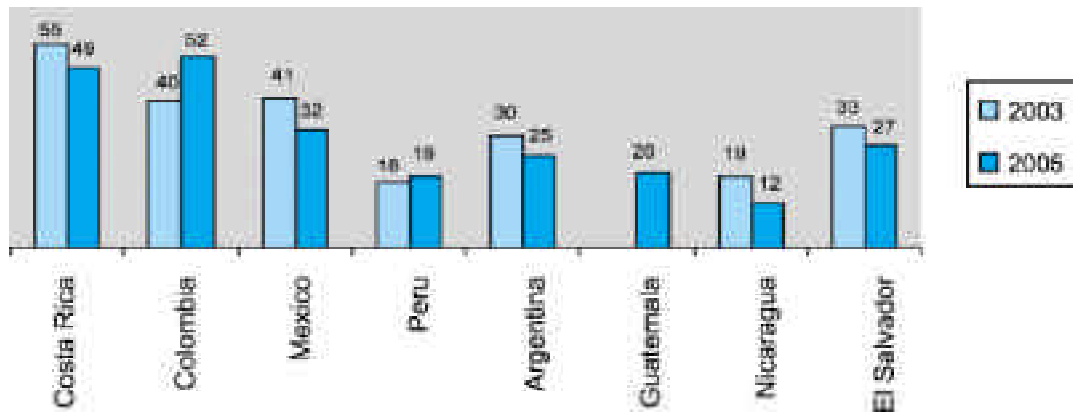
Budget Oversight

Oversight over public spending is a key stage of the budget process, evaluating whether resources were expended within the established legal framework. For this reason, accountability among governmental actors involved at this phase must be especially precise and generous. More than on centralized spending, this variable focuses on areas that historically have been considered subject of lax supervision. The study measures the level of trustworthiness with respect to the auditing of public resources allocated to semi-official enterprises, decentralized entities, defense and the contracting of foreign debt.

Except for **Colombia** and **Costa Rica** (with 52% and 49% positive responses, respectively), all of the countries participating in the study received scores below 35%. **Nicaragua** and **Peru** obtained the lowest scores of 12% and 19%, respectively.

²⁷ Hofbauer, Lavielle and Pérez, Op. Cit, p. 26.

Budget Oversight (percentage of positive responses)



The following are attributes of this variable:

- The resources executed by semi-official enterprises are well supervised.
- The resources executed by decentralized entities are well supervised.
- National defense spending is well supervised.²⁸
- The contracting of foreign debt is supervised.

After an analysis of the results of each attribute, it is clear that national defense spending, because of the low score it received,²⁹ is the least supervised of all areas mentioned above. Traditionally, defense spending has been veiled because of the argument that this information is related to national security and, therefore, cannot be made public or supervised. In this category are **Peru** and **Nicaragua**, countries that obtained the lowest scores.³⁰ Although **Argentina** obtained the highest score under this attribute, only what is budgeted at the federal level is made public in this country. In the case of **Guatemala**, audit reports received by the legislature do not include topics such as national security or other secret programs; however, this year the Constitutional Court allowed for the analysis of budget sections in this area which were formerly considered "state secrets."³¹

The second lowest scoring attribute of this variable involves the supervision of foreign debt. Results in this area are of concern, considering the fact that most of the countries participating in the study contract significant quantities of debt. If these amounts are not subjected to scrutiny, a large door is opened to discretion and, therefore, corruption. **Nicaragua** is the country in the weakest position on this point with a qualification of 8 per cent.

²⁸ This attribute was not applied in Costa Rica.

²⁹ See Annex 3.

³⁰ See Annex 3.

³¹ For further information, consult the formal / practical guide for Guatemala, available at www.fundar.org.mx/indicetransparencia2005

Although higher than the two attributes above, scores for the attributes addressing the supervision of spending by semi-official entities and of decentralized spending also remain low. As with the attribute related to the external oversight institution, one problem affecting the supervision of these areas is the scarcity of human and financial resources available to review spending. This ensures that oversight in these areas is particularly lax.

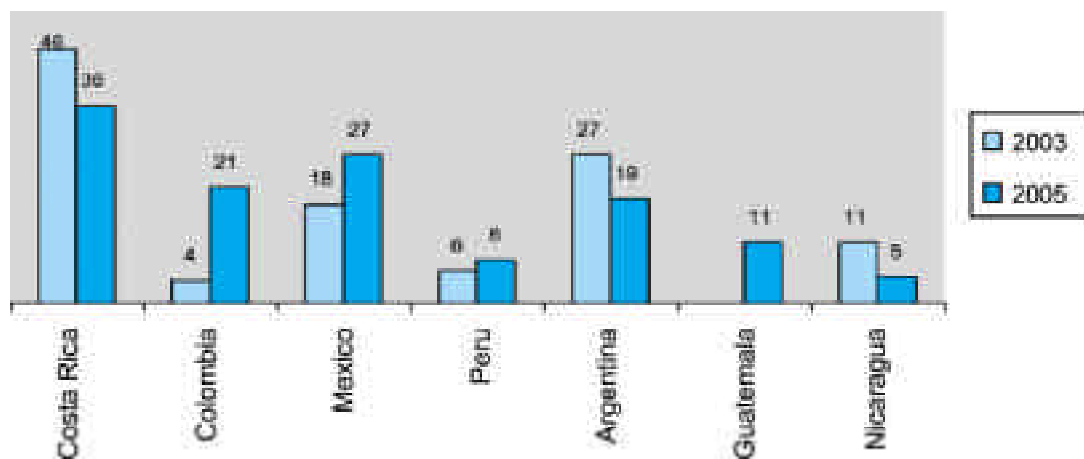
Finally, **Costa Rica** and **Colombia** stand out again as the countries with the best scores under this variable. This is directly related to the positive reputation enjoyed by oversight institutions in both countries, as explained above. In **Colombia**, for example, state industrial and commercial enterprises are subject to oversight by the Office of the Comptroller General. Recently, the comptroller intervened in the sale of a telephone company. In addition, in this country a division of the comptroller's office is delegated to the areas of defense, justice and security, and another body is assigned to the macro sector, under which the foreign debt is supervised.

Evaluation of the Internal Comptroller

In order to evaluate the manner in which public spending is executed and to improve its effectiveness and efficiency, it is essential to have trustworthy internal bodies dedicated to budget oversight. Recommendations made by these entities are vital to the improvement of resource administration, evaluation and execution practices.

In most of the countries, the internal comptroller is perceived as untrustworthy. For this reason, this variable obtained the second lowest score in the 2005 Index. The country that received the lowest score is **Nicaragua**, at 5% of positive responses, followed by **Peru** at 8%. **Costa Rica** obtained the highest assessment at 36%, although its score dropped ten points with respect to the study in 2003.

Internal Comptroller²⁸
(percentage of positive responses)



²⁸ This variable was not applied in El Salvador because an institution equivalent to an internal comptroller does not exist in this country.

The sole attribute of this variable is:

- The internal comptroller is trustworthy.

This has been among the lowest scoring variables in both the 2003 and 2005 editions of the Index, demonstrating that the reputation of internal comptrollers is bad in all participating countries.

As found in the 2003 edition, the functions and authorities of internal comptrollers are effectively limited within a well-defined legal framework that, among other things, mandates that central government entities have internal auditing systems to ensure accountability.

One of the problems detected in this respect (which explains in large part the negative perception of these entities) is that although government institutions have internal auditing systems, there is no guarantee that resulting recommendations will be taken into account. What's more, in countries such as **Nicaragua** it is not easy to monitor the implementation and completion of these recommendations. Therefore, it is veritably impossible to evaluate whether or not internal comptrollers actually work.

Another weakness is that these internal entities have not been trustworthy in their duties as overseers over the procurement and supply systems of government institutions. Even in **Costa Rica**, the country with the highest score in this variable, the internal auditors or comptrollers, along with control entities, represented the very institutions whose activities were most severely questioned in 2004. This was due to a series of corruption scandals that involved three former presidents and put into question the controls established for administrative contracting procedures. In Costa Rica's favor, however, is the fact that the directors of institutions are obligated to analyze and immediately implement the observations, recommendations and dispositions formulated by internal auditors, the Comptroller General of the Republic, external auditors and other auditing and oversight institutions.³³

Similar situations are found in other countries (such as **Colombia, El Salvador, Mexico** and **Nicaragua**). Although the procurement process remains open and competitive, significant irregularities have been detected.

Accountability

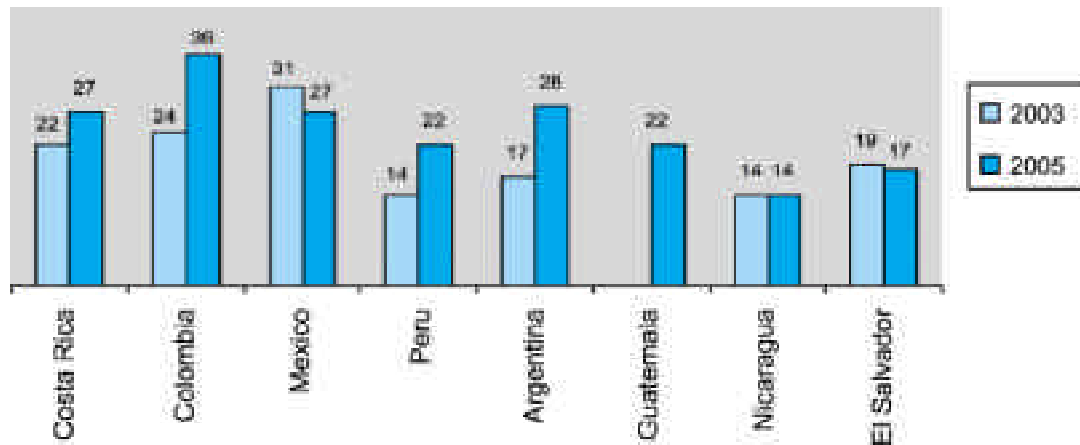
Accountability, understood as the periodic and institutionalized obligation of public functionaries to report on decisions adopted, on the reasons for said decisions and on the resulting costs, is a fundamental aspect for the strengthening of democratic institutions. Veritable rule of law cannot exist without an effective global system of accountability. Transparency and control over corruption require institutionalized mechanisms of accountability.

With respect to the budget, first-hand indicators of accountability may be found in the reports that the government must publish, throughout the fiscal year, to report on the revenues collected and expenditures made to date (preferably with comparisons to the estimates included in the approved budget) and advances made toward the completion of physical goals.

³³ See Costa Rica's *Ley General de Control Interno*, Nº 8292.

The scores obtained by the eight countries in this study demonstrate that accountability is not a strong factor within the budget process. Colombia received the highest score with 36% positive responses, followed by **Argentina** and **Costa Rica** with 28% and 27%, respectively. At 14%, **Nicaragua's** score was the lowest and did not change with respect to 2003.

Accountability
(percentage of positive responses)



This variable is composed of the following seven attributes:

- The executive periodically publishes the information necessary to evaluate progress toward the fulfillment of its program goals.
- The executive issues reports on the state of governmental income and expenditures, as compared to the approved budget.
- Reports on the progress of program implementation and the achievement of physical goals are comparable to the approved budget.
- Budget execution reports include exhaustive information on the spending of any type of decentralized entity or semi-official enterprise.
- Budget documents clearly present the main policy initiatives financed by the budget.
- Purchase prices paid by the executive are made public for purchases or expenditures greater than 500,000 pesos.³⁴
- The government provides indicators that enable adequate evaluation of spending impact.

Overall, the variable obtained a low score. However, one of the attributes that received an above-average assessment for this variable³⁵ was that referring to the executive's emission of reports on the state of governmental income and expenditures, as compared to the approved budget. Nevertheless, analysis of results from the practical questionnaire shows that in four of the countries

³⁴ This figure was adapted accordingly in each country.

³⁵ See Annex 3.

(**Argentina, Guatemala, Costa Rica** and **El Salvador**), the reports prepared and presented to the public do not include comparisons between actual expenditures and original estimates for the period. The same reports are slightly more generous with information on income, although in most of the countries only two thirds of real revenue is presented. Two countries stand out for their good practices and, therefore, their high scores under this attribute: **Peru** and **Mexico**, where reports issued throughout the year are sufficiently informative in terms of the most significant changes in real income and expenditures.

In this sense, it is also uncommon for updated income and expenditures estimates to be presented in mid-year reports, or for changes in economic perspectives to be explained. In extreme cases such as **Argentina**, this type of document does not exist; rather, reports are presented randomly according to the national political context. A similar situation is found with respect to the contents of year-end reports. In **Argentina, El Salvador** and **Guatemala**, such reports clearly do not include information about the difference between the incomes and expenditures that were predicted and those that were achieved. Even in countries where this data is presented, however, details as important as the under-spending of funds are often omitted, as occurs in **Nicaragua**.

With respect to the attribute evaluating whether budget execution report contain data on spending by decentralized entities and semi-official enterprises, the mediocre results suggest that this information is still harder to obtain and, when obtained, is brief and imprecise. This prevents the monitoring of a significant part of the total budget throughout the year.

Another weakness noted in this variable is that, in most cases, there are no useful, well-designed indicators that enable adequate evaluation of spending impact. For most of the countries, the practical questionnaire showed that at least two thirds of the budget is associated with non-financial data and performance indicators. However, the usefulness of these elements in analyzing progress toward the completion of public policy goals is questionable. The exception in this case is **Mexico**, where this information only exists for “priority” programs. In the case of **Costa Rica**, the Comptroller General stipulated in its audit report on budget execution that there are no mechanisms to verify the quality of information received and that it has been impossible to make a comparison between that planned and budgeted and that executed.³⁶

With respect to the attribute regarding the presentation of information that enables the evaluation of progress toward the completion of program goals, as well as the comparison of said goals with the approved budget, few countries were able to affirm that this practice is carried out in an adequate manner. In part, this can be explained because of the very low reliability of indicators, as mentioned above. In addition, although information about the completion of goals is presented, it is not fully comparable to the approved budget.

The general conclusion drawn from the findings for this variable is that there are a number of pending tasks in the area of accountability. It is essential for the countries to publish periodic information that enables the monitoring of public spending through comparisons between the incomes and expenditures planned and those achieved. In addition, it is urgent that reliable indicators be designed, making it possible to evaluate the efficiency of public spending based on the presentation of non-financial results and the completion of goals.

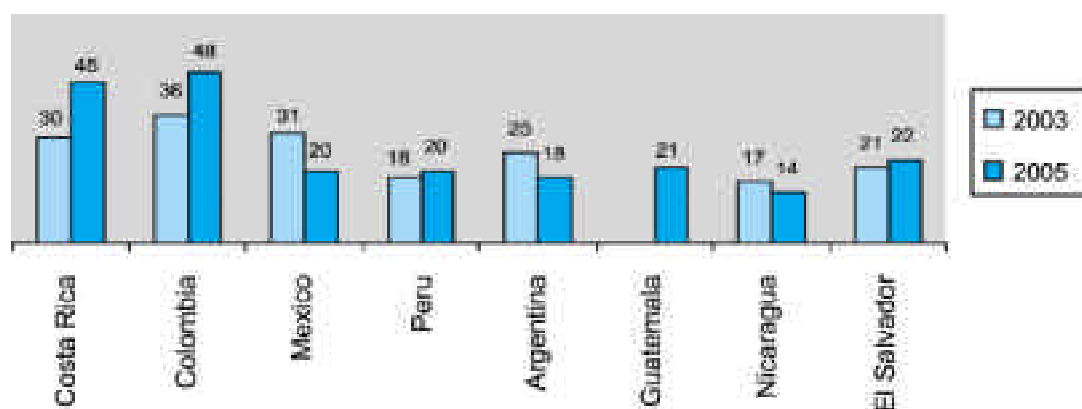
³⁶ See question 51 of Costa Rica's practical questionnaire, available at www.fundar.org.mx/indicetransparencia2005.

Control over Public Officials

Public control requires limitations and regulations in order to prevent corruption in the management of public resources and to penalize those who make illicit use of the budget. Therefore, it is essential that those who wield public authority be subject to external and internal controls that guarantee that their performance conforms to the legal frameworks established to govern their functions.

Scores obtained by the countries show that control over public functionaries is a weak factor among those who manage federal resources. **Colombia** obtained the highest score in this edition of the Index, surpassing its 2003 score by 12 points. Another significant increase was achieved this year by **Costa Rica**, which raised its score by 15 points. For the rest of the participants, scores ranged between 21% and 14% positive responses. **Mexico's** score decreased by 11 points compared to 2003.

Control over Public Officials
(percentage of positive responses)



This variable was based on five attributes:

- The salaries of public officials may be known with certainty.
- Information on all benefits enjoyed by public officials is public.
- Unexplainable increases in wealth may be detected through the property declarations submitted by officials.
- Guilty parties can be identified in the event of irregularity in budget execution.
- The functionary who makes improper use of the budget for his/her benefit or that of others is penalized.

Analysis of the countries' practices with respect to control over public officials revealed that, in general, salaries can be known even though legal provisions requiring such information to be made public do not necessarily exist. In **Nicaragua**, for example, journalistic investigations have helped to ensure that this information is of public knowledge. In other cases (such as **Peru** and **Mexico**), this information is known due to existing laws on transparency and access to information. Nevertheless,

the study also detected that the biggest difficulty is related to access to information about the benefits enjoyed by government employees, especially those of higher rank.

With respect to the penalization of public officials, certain sanctions have been established in some countries for those who benefit personally from the public budget. However, this has not served as a guarantee ensuring the application of justice. The problem lies in the step prior to penalization: the identification of offenders. In many of the countries, identifying an offender in public administration can become virtually impossible because a significant number of decision makers are often involved in the area of public spending. There have been cases in which high-ranking functionaries were identified as corrupt, including a former president of **Guatemala** and a legislator on the Budget and Public Accounts Commission in **Mexico**. **Argentina** offers another example, where the Anti-corruption Office carried out investigations of public functionaries for illicit enrichment and embezzlement; however, the process dissolved upon reaching the courts. In **Colombia**, the high score obtained for this attribute can be explained by the publicity given several pertinent investigations.

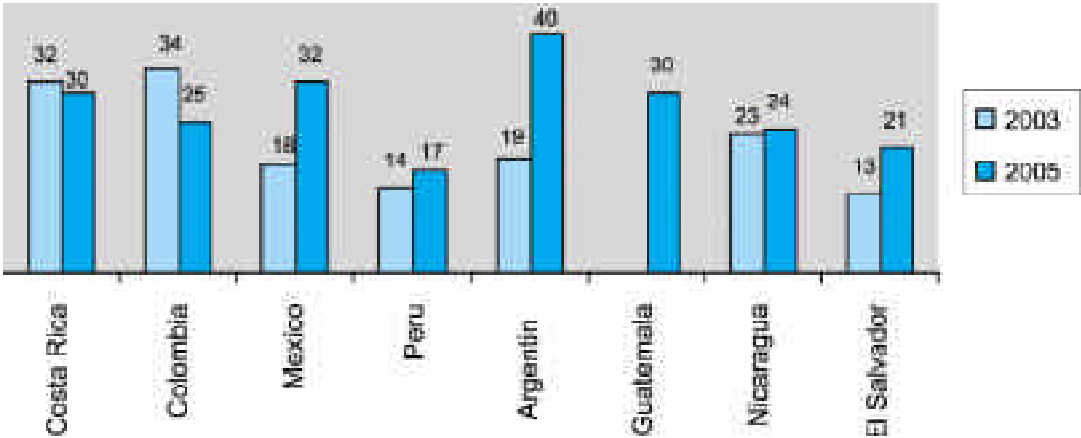
In order to prevent cases of corruption in the management of public finances, it is essential not only to have well-established sanctions and a sound system for the application of justice, but also to stipulate, from the start, those who will be responsible for approving, executing and auditing all expenditures, in such a way that guilty parties can be identified easily and directly.

Responsibility Among Government Levels

Measuring the responsibilities that different levels of government hold over the budget provides information about the checks and balances that exist among the different levels in relation to spending authority. Results on this variable can also provide clarity about the perception of decentralization processes in the region, as well as shed light on the distribution of competencies. Without such clarity, problems of fiscal coordination could easily arise.

In this case, **Argentina** obtained the top score with 40% positive responses, experiencing a notable 21-point improvement with respect to the score obtained in 2003.

Responsibility Among Government Levels
(percentage of positive responses)



This variable is composed of one attribute:

- The division of budget responsibilities among national and subnational governments is very clear.

As seen in the graph, the experts' perceptions are not the most positive. If one begins the analysis considering the legal framework that delimits the authority held by different levels of government over public spending, it becomes clear that many of the involved countries have established norms that regulate such processes. This formal framework is reflected in general budget laws in countries such as **Mexico** and **Peru**, or in specific laws in other countries. In **Argentina**, for example, the responsibilities of different levels of government are stipulated in the "co-participation regime." In **Colombia** they are codified in the Law on Transfers. However, these laws are not exhaustive or totally clear. For example, **Guatemala's** General Law of Decentralization establishes the obligation to decentralize competencies in education, health, citizen safety and infrastructure toward the municipalities.³⁷ However, with respect to their spending capacities and obligations, the limitations and responsibilities of the subnational governments remain unclear.

One difficulty common to countries in the region is that their budgets tend to omit data about intergovernmental transfers, at least within the fiscal year. This information is vital, especially considering the high percentages of spending allocated to subnational governments. Exceptions in this case are **Peru** and **Mexico**, although the latter country omits data such as the timeline of resource transfers and information related to surplus incomes.

Considering the recent initiation of decentralization processes in most of the countries, it is common to find that the resource allocation, execution and oversight processes transferred to subnational administrations are still lacking in transparency. Therefore, it is essential to establish formal frameworks that define clearer norms for these stages, in such a way that spending can be monitored from the start to the finish of the budget process.

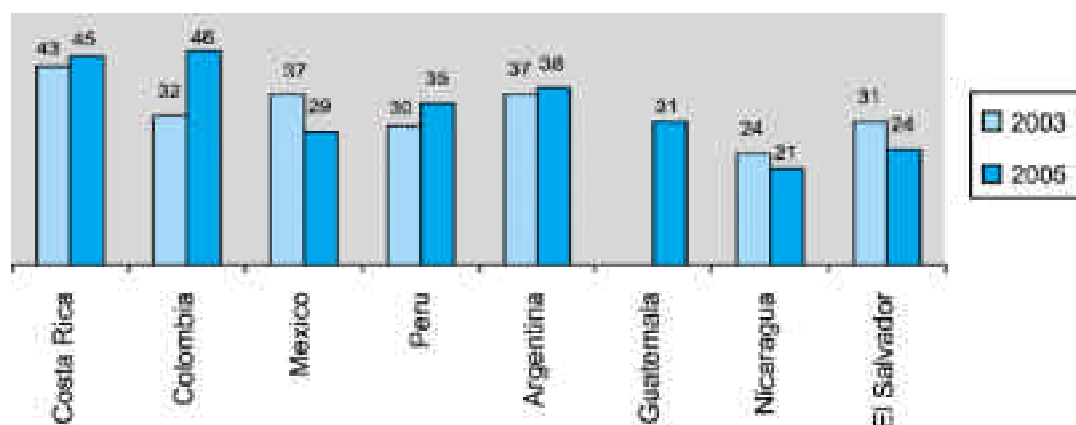
Information on Debt

Information about public debt is essential for a country's distribution of resources, since a budget tied down by ineffective indebtedness has less room to maneuver to promote prioritized sectors and expenditures. This factor is especially important for the region due to prevailing debt problems and the budget rigidity they have caused. In this sense, it is important to determine whether information on the amounts, destination, conditions and duration of government debt is made public.

Results illustrated in the graph show that **Colombia** and **Costa Rica** obtained the highest scores (46% and 45%, respectively.) On the other extreme is **Nicaragua**, with a low score of 21% positive responses.

³⁷ See Article 7 of Guatemala's *Ley General de Descentralización*.

Information on Federal Debt (percentage of positive responses)



The following attributes are included in this variable:

- The destination of contracted debt is made public.
- The duration of the debt (time periods) is made public.
- Any future obligation or liability of the federal government is made public.
- All future obligations of the government are recorded as public debt.

In general, a common positive aspect related to this variable is that, in the budgets of the countries included in this study, the total balance of the central government's debt from the current fiscal year is always presented in the executive's budget document. In **Mexico**, this information is presented as a percentage of GDP and can be found on the web page of the Secretariat of the Treasury. All of the other countries publish reports about real debt throughout the year, varying only in the calendar according to which they are published (monthly, quarterly or semi-annual reporting.) Data about the payment of debt interests in the annual budget is also published in all of the countries.

However, data about the composition of the debt is not presented in a complete manner. This information is indispensable when determining a country's potential vulnerability to debt and the viability of its financing. Key data include interest rates, expiration profiles, type of currency, and whether the debt is internal or external. In countries such as **Argentina**,³⁸ **El Salvador** and **Guatemala**,³⁹ much of these vital details are omitted. In **Mexico**, the information is not presented in the economic packet but can be found in the Secretariat of the Treasury's report to the Congress, which is readily available to the public. In **Costa Rica**, the destination of contracted debt is detailed in global amounts, so specific debt destinations cannot be determined.

³⁸ The Central Bank of the Republic of Argentina provides tables on debt composition. For more info, see www.rcra.gov.ar.

³⁹ In the case of Guatemala, information about the type of currency, the objectives of indebtedness, interest rates and executing agencies can be found at the web site of the Ministry of Finance: www.transparencia.minfin.gob.gt.

One weakness seen in all countries and related directly to this variable is the lack of information about the conditions associated with assistance from international finance institutions (IFIs) and donor countries. Countries that present a certain amount of this type of information include **Colombia, El Salvador, Nicaragua** and **Peru**.

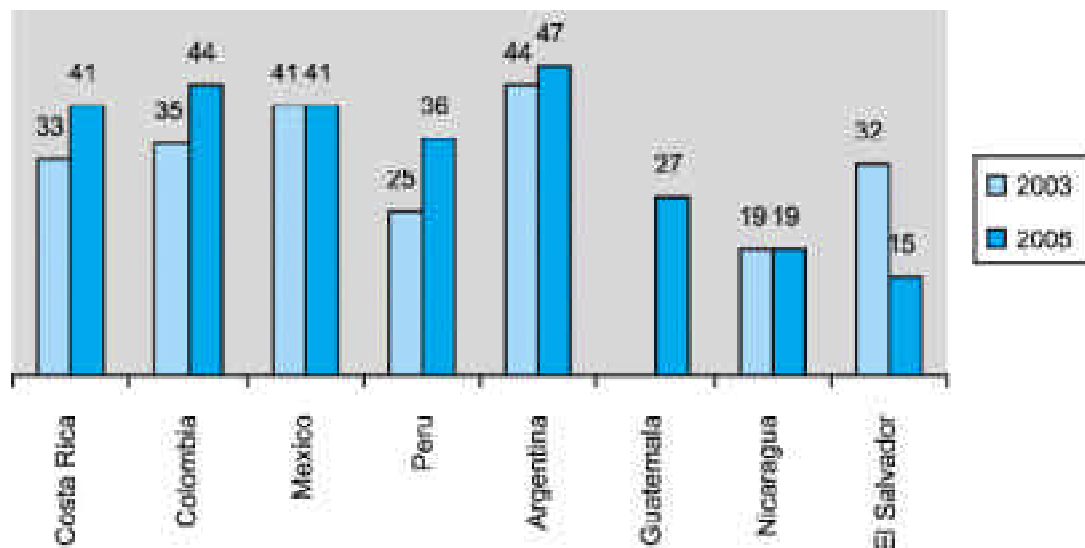
It is important to mention that one of the attributes that obtained a lower overall score was that referring to the destination of debt. Ignorance of the objectives for which debt is contracted is not only an obstacle against budget transparency but also makes it easier for funds to be assigned discretionally.

Quality of Information and Statistics in General

The quality of the budget information provided by the government is indispensable not only to create a valuable accountability instrument but also to offer a potential tool for citizen in the budget to the general public. It is vital that information related to the budget be presented in a way that enables both global and detailed analyses of public spending, so that the achieved vision of public spending takes into account all possible approaches.

In general, the quality of budget information is perceived as good. This is one of the variables that obtained high scores in both 2003 and 2005. Indeed, in this study this was the third highest scoring variable. As illustrated in the graph below, **Argentina** stands out as the highest scoring country with 47% positive responses, followed by **Colombia** with 44% and **Costa Rica** with 41%. On the other extreme is El Salvador with the lowest score of 15%. The most notable score increase was achieved in this case by **Peru**, which improved its 2003 score by 11 points.

Quality of Information and Statistics in General
(percentage of positive responses)



This variable is composed of four attributes:

- In general, the institutions that generate national statistics produce accurate data.
- Budget information is presented in a disaggregated manner to allow for detailed analysis.
- Budget information includes aggregations that allow for integral analysis.
- The budget provides a complete panorama of national government finances.

The fact that the quality of information and statistics in general is one of the most positively evaluated variables is due, in large part, to the general perception that the institutions responsible for producing national statistics provide reliable data. However, specific cases such as **Nicaragua** demonstrate that, although the budget information produced in a country is generally accurate, less reliable projections are still generated, such as statistics on employment and global macroeconomic results. Another difficulty arises from the institutions' lack of total autonomy, as occurs in **Nicaragua** and **Mexico**, where the entities in charge of producing this information are dependent upon the respective Ministries of the Treasury.

The second highest rated attribute is that referring to the budget information's level of aggregation. A majority of the countries present information organized in such a way as to enable integral spending analyses; in other words, data are presented according to economic and functional classifications. In addition, the data tend to be compatible with international standards.⁴⁰ An atypical case is **Nicaragua** where, on one hand, not all expenditures are presented per functional classification and, on the other hand, even if the information is organized economically it may not be comparable to international standards.

On the opposite extreme, among the attributes with the lowest overall scores is that referring to disaggregated data (data that ideally allows for detailed analyses of spending.) In **El Salvador**, for example, spending is not presented according to program, thus impeding analysis of one of the budget's most detailed components. In **Mexico** and **Guatemala**, only two thirds of total spending is presented at the program level. In the latter country, this is due to the fact that, by law, resource allocation to institutions is determined as a fixed percentage of revenue, without necessarily assigning resources to specific programs.

Another problem in this area is related to administrative classification. Some countries (such as **Guatemala**, **Costa Rica** and **Nicaragua**) do not present the spending of certain units. Such classification is of vital importance since it indicates which government entity is responsible for executing specific funds and is therefore responsible for their use.

Finally, the attribute asking whether the budget provides a complete panorama of national government finances received the lowest score under this variable. However, the perceptions of the experts in the countries are contradictory, since in most countries data are provided that offer a global perception of public finances, such as expenditures and the sources of tax and non-tax revenues. Indeed, multi-annual spending estimates are carried out in **Argentina**, **Guatemala**, **Costa Rica**, **Guatemala** and **Peru**. A review of the practical questionnaires from the countries shows that, in general, the executive's budget includes real executed spending for at least the two years prior to the current year—key reference information for the calculation of current spending.

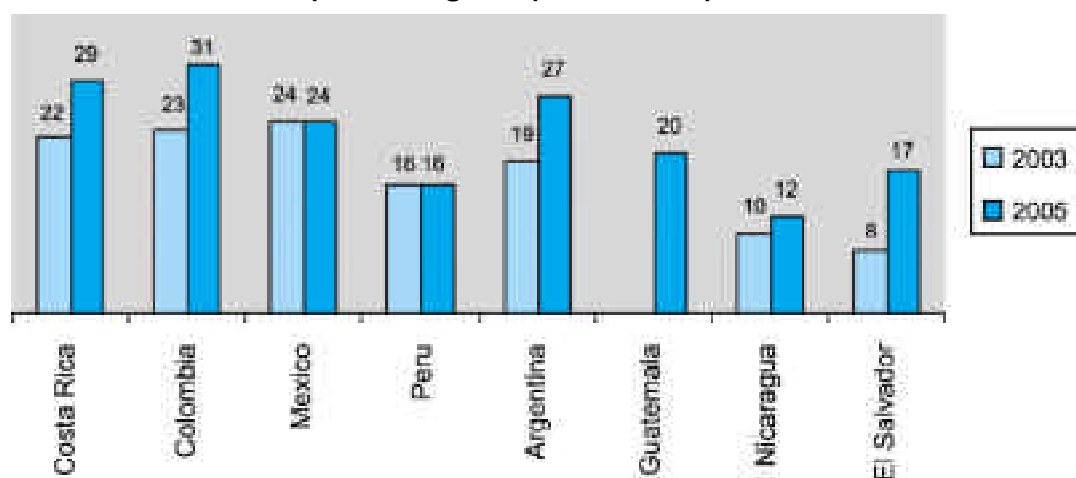
⁴⁰ See the International Monetary Fund's *Manual de Estadísticas Financieras Gubernamentales 2001*, <http://www.imf.org/external/pubs/ft/gfs/manual/pdf/all.pdf>.

Timeliness of Budget Information

Like the quality of information, its timeliness is also indispensable in order to ensure the opportune identification and analysis of gaps that may be generated in each of the phases of the budget process. For that reason, this variable aims to measure the degree of timeliness of information in each phase of the budget process.

In most of the participating countries, budget information is perceived as untimely, causing this variable to rate as the third worst in the Index. **Colombia** obtained the highest score with 31% positive responses, followed by **Costa Rica** with 29%. At the rear is **Nicaragua** with 12%, although this country improved its score by two points with respect to the study in 2003.

**Timeliness of Budget Information
(percentage of positive responses)**



This variable is composed of five attributes:

- o With what degree of timeliness is budget information made public during each of the following phases:
- o Budget formulation
- o Budget discussion / approval
- o Budget execution
- o Budget control / oversight

The scores for each of this variable's attributes reveal that the experts have the lowest opinion of the timeliness of information about budget control and oversight.⁴¹ According to the OCDE's recommendations of best practices for budget transparency, the executive must release a year-end report explaining the details of real executed expenditures within six months of the end of the fiscal year.⁴² This document, which represents the step immediately prior to budget auditing by the external

⁴¹ See Annex 3.

⁴² Organization for Economic Co-operation and Development, op. cit., section 1.5.

oversight institution, is effectively released within the ideal timeframe in most of the countries (**Colombia, Costa Rica, El Salvador, Guatemala, Nicaragua** and **Mexico**).⁴³ In **Peru**, the report is released shortly after the six-month period, whereas Argentina is an atypical case in which such a document is not prepared.

Although this information is generally produced in a timely manner, a review of the practical questionnaires reveals a factor that significantly decreases the countries' scores: the delayed release of auditing reports. In **Nicaragua** and **El Salvador**, results are not divulged until some 24 months later or, in the former country, not divulged at all. In **Peru** and **Mexico**, the reports are published between six and twelve months after the end of the fiscal year.

On the opposite extreme, scores per attribute also reveal that information is most timely during the budget discussion / approval phase. In this sense, The OCDE recommends that legislature receives the budget from the executive at least three months prior to the start of the fiscal year⁴⁴ in order to ensure sufficient time for discussion and negotiation. Five of the participating countries comply fully with this parameter: **Colombia, Costa Rica, Guatemala, Mexico** and **Peru**. The legislatures in **El Salvador** and **Nicaragua** receive the budget proposal at least six weeks but less than three months before the fiscal year. Once again, **Argentina** is a unique case: its Congress received the budget proposal only six weeks before the start of the fiscal year.

The phases of budget formulation and execution received intermediate scores with respect to the phases of discussion / approval and control / oversight. In terms of the execution phase, the OCDE recommends the generation of reports that continually evaluate expenditures according to administrative, economic and/or functional classification as well as revenues per source, at least on a monthly basis. In this respect, the practices of countries participating in the study are diverse. Only half of the countries provide this information monthly (**Colombia, El Salvador, Mexico** and **Peru**.) On the other hand, **Argentina** does not provide this type of report on expenditures at any time during the fiscal year (unless specifically requested by a legislator.) It does publish information on revenues in accordance with the OCDE's recommendation. **Guatemala** and **Nicaragua** publish data on expenditures every four and three months, respectively. In **Costa Rica**, these reports are not publicly divulged.

Finally, timeliness during the budget formulation phase also received an intermediate score among attributes under this variable. Here, based on the practical questionnaires, an analysis was held of the amount of time left before the start of the fiscal year when the executive releases its preliminary budget document.⁴⁵ Except for **Argentina** and **Costa Rica**, where documents of this type are not divulged, the rest of the countries had periods of at least two months. It is important to note that in some countries, the executive does not publish a calendar with dates for budget formulation. The countries that do publish such timelines are **Costa Rica, Guatemala** and **Peru**.

⁴³ Even in Costa Rica and El Salvador, this occurs at least three months after finalization of the fiscal year.

⁴⁴ Organization for Economic Co-operation and Development, op. cit., section 1.1.

⁴⁵ According to the OCDE, this should be completed at least three months prior to the start of the fiscal year.

Recommendations by Country

Argentina

According to the results obtained, the three most highly evaluated variables for Argentina are:

- Information on macroeconomic criteria
- Quality of information and statistics
- Authority and participation of the legislature

Argentina: Best Evaluated Areas (percentage of positive responses)



On the other hand, the lowest ranking variables are:

- Changes in the budget
- Citizen participation in the budget
- Control over public officials

Argentina: Critical Areas (percentage of positive responses)



Recommendations

Authority and Participation of the Legislature

- Promotion of legislative debate of the proposed budget.

Information on Macroeconomic Criteria

- Technical grounding of macroeconomic projections, with respect to both relative and absolute values.
- Implementation of semi-annual monitoring of macroeconomic projections, due to changes that may occur over time.
- With respect to revenue, a monthly evaluation of tax variations should be carried out, since increases or decreases can result from external variables (such as commodity prices in the case of agriculture and hydrocarbon retentions) or internal variables (such as rate modifications or changes in tax due dates).

Quality of Information and Statistics

- Improvement of the information system, based on international principles of pertinence, timeliness, reliability (approximation to reality), essentialness (sustainable over form), neutrality (objectivity), integrity, verifiability, methodology, comparability and clarity.
- Divulcation of information related to reports and reviews of accounts by international credit organizations after having been issued and received by the executive.

Citizen Participation in the Budget

- Creation of formal arenas for citizen participation in all budget stages, and especially in budget preparation and debate between September 15 and November 30. It is recommended that participation be encouraged among professional economic councils and associations, universities and civil society organizations, and that spaces be opened to the citizenry, such as consultative councils, public audiences, etc.
- Creation of a program of "budget culture and education," seeking to ensure that schools at all levels mandatorily teach about budget transparency and ethics.
- Promotion by the executive of facilitated access to budget information at all stages for those who request it, with timely and adequate responses. Information should be published on the Internet on a special web page for citizen participation.
- Incorporation of a link on the Ministry of Economy web page, providing complete budget information in a timely and adequate manner and listing the mechanisms available to the citizenry to ensure its participation in an uncomplicated and clear manner.
- Sanction and passing of the law on access to public information.
- Information to the citizenry about budget modifications carried out during budget execution, indicating the reasons for such changes.

Changes in the Budget

- Limitation of the instances in which the legislature delegates faculties discretionally to the executive.
- Extension of budget debate to include intermediate organizations in order to obtain valid alternatives to in addition to those offered by the executive.
- Implementation of quarterly budget monitoring, comparing targets and budgeted amounts with those executed in different programs under each jurisdiction.
- Inform public opinion about any deviations, as well as any corresponding sanctions against responsible officials.

- Formation of an administrative technical team (Legislative Budget Office) for totally independent advising on the preparation of reports on budget preparation, training and guidance for its sanction by legislators.
- Creation of a plan of medium-term state policies for the allocation of resources, based on social and political commitment.
- Monthly publication of information on allocations under the entries of “Figurative Expenditures” and “Figurative Contributions” (line items that counteract budget transparency), detailing specific amounts and distribution and providing technical and political support for said allocations.
- Discriminate publication of the program destinations of funds obtained through loans granted by multilateral credit organizations, reporting levels of advance and supporting the decisions made regarding these allocations.
- Release of information that enables comparisons between different budget years.

Control Over Public Officials

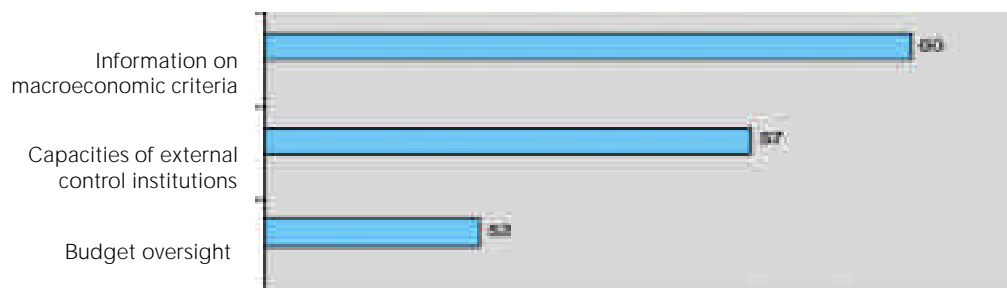
- Publication (on the web page of the Ministry of Economy) of the payroll of first-level functionaries from the range of Cabinet Chief to President of the Republic, including full names, positions and total monthly remuneration.
- Presentation by functionaries of sworn declarations that explain possible increases in patrimony. In the event that said increases cannot be justified, corresponding audits should be carried out and, once completed, information should be released reporting whether any illicit activities occurred.
- In the event of questions regarding public spending, it is recommended that audits should be carried out jointly with civil society organizations, with sampling in areas of significant social importance, in order to identify any irregularities in budget execution.

Colombia

The three highest-rated variables in Colombia are:

- Information on macroeconomic criteria
- Capacities of external oversight institutions
- Budget oversight

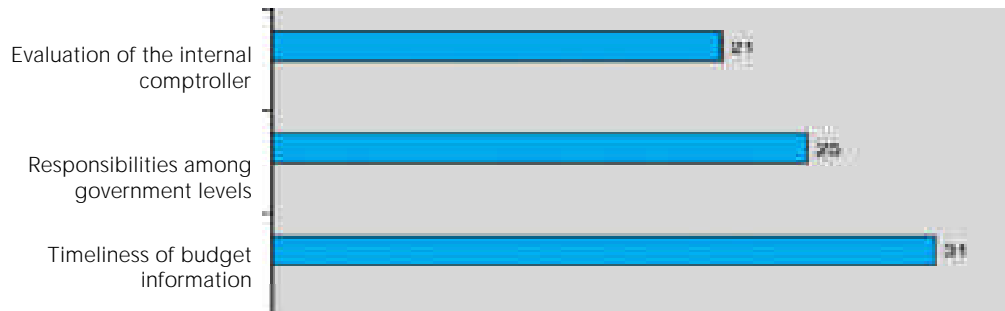
**Colombia: Best Evaluated Areas
(percentage of positive responses)**



The following are critical areas in Colombia:

- Evaluation of the internal comptroller
- Responsibilities among government levels
- Timeliness of budget informatio

Colombia: Critical Areas (percentage of positive responses)



With respect to the critical areas in Colombia, it is important to point out that the scores for two have increased significantly since 2003: "Evaluation of the internal comptroller" received 4% positive responses in 2003 but scored 21% in 2005; and "Timeliness of budget information" increased from 23% to 31% in the same period. In these cases, there has undoubtedly been progress toward transparency. However, the cause for greatest concern is the variable of "Responsibilities among government levels," the score for which decreased from 34% to 25%. This is worrisome for two main reasons. First, it creates an environment that encumbers governance. The lack of clarity with respect to the responsibilities of different levels of government has not only caused friction between leaders but also a drop in the attention paid to citizens. Second, when there is no clear budget division, it is difficult to carry out budget evaluations within the different spheres of government. As a result, it becomes impossible to implement a clear and complete assessment of budget management.

Recommendations

Responsibilities Among Government Levels

- A review should be held to determine where clarity in government delimitation has been lost, and what caused these losses. More than a technical problem, this may be a political effect (managed mainly in the community assemblies in which the president directly takes part to resolve specific aspects, such as the local school or the community road.) Although it strengthens a certain vision, this ends up being more detrimental to the governance of different entities of the state.
- As a result, it is necessary to strengthen the image and response capacity of regional and local governments. Otherwise, there represents a potential return to centralism.

Internal Comptroller

- In the case of this variable, where notable improvement has been seen, it is important to continue with the process to strengthen the internal comptroller as an entity of high priority for government institutions. It is recommended that the comptroller continue to comply with its fundamental role of prevention, by means of which physical, human and institutional costs are saved.

Timeliness of Budget Information

- The timeliness of budget information has also improved significantly in the opinions of experts. This shows that more information is available (for example, on the web pages of certain entities, such as the Ministry of the Treasury.) Here, the recommendation is not only to continue with these efforts but also to promote related reading and learning mechanisms. We believe that it is not sufficient to claim that the information exists; access to the information is also essential. Most important, however, is that the information be used in decision making, since this is a basic principle in the formation of capacities to deliberate.

- Because the information should be provided in a timely manner according to the different budget stages (formulation, discussion, approval, execution and oversight), the most appropriate mechanisms and methodologies to provide the data must be established for each stage. In this respect, it is important to highlight the role played by the Comptroller General of the Nation (CGN), the efforts of which have been reinforced by entities such as the Escuela Superior de Administración Pública and other institutes of higher learning. However, it is also important to remember that this is a long-term task; it involves a cultural change requiring sustained efforts over many years in order to ensure that the necessary knowledge reaches society. In order to instill a culture of adequate management and monitoring of public spending, greater financial and human resources must be dedicated toward this end.

Costa Rica

Results from the third edition of the Budget Transparency Index situate Costa Rica as one of the countries with the highest scores. Although this situation is not new (Costa Rica was also one of three countries with the best budget transparency scores in the 2003 Index), the country's placement is no less important given that the study seeks to demonstrate any changes that have occurred with respect to prior results.

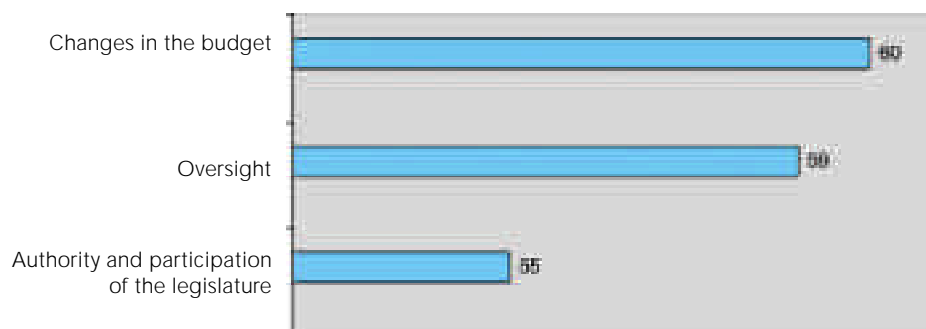
Costa Rica's lead in the 2005 Budget Transparency Index is due mainly to the fact that, compared to the results from 2003, its percentages of positive responses increased in 35 of the 48 attributes evaluated in the study. In other words, in 2005 the country improved its scores in 73% of the aspects evaluated by the experts. On the other hand, its scores decreased in 12 attributes (25%), and the score for one attribute remained exactly the same.

Nevertheless, the political authorities who participate or have any level of responsibility in Costa Rica's budget processes must still enhance their efforts to improve the country's conditions of transparency and accountability, ensuring that the citizenry has access to comprehensible, timely, useful and quality budget information. Listed below are certain recommendations resulting from the 2005 study of budget transparency.

The most highly evaluated areas in Costa Rica are:

- Changes in the budget
- Budget oversight
- Authority and participation of the legislature

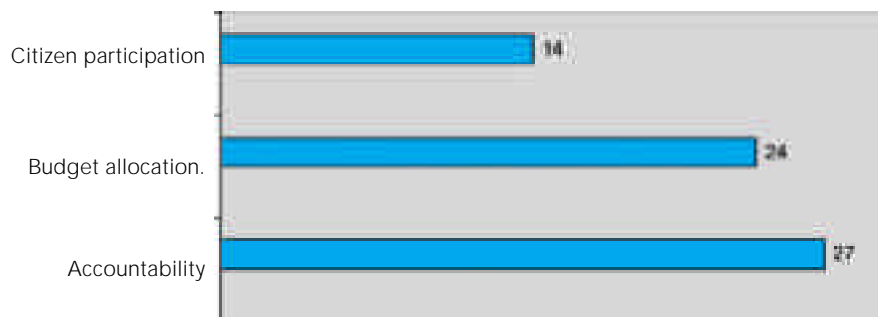
**Costa Rica: Best Evaluated Areas
(percentage of positive responses)**



The areas most poorly evaluated in this country are:

- Citizen participation in the budget
- Budget allocation
- Accountability

**Costa Rica: Critical Areas
(percentage of positive responses)**



Recommendations

Changes in the Budget and Authority and Participation of the Legislature

- *Improve public access to budget information:* Access to the approved budget (one third of public spending) is available on the web page of the Legislative Assembly. However, the presentation of this information is inadequate and difficult to comprehend. The Budget of the Republic is displayed in the same format supplied by the Ministry of the Treasury, which is repetitive, unclear and in a sequential order that is not very useful. In spite of efforts to improve divulgation, the citizenry still lacks access to comprehensible budget information.
- *Greater knowledge about the budget process:* Budget information available to the citizenry includes: a) the executive's budget proposal and b) the result or legislative product (approved budget.) Only two aspects of a complex budget cycle are made known. Greater emphasis should be placed on the divulgation of all stages taking place in the different political bodies involved in budget preparation (formulation, approval, execution and evaluation.) The work and negotiations that take place in legislative commissions is completely unknown.
- *Opening of spaces for debate and discussion:* The Legislative Assembly could open spaces for debate to more social sectors during the stage of budget discussion and approval, emphasizing those institutions whose budgets are earmarked to cover the needs of the greatest number of people. In addition, public institutions must also channel their efforts toward the dissemination of information related to the behavior and characteristics of their budgets, with as much disaggregation and detail as possible.

Budget Oversight

- *Greater emphasis on oversight of the public treasury:* The Comptroller General of the Republic (CGR) must continue to emphasize (as it has been doing) its oversight efforts, thereby seeking greater balance with respect to its traditional function of budget control. Over time, both the CGR and the Legislative Assembly have been assigning more importance to the topic of budget oversight.

- *Quality of the information on budget evaluation and execution:* The quality of information included in budget evaluation and execution reports prepared by the Ministry of Economic Planning and Policy (MIDEPLAN) and the Ministry of the Treasury is another aspect that requires improvement. The system proposed by MIDEPLAN is technically and conceptually better, but it could be improved further. The CGR has claimed that, although a larger number of public institutions delivered the required budget information in 2004, there are still limitations in these reports. One such limitation is that “with the information provided, it is not possible to evaluate whether the institutions have been efficient in their use of public resources, since no relations are established between costs and benefits or between inputs and outputs” (CGR, 2005). Most important is that there is no evaluation of results anywhere in the administration, except for commitments related to the Costa Rican Social Security Fund. There are no means by which to verify the quality of information received, and there is no linkage between that planned, that budgeted and that executed (CGR, 2005).

In Costa Rica's case, not only the lack of mechanisms to verify quality stands out, but also the inexistence of standards to assess the information provided, especially in the area of budget execution. In this respect, the OCDE states that “when the type of service or good provided by the government so merits, the public account or related documents should include non-financial performance information, including a comparison of performance targets and actual results achieved” (OCDE, 2001).

Citizen Participation in the Budget

- *Opening of spaces for participation:* In Costa Rica there are no legal dispositions or established procedures in public institutions that would allow for greater citizen intervention in budget processes. Existing events that, due to their nature, would facilitate exercises of this type (such as legislative sessions in which the budget is discussed) are carried out with little participation by the public.

Budget Allocation

In this area, it is important to reiterate certain elements mentioned in the 2003 edition of the Index of Budget Transparency:

- *Clear definition of public management commitments:* Quantitative and verifiable objectives should be established. The individual and collective responsibility of public officials should be established, starting from the formulation of each institution's plans.
- *Transparency in the institutions' budget composition:* Inertial budget allocation should be grappled with, and all expenditures related to privileges, collective agreements, pensions, overtime and other spending not directly derived from the institution's operation should be made explicit.
- *Linking the budget to long-term policies:* Although the National Development Plan has led to improvement in the area, public institutions should establish quantifiable links between budget planning and long-term policies and objectives.

Accountability

- *Implement and “verticalize” accountability:* The country must put mechanisms and procedures into practice, through which political representatives assume responsibility for their actions and decisions before the citizenry. A good part of the implementation of accountability is achieved with a change in attitude among the directors of institutions, accompanied by transformations in the population's political culture. Costa Rica society has made significant efforts to configure an institutional mechanism for horizontal control, but it still must develop vertical controls in order to balance the mechanism (citizens' surveillance over their political authorities).

El Salvador

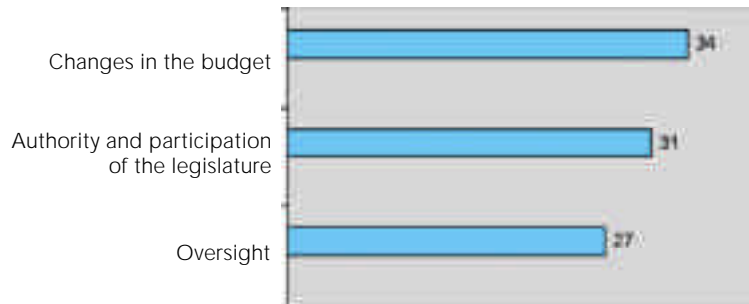
In comparison to that reported about El Salvador in the 2003 Index, advances in budget transparency are beginning to be seen in the actions of certain state dependencies and to be taken into account by civil society. However, there have been no substantive modifications to the permanent legal framework that governs the national budget in any of its stages. The legal conditions that in 2003 enabled the perception of only certain conditions of transparency remain, in general, the same. What can be noted in this edition of the Index is that there has been a change of attitude that shows more concrete actions toward transparency and control over the national budget.

In the 2005 edition of the Index, El Salvador shows changes in the perception of transparency in certain areas of budget management. Some perceptions identified the stagnation of certain variables, such as "Citizen Participation in the Budget." Others identified reversals, such as with respect to the information published by the state about the macroeconomic criteria upon which the budget is formulated and executed. In the same way, certain slight advances have also been identified, such as in the timeliness of information in the budget process.

The variables that received the highest scores are:

- Changes in the budget
- Authority and participation of the legislature
- Budget oversight

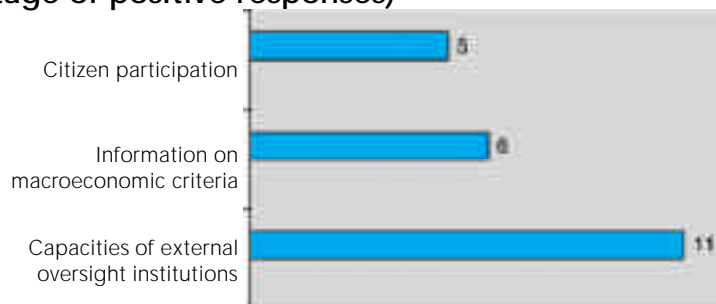
El Salvador: Best Evaluated Areas (percentage of positive responses)



The following are critical areas in El Salvador:

- Citizen participation in the budget
- Information on macroeconomic criteria
- Capacities of external oversight institutions

El Salvador: Critical Areas críticas (percentage of positive responses)



Recommendations

The recommendations below are intended to be simple guidelines that in some way reiterate the claims and proposals made by different sectors in order to ensure transparency and the prevention of corruption in the management of state resources.

- As suggested in 2003, one of the priorities for improvement in the budget process is to establish formal mechanisms that guarantee public participation in decision-making related to the allocation of resources, in the supervision of actual spending, and in the evaluation of the results foreseen in the budget. One initial recommendation to generate opportunities for participation—and related to the timeliness of information—is that the executive publish the timetable based on which actors involved in the process will work during the different budget stages, especially with respect to key activities such as: the formulation of budget policy, the duration of discussions and subsequent budget approval, the presentation of progress reports, etc.
- Similarly, emphasis must also be placed on the prior recommendation of replicating the participatory budget processes developed at the municipal level, especially those that have involved campaigns to promote popular interest in the municipal budget process and that emphasize the benefits of such activities to the development of society.
- The Accounts Court of the Republic should match the initiative of the Ministry of the Treasury and develop a public information e-system to disseminate the results of its technical / operational and administrative efforts.
- The importance of promoting oral public accountability and of allowing citizen participation in this effort must not be ignored. This should not be understood as an obligation for all public offices to render accounts in this manner, but rather as exercises that institutions carry out spontaneously to report on significant advances in the execution of their respective budgets. These exercises should be useful in the clarification of any irregularities stipulated in the audits of the Accounts Court.
- In addition to the point above, each institution, as well as the executive, should include progress indicators in its budget projects. Based on the priorities and objectives proposed in budget documents, these indicators would make it possible to measure and evaluate the advances achieved in budget execution.
- Citizens are encouraged to use the information on the budget process that is currently available on the Ministry of the Treasury web site: http://www.mh.gob.sv/mh_2003/presupuesto.htm.
- According to the two most recent editions of the Index, the supply of published information on the budget still does not satisfy the needs of civil society. One important step forward, however, is that the information currently available can be used to identify the gaps and limitations (and even the necessary format changes) in this documentation.
- Considering the fact that almost all central government offices have web pages, it is suggested that these be used to publish budget information, allowing for the possibility that said information also be verified in the physical files of each institution.
- The Executive is encouraged to inaugurate its procurement and public contracting web site, which has been announced as part of the national e-government strategy. In order to ensure that this initiative helps to promote transparency, it is recommended that the parameters stipulated in this Index be taken into account during this web site's construction.
- International cooperation agencies and/or international financial institutions are encouraged to divulgate information about the conditions upon which funds are provided to finance state activities (through either loans or grants.) These institutions should make public the priorities to be targeted with the resources provided, along with indicators to measure advances in execution, the commitments acquired by the state when receiving the funds, progress reports on fund execution, and reports on fund liquidation.

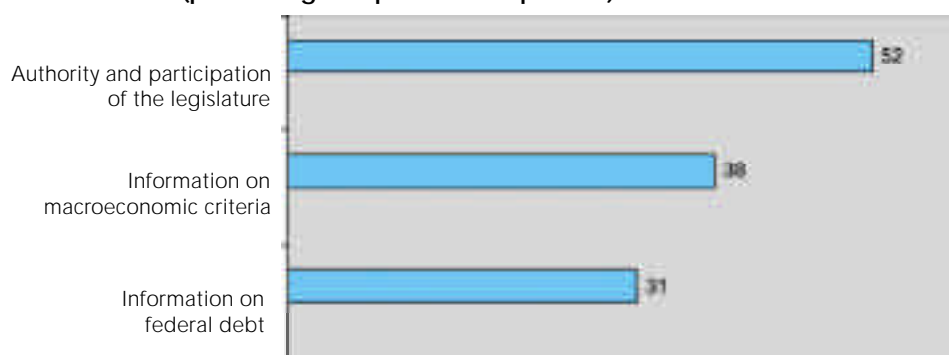
Guatemala

This is the first time that Guatemala has participated in the Index of Budget Transparency. Results for the country show that a significant number of recommendations must be implemented in order to improve the government's budget performance. The scores awarded by most of the experts indicate that deficiencies do not arise only from the specific context of the current situation, but that structural problems must be resolved jointly by the population and the different entities of the Guatemalan state.

The most highly evaluated areas in Guatemala are:

- Authority and participation of the legislature
- Information on macroeconomic criteria
- Information on debt

**Guatemala: Best Evaluated Areas
(percentage of positive responses)**



The variable most highly evaluated by Guatemalan experts was "Authority and participation by the legislature," which received 52% positive responses. Analyzing the specific components of this variable, however, shows that the highest scores correspond to legal attributes and to the time available to analyze the budget (72%). In comparison, the experts do not believe that the debate held by legislators is meaningful, scoring this attribute with only 13% positive responses.

The next most highly evaluated variable was "Information on macroeconomic criteria." Although there is no legal obligation to disseminate such criteria, the Ministry of Public Finance publishes its forecasts for the upcoming three years with respect to: economic growth, inflation and fiscal deficit. However, it does not divulgate macroeconomic assumptions such as: exchange rates, interest rates, or the prices for main inputs and goods essential to the national economy. Nor is an analysis of sensitivity carried out to determine how budget performance will be affected by abrupt changes in said variables.

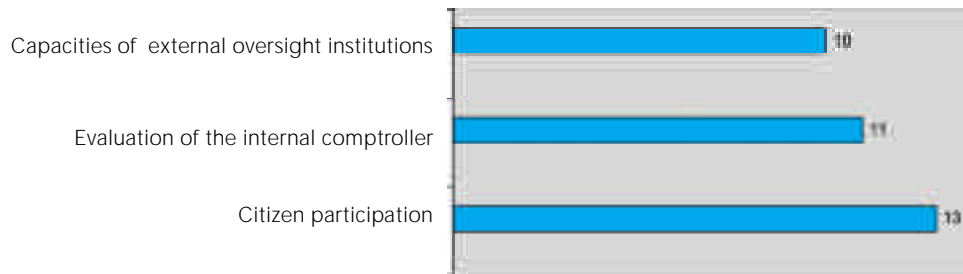
The third best evaluated Index variable was "Changes in the budget." Thirty-one percent of those surveyed claimed that the Congress of the Republic has sufficient participation in any substantial modifications during budget execution. This positive assessment results from the fact that the Congress participates in the approval of a ceiling for the total budget, which mainly includes external debt or debt to international cooperation agencies.

Formerly, the Congress participated actively in reducing the global budget amount and in approving inter-institutional transfers. With the passing of the current Organic Law of the Budget, however, its role was diminished. The argument was that the internal negotiations within the Congress complicated any budget changes.

The critical areas for Guatemala are:

- Capacities of external oversight institutions
- Evaluation of the internal comptroller
- Citizen participation

Guatemala: Critical Areas (percentage of positive responses)



The budget transparency variable that ranked lowest is “Capacities of external oversight institutions,” with a score of 10% positive responses. Of the attributes composing this variable, that with the worst score questions whether “the external comptroller is trustworthy.” Among the main reasons found to explain the poor result obtained is that neither the completion of objectives nor the benefits or beneficiaries of programs are verified; analysis tends to focus on the completion of financial procedures. Additionally, the position of Comptroller General of Accounts (the maximum authority of the Office of the Comptroller) has been vacant since 2004. Another significant problem affecting the office of the Comptroller General of Accounts is that the authority responsible for its supervision—the Congress of the Republic—has no procedures established to analyze and judge its actions.

The next variable, “Evaluation of the internal comptroller,” obtained a score of 11% positive responses. The reason for such severe criticism of the Internal Auditing Units (UDAs) is that they have neither the processes nor the resources necessary to carry out their assigned activities in an independent manner.

“Citizen Participation in the Budget” is the third lowest ranking variable. Thirteen percent of those surveyed believe that the citizenry does not have mechanisms with which to learn about and influence the budget process. Apart from the Development Councils (which are assigned 2% of the total budget), the population has no voice or vote to impact budget decisions. This is a general weakness of the way in which the population gains access to budget information: efforts by the executive and the legislature toward the dissemination and explanation of information have been lacking.

Recommendations

Authority and Participation of the Legislature

- In order to exploit the Congress’s technical resources more effectively, the Budget Analysis Unit (UAP) currently under the Public Finance and Currency Commission should be strengthened, professionalized and awarded greater autonomy. To do so, the unit’s legal framework must be established, and it must be provided with the physical, human and financial resources necessary to carry out its efforts to provide technical support to the Finance Commission and to other members of Congress. These efforts should cover the different stages of the budget process. It is also recommended that the profile of the UAP be raised, both inside and outside of Congress. This will allow the unit to provide better support to members of Congress, as well as to obtain information necessary to analyze the budgets of different state entities.

- In order to promote greater transparency, mechanisms should be designed, codified and implemented so that the population is able to learn about the criteria used by Congress to approve the budget. In addition, an obligatory procedure should be established to divulgate the agenda and conclusions of public audiences held by Congress and of the working meetings of its Public Finance and Currency Commission. This procedure should also apply to meetings of bloc leaders and of plenary sessions. At a minimum, such information should be available via the Internet (in easily accessible formats) and in the Library of Congress.

Information on Macroeconomic Criteria

- There should be an obligation to explain how the forecast of macroeconomic variables affects the General Budget of Revenues and Expenditures of the State. The main objective is to facilitate the creation of scenarios that make it possible to determine how the budget may be affected by sudden changes in the national or international environment.
- The Organic Law of the Budget should stipulate the obligation to include, within the budget proposal, the projections of macroeconomic variables used to formulate such proposal, including: economic growth, inflation, exchange rate, interest rates, fiscal deficit, quasi-fiscal deficit and other variables considered important and upon which the budget's completion depends.
- The Bank of Guatemala and the Ministry of Public Finance should divulgate the methodology used to obtain forecasts of the macroeconomic variables used in budget formulation.

Changes in the Budget

- Increased Congressional participation in the approval of changes to the budget during its execution may encumber government action. It is important to note that the main objective to be achieved through budget execution is not to ensure strict compliance with the approved budget but rather to ensure beneficial results for the population. For this reason, the recommendation under this variable is that the Ministry of Public Finance should be obligated to report on the results expected to be achieved from the transfers: the changes in benefits and objectives that are to be obtained. It is important that members of Congress and the general population have access to information about the original situation stipulated in the budget and the new desired situation, so that goals can be adequately evaluated and supervised.

Capacities of External Oversight Institutions

- The obligation to select the Comptroller General of Accounts should be fulfilled as soon as possible. The current impasse could lead to eventual stagnation of legal processes, since the person currently in charge of the Office of the Comptroller does not meet the Constitutional requirements to hold said position.
- The Organic Law of the Legislature should stipulate the procedures to follow and those who are responsible for evaluating the actions and reports of the Comptroller General of Accounts. This evaluation should include: financial analysis and the analysis of goals, benefits and beneficiaries. In order to ensure that these regulations are applied, appropriate incentives should be established, especially to guarantee that the resolutions are public and have maximum terms for delivery.
- The Office of the Comptroller General of Accounts should divulgate its annual operating plan and its proposal for the achievement of objectives. In order to ensure that the Comptroller has the minimum resources with which to implement control over public spending, it should be established as obligatory that the comptroller's allocation shall not be less than the budget required to evaluate the most significant governmental projects. This evaluation should include financial analysis as well as the assessment of processes and of the completion of stated objectives. Its cost can be determined using international standards for this type of activity.
- Reforms should be carried out in the area of civil service in order to ensure the recruitment of better public servants under the Comptroller General of Accounts and in the Internal Auditing Units.

- The optimum relation between technical personnel and administrative staff of the Comptroller General of Accounts should be assessed. This will make it possible to optimize the use of financial resources and to improve the institution's efficiency.
- The legal obligation to divulgate the results of audits and of counter-reviews generated by the Comptroller General of Accounts should be established. At a minimum, said information should be available via Internet (in an easily accessible format) and at the Library of Congress.
- The Comptroller General of Accounts should be legally obligated to verify that programs of great significance have satisfactorily resolved any finding identified on prior occasions.

Evaluation of the Internal Comptroller

- Reports from audits carried out by the Internal Auditing Units should be made public. At a minimum, said information should be available via Internet (in an easily accessible format) and at the Library of Congress.
- The Internal Auditing Units should be legally obligated to analyze the largest programs of the institutions of which they are dependent. This means that the authority of each state institution must allocate sufficient resources for said analyses. The necessary amounts can be determined using international standards for this type of activity.
- In the event of differences in the findings of audits carried out by the Internal Auditing Units and Comptroller General of Accounts, mechanisms should be established so that the Integrity Commission of Congress can evaluate the performance of both entities and, in the case of any anomalies, promote the initiation of legal procedures before the Public Ministry.

Citizen Participation in the Budget

- The Presidency and the Congress of the Republic should promote the holding of public audiences to discuss the most important governmental programs. Although such audiences are not binding and do not seek validation among the population, they must strive to provide detailed information to the public about the characteristics of state projects
- Processes should be established that make it possible to forge alliances between the public sector and the citizenry for the implementation of social auditing, especially with respect to analysis of the impact and quality of public spending.

Mexico

The most important recommendation resulting from this study involves not only the conditions that affect the lowest ranking variables but all aspects of the budget process and the overall conditions of budget transparency in the country. In Mexico, integral reform of the legal framework of the budget process is necessary. Indeed, it is highly likely that significant reforms to the legal framework will be approved within the next two years, seeing that a broad variety of initiatives have been discussed and decided upon and there is a decision pending about the integral reform of the Budget and Public Accounts Commission. Since these reforms will continue to be discussed in the short term, the recommendations are: to incorporate into them the mechanisms necessary to ensure citizen participation; to promote more clearly the accountability of public officials; to strengthen the auditing institution's capacity to sanction; to create the foundation for a medium-term budget framework; and to encourage the integral evaluation of public spending, including not only oversight but actions to evaluate the performance of public functions and to assess the impact of public policies at the federal level and among local governments, which increasingly contribute a larger portion of resources.

The areas most positively evaluated in Mexico are:

- Information on macroeconomic criteria
- Authority and participation of the legislature
- Quality of information and statistics in general

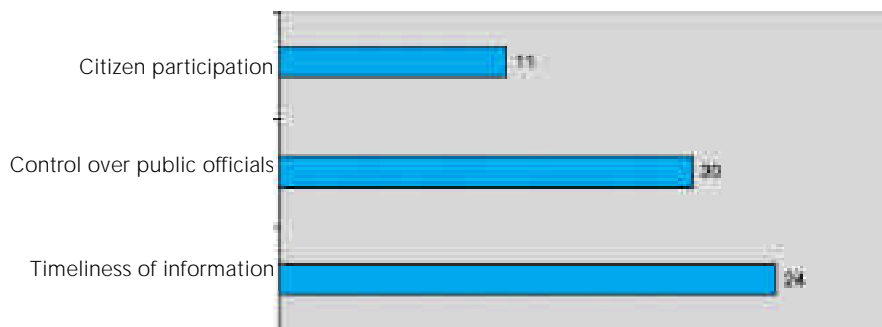
Mexico: Best Evaluated Areas (percentage of positive responses)



The critical areas for this country are:

- Citizen participation
- Control over public officials
- Timeliness of budget information

Mexico: Critical Areas (percentage of positive responses)



Recommendations

Ensure Broad Citizen Participation in the Budget Process

The citizenry, civil society organizations and academic institutions must be incorporated not only into the planning, design and programming of public policies but also into legislative discussion and the evaluation of the impact of public spending. This broad notion of participation requires different mechanisms on three fronts:

- First, mechanisms for participation and discussion must be established that involve society directly with the entities responsible for sectoral planning and the design of public policy. Certain entities, such as the Secretariat of Health and the Secretariat of Social Development, have already established mechanisms for participation. However, these must be extended and formally included as an integral part of the budget process.

- Second, the Congress must be opened. Mechanisms must be planned to link the efforts of civil society organizations and academic and educational institutions into the discussion and approval of the budget. This is particularly important the law is reformed to ensure the legislators' more effective and specialized participation in the budget. These mechanisms must be of two types: the first to stipulate in law the *obligation* disseminating and providing timely information about the place and agenda of sessions in which the budget is to be discussed, and particularly sessions in which offices of the executive render accounts and provide information to legislators. The second type of mechanism must establish and institutionalize specific instances for participation, in which legislators grant an audience to organizations and citizens interested in promoting aspects of public interest related to the budget.
- Third, civil society and academic institutions must be involved in budget evaluation. Although it is true that society's participation in oversight is necessarily limited, society still has an important two-part role to play in the control over spending in its areas of interest: direct oversight and the bringing to light of any use of public resources at the margin of their purported use. In this sense, the efforts being carried out under the protection of the law of access to public information stand out, along with the exemplary performance of the organizations in cases such as those involving the resources assigned to PROVIDA and resources allocated for bank rescue.⁴⁶ In addition, it is important to promote the participation of these organizations in the evaluation of the impact of spending on society and in the design of new and better mechanisms to measure the effectiveness and efficiency of spending.

Accountability of Public Officials and Strengthening of the Capacity of the Auditing Institution to Sanction

One of the most severe limitations of Mexico's budget system has always been the incapacity of institutions to apply the law when irregularities occur. Only a few weeks ago the Superior Auditor of the Federation noted this office's lack of capacity to sanction the infractions committed by public officials.⁴⁷ Irregularities are identified and documented, but then the entities responsible for issuing sanctions neither apply fines nor inhibit the officials responsible for the irregularities. In order to promote effective accountability, the legal framework must be reformed, taking the power to sanction away from the Ministry of the Treasury (which applies fines) and from the Public Office (which inhibits officials), and providing this power to the Office of the Superior Auditor under the Treasury. Otherwise, Mexico will continue to have a legal framework in which the executive branch is the ultimate and only entity in charge of sanctioning the executive branch in cases of corruption and administrative irregularity. If there is hesitation about transferring such power to the Office of the Superior Auditor, then the creation of a special prosecutor's office under the judicial branch should be considered, to take charge of cases of corruption or to establish new and more severe sanctions for officials who ignore their responsibility to sanction the misdeeds committed. In any case, it is indispensable that

⁴⁶ Based on the provisions of the Law of Access to Information, different organizations have initiated, on their own account, a detailed review of questionable or specious examples of spending. For example, FUNDAR participated with five other organizations in the review of the deviation and misappropriation of funds for health (30 million pesos) allocated to PROVIDA in 2003. For a summary of this case, see FUNDAR's institutional report for 2004 at: http://www.fundar.org.mx/quienessomos/informes_anuales/PDF/INFORME%20INSTITUCIONAL%202004.pdf (site last visited on October 13, 2004.) The topic of citizen participation in the oversight and analysis of bank rescue actions was discussed extensively during the Second Week of Transparency convoked by the Instituto de Acceso a la información. See a transcribed version of the discussion at: http://www.ifai.org.mx/eventos/2005/transparencia/Mesa1_270605.pdf (site last visited on October 13, 2004.)

⁴⁷ See coverage of the Superior Auditor's appearance before commissions ("Hacienda y SFP toleran la impunidad de 'funcionarios corruptos': ASF") in *La Jornada*, September 29, 2005, at: <http://www.jornada.unam.mx/2005/09/29/003n1pol.php> (site last visited on October 13, 2004.)

these reforms establish and clearly delimit the functions in law, and clearly establish sanction mechanisms, so as to prevent delays and undue intervention by the judicial branch. In other words, a clear and duly founded reform to the legal framework is needed, establishing a sanctioning body (preferably not under the executive) with effective capacities to sanction and judicial entities for appeal.

Similarly, solutions to upcoming problems must be proposed, and mechanisms promoted to ensure the sanctioning of functionaries in federative entities by —or in coordination with— the Office of the Superior Auditor. This has not yet been a problem because oversight actions over the states have only recently begun, based on individual agreements. However, it would be convenient to establish clearly in law the sanction mechanisms and the roles of the Superior Auditor and of local sanctioning bodies, as per each case.

Create a Medium-term Budget Framework

- One of the most poorly evaluated variables involves the timeliness of information. This is curious because, in fact, in Mexico information is presented within timeframes that are similar or comparable to those of other countries that were evaluated more positively, and international standards of good practices are fulfilled. However, this apparent contradiction may be due to the fact that, in general, the information is considered insufficient, as is the time available to wield influence on the budget in an informed and effective manner. In other words, there is a generalized feeling of lack of capacity with respect to the budget. Added to this is the fact that the entire budget process is carried out with respect to the short term; long-term information is not addressed, nor are long-term policies (and especially changes in public policy) discussed. For this reason, the provisions and obligations associated with a medium-term budget framework must clearly be established in law. According to these provisions:
- The executive would be obligated to present revenue and expenditure predictions for at least three years after the fiscal year of the budget being discussed, and to distinguish clearly in the budget document the cost and expected impact of any public policy reform, especially any significant new programs, with information that also provides forecasts covering at least three years.
- The legislature would be obligated to carry out medium-term forecasts for the reforms it makes to the budget each year, and to incorporate a medium-term budget impact analysis into any revenue and expenditure modifications.

The benefits of the medium-term budget framework are especially significant with respect to transparency. Programming and planning for the medium term clearly illuminates the priorities and social costs involved in the financing of different public policy alternatives. It enables legislators and other offices to gain a better understanding about the immediate and future impacts of spending changes and reforms. It can even foment negotiation by involving all parties that discuss the budget in the analysis of spending and the effects of different budget allocation alternatives. The medium-term budget framework is indispensable to the creation of a budget and exhaustive budget information. Without it, it is impossible to gain a clear perspective of the effects of spending and of the reforms made to the budget.

Lastly, it is essential to note that, in this sense, the reforms included in the initiative that is soon to be decided are insufficient. They include the obligation of the executive to provide multi-year forecasts, but they do not link these forecasts to a similar obligation for legislators, not do they include the mechanisms necessary to ensure that all reforms are accompanied by this type of information. Without such mechanisms, the medium-term budget framework is limited to the incorporation of more forecasts by the executive that may or may not be followed and, consequently, are superfluous. They become forecasts that are removed from reality and are thus useful neither to inform nor to guide public spending and national priorities.

Promote the Integral Evaluation of Spending

Control over public spending involves two aspects: oversight, which seeks to guarantee that expenditures are made efficiently and in accordance with the law; and evaluation, which necessarily goes beyond oversight and assesses: the impact of spending on society, the performance of different programs, and their effectiveness in resolving problems or satisfying needs according to that planned. In Mexico, much remains to be done with respect to two areas of spending evaluation: from the perspective of internal government control, and from the perspective of involving legislators and society more actively in the evaluation of spending. These efforts are vital in order to ensure that resources are executed not only legally and efficiently but also effectively — that scarce available resources effectively cover the country's social and economic needs.

- **Internal control.** The design of government indicators and goals is discouraging in the best of cases and malicious in the worst. The Performance Evaluation System must be reformed with two objectives: performance indicators and goals must adequately reflect whether the government acts to the maximum of its capacity; and indicators must be incorporated to evaluate the impact of spending on the social and economic realities that are targeted by public policy actions. The current system not only totally omits the consideration of the impact of spending, but it also fails to evaluate the effectiveness of the entities that assign resources. If this were not enough, there is also a significant disconnect between the object of planning (the programs) and the evaluation (the responsible units), making it impossible to determine to any certain degree when there is inefficiency within the entities or when programs and actions are poorly designed. In this situation, performance evaluation, in practice, is a mockery — mere simulation.
- **External control.** Along with the reforms to create an effective performance evaluation system with indicators that actually measure the efficiency and effectiveness of spending, the legislators and society in general must be involved in this evaluation. For this, the medium-term budget framework is first necessary, allowing for specific follow-up to public policies over prolonged periods. However, the following are also required:
 - a) Legislators must be involved in the evaluation of public policy so that they can fully exercise their role as a counterbalance to the executive and, according to their mandate, guide the actions of public policy. Mechanisms that allow the legislative commissions to carry out in-depth analyses of performance evaluation information and to state opinions regarding changes in programs and resource allocation must be established in law. Under the current system, all responsibility rests with the Budget Commission, which can address the requests of other commissions discretionally and which lacks the technical and human resources necessary to analyze all of the information on public spending.

b) Society must become involved in the evaluation of spending, participating directly with government entities and with legislators. In order to ensure that this participation is effective, the legal mechanisms discussed in section a) above must be established.

Nicaragua

As in the 2003 Index, most of Nicaragua's scores are very low. Only the variables of " Authority and Participation of the Legislature" (62%) and " Changes in the Budget" (51%) scored above 50% in positive responses. The rest of the variables scored between 10% and 20%, except for " Responsibilities among Government Levels" (24%) and " Evaluation of the Internal Comptroller" (5%). In sum, most scores are negative and put Nicaragua in a very negative position.

The areas most highly evaluated are:

- Authority and participation of the legislature
- Changes in the budget
- Responsibilities among government levels

Nicaragua: Best Evaluated Areas (percentage of positive responses)



Nicaragua's best scores were obtained by the legislature and its actions with respect to the budget, both during the phase of discussion and approval of the General Budget of the Republic (62%) and in its capacity for action when the budget must be reformed (50%).

Most of the experts consider that the legislative branch has sufficient authority to modify the proposed budget (91%), and that the time period allowed for analysis and discussion is sufficient (64%). However, a notably smaller percentage of experts feel that debate within the National Assembly is meaningful (33%). This assessment is consistent with that found in the formal and practical investigation. It is recognized that there is more public information and debate about the General Budget of the Republic during the period of discussion and analysis, especially in the media and through participation by different civil society actors in the legislature's Economic Commission.

The critical areas in Nicaragua are:

- Evaluation of the internal comptroller
- Citizen participation
- Timeliness of budget information

Nicaragua: Critical Areas críticas (percentage of positive responses)



The variable with the lowest score involves the internal comptroller, receiving only 5% positive responses. As in 2003, this area received a low score from users of the budget. The comptroller's role is unknown. Norms and procedures have been established for the comptroller's performance, but its practice does not follow such norms.

The second critical area is that of citizen participation, which obtained a score of only 10%. This variable includes an assessment of the mechanisms for: popular participation during the phases of budget formulation and approval; the incorporation of opinions; the divulgation of changes; and the exhaustive divulgation of the impacts of spending. The latter attribute received the lowest score of 3%, followed by that regarding the mechanisms for the incorporation of opinions during budget formulation (5%).

The third worst-scoring variable is "Timeliness of Budget information," which obtained only 12% positive responses. This variable assesses the information available at different stages of the budget cycle. There are significant differences in the perceptions of different phases. The experts feel that public information during the oversight phase is not timely, whereas they believe that information available during the budget discussion and approval stage is much timelier, as reflected in the latter attribute's score of 41%.

Recommendations

In General

- The central government and the National Assembly should extensively disseminate the recently-approved Law 550 (Law of Financial Administration and the Budget Regime.)
- The government should systematically provide more extensive information about the different advances in mechanisms for participation, information, accountability and oversight by the Office of the Attorney General of the Republic (PGR).
- Budget information should be presented in a way that is understandable to broad sectors of the population and not only by experts on the subject.

On Internal Control

- Clearer information about how and by whom this function is exercised is indispensable, as well as information about results. An analysis of the role played by this entity is also urgent. The executive, and particularly the Ministry of the Treasury and Public Credit, is responsible for providing this information and promoting these discussions.

- CONPES could wield influence on this subject by promoting an in-depth analysis of the function of internal control. A discussion of the role of the Comptroller General of the Republic must also complement this analysis.
- Other government branches and autonomous entities should also divulgate the mechanisms and results of internal control.

On Citizen Participation

- Published in December 2003, the Law of Citizen Participation (Law 475) opens diverse possibilities for organizations and citizens to exercise their right to participate in the definition of public policies, including the General Budget of the Republic. This law should be publicized and put into full practice.
- Greater knowledge about the different levels of the system for citizen participation in the budget cycle and about the spaces and opportunities for participation should be promoted among decision makers
- On a regular basis, the government should provide information about the different mechanisms available to the citizenry to express opinions and learn about the General Budget of the Republic.
- CONPES should play a more active role in facilitating discussions and promoting the population's opinions with respect to the budget.
- The National Assembly should facilitate and promote spaces for the gathering of opinions and presentation of information about budget execution and oversight.

Timely and Reliable Information

- All public entities should define the mechanisms to be used to comply with that regarding the publication of budgets stipulated in Article 23 of the Law of Financial Administration and the Budget Regime (Law 550.)
- The central government and the National Assembly should define and implement clear informational policies so as to provide the population with reliable, understandable, timely and accessible information about budget execution and oversight.

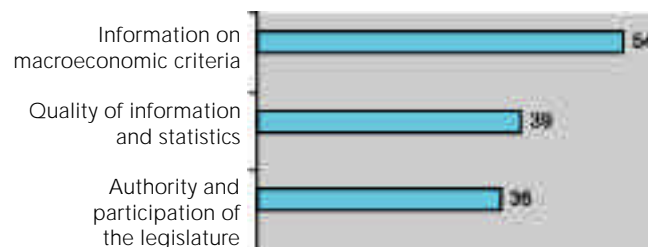
Peru

Results of the 2005 budget transparency study make it possible to carry out a critical analysis of the level of budget transparency in Peru, along with a comparative analysis of the results obtained for the different variables in 2003 and 2005.

The following variables obtained the highest scores in the perceptions survey in 2005:

- Information on macroeconomic criteria
- Authority and participation of the legislature in the budget
- Quality of information and statistics

Peru: Best Evaluated Areas (percentage of positive responses)



As in 2003, the variable “Information on Macroeconomic Criteria” once again obtained the highest percentage of positive responses. This is no surprise, since the executive has complied with the publication of different documents that present macroeconomic estimates and forecasts in a detailed manner (for example: the documents “Explanation of Motives” and “Multi-annual Macroeconomic Framework” .)

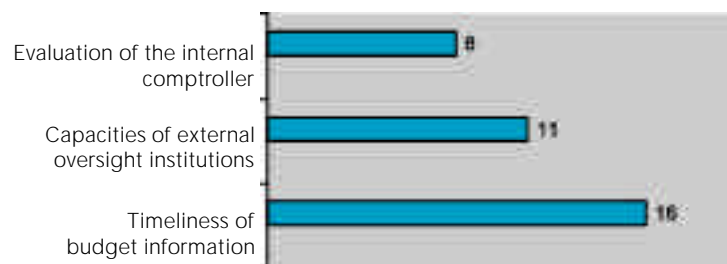
Also like 2003 but with an improvement in score, the second best variable from the 2005 perceptions survey is that of “Authority and Participation of the Legislature in the Budget.” The linkage guide complements these results, demonstrating the existence of a legal framework that defines the legislature’s authority with respect to budget formulation and approval and ensures that it is aware of the logic, criteria and allocation formulas used in the budget proposed by the executive. In addition, a legislative commission is specifically in charge of reviewing the budget and holds public audiences to debate and analyze the budget.

The third best evaluated variable corresponds to “Quality of Information and Statistics.” This variable experienced an increase in the percentage of positive responses with respect to 2003 (when the score was 25%), advancing it to the group of best evaluated areas in 2005. The perceptions survey and the linkage guide confirm the presence of aggregate information on the budget to provide an integral vision, disaggregated data for more detailed analyses, and multi-annual information.

The three lowest-scoring variables this year are:

- Evaluation of the internal comptroller
- Capacities of external oversight institutions
- Timeliness of budget information

Peru: Critical Areas (percentage of positive responses)



Once again, the aspects related to internal and external oversight institutions are within the group of low-scoring variables, having received the lowest percentages of positive responses. The low percentages obtained in both cases are cause for concern; the variable “Capacities of External Oversight Institutions” even received a lower score than in 2003, making the scenario even more critical. These results are due to the perceived weaknesses in verifying that the executive effectively complies with the physical goals of budget programs. At the same time, it is unclear how the recommendations of oversight institutions have helped to reduce corruption.

The third lowest variable corresponds to “Timeliness of Budget Information.” Here, the main explanation is the minimal percentage of positive responses (2%) obtained by the attribute assessing the timeliness with which information is made available during the oversight phase. This result is closely related to the performance of the oversight institutions.

Finally, it is important to note that this year, in general, the percentages of positive responses obtained in the different variables increased with respect to those obtained in 2003, including the General Index of Budget Transparency. Nevertheless, these percentages remain within very low ranges, resulting in the following recommendations to continue improving budget transparency.

Recomendaciones

Capacities of External Oversight Institutions and Evaluation of the Internal Comptroller

- Disseminate more extensively the reports that verify whether the executive complies with the physical goals of budget programs.
- Present results in a way that is understandable and easily accessible to the population.
- Clearly establish how the stipulated recommendations are implemented and how they help to fight corruption.

Timeliness of Budget Information

- Improve the dissemination and timeliness with which budget information is made public during the oversight stage.

Budget Allocation

- Increase the dissemination of National Strategic Plans or of the National Agreement by the executive, and explain the link with annual budgets.

Citizen Participation in the Budget

This variable obtained only 7% positive responses in 2003, ranking it among the worst two variables evaluated. Still, it would be worthwhile to consider a series of actions in order to ensure continued improvement.

- Increase the mechanisms available to the population to incorporate opinions during the budget approval stage.
- Establish a formal space for active public participation in audiences held by the legislature to discuss the budget.
- Increase the monitoring of activities related to transparency at each stage of the budget process. In other words: verify compliance with the law with respect to this topic; encourage the use of portals; improve their quality; publicize the mechanisms available to civil society for the incorporations of opinions, etc.
- The executive must prepare and disseminate, in a more exhaustive manner, reports that detail the impact of spending.
- Prepare a "citizen's budget", a user-friendly document that ensures greater understanding of the budget..

Annex I

Methodology

The original methodology to construct the Index of Budget Transparency was designed in 2000 and applied in 2001 in five Latin American countries: Argentina, Brazil, Chile, Mexico and Peru. With the preparation of subsequent editions of the Index, however, the methodology has evolved, experiencing certain additions and/or variations. In 2005, the same methodological instruments, with certain modifications, were applied in eight Latin American countries: Argentina, Colombia, Costa Rica, El Salvador, Mexico, Guatemala, Nicaragua and Peru.

This methodology consists of three parts:

1. Perceptions Survey

This survey measures perceptions of budget transparency. It measures the perceptions of experts on: the context in which decisions are made about public spending, the participation of different actors involved, and the influence wielded on the allocation of public resources.

Population

Considering the lack of knowledge on the topics of budget transparency and budget practices, four groups of "experts on budget issues and users of budget information" were defined as target populations. The selection criteria for these populations ensure that it is possible to replicate samples under homogeneous conditions in all countries. For this reason, the selection criteria used in the latest two studies have remained exactly the same.

Four groups of experts were defined. These sub-populations are small in all countries, and there are no definitive lists to identify them. For this reason, the first step of the project this year was to update the lists of experts identified during the 2003 edition of the Index⁴⁸ using common selection criteria. The groups and their respective criteria were:

- *Legislators*: parliamentary representatives who participate in budget commissions were selected (representatives and/or senators.)
- *Communications media*: journalists who write about the budget in national newspapers and magazines were chosen.
- *Academics or researchers*: experts who study the topic and/or have published work about the budget were selected based on censuses of research centers and/or institutes of higher education.
- *Civil society organizations (CSOs)*: CSOs working in the areas of budget, accountability, transparency, corruption and the monitoring of public resources were selected. Directories were created based on declarations in the press about budget issues or based on existing CSO directories in the countries.

These lists were prepared and updated by the organizations in each country. Procedures were established (criteria for preparation and sources of information) to ensure uniformity between participating countries. Continuity of the study was promoted by using the same procedures as in 2003. In addition, list preparation was reviewed centrally in order to ensure uniformity in the process.

Based on the lists, the population sizes in each country were determined. This information is illustrated in the table below. As shown, the populations range in size from 50 to 199 experts. A total of 842 experts were identified in the eight countries.

Table 1: Populations of Experts per Country

	Argentina	Colombia	Costa Rica	El Salvador	Guatemala	Mexico	Nicaragua	Peru
Legislators	61	44	18	13	21	30	10	19
CSOs	16	21	14	18	38	28	30	15
Journalists / columnists	70	32	12	10	11	55	11	29
Researchers / academics	52	40	10	9	17	31	42	12
Total population of experts	199	137	57	50	87	144	93	75

Survey Methodology

The survey was applied to experts based on a sampling design. Given the small size of the population, the idea was to carry out a census rather than a survey. Census coverage varied per country.

Table 2: Responses and Coverage per Country

	Argentina	Colombia	Costa Rica	El Salvador	Guatemala	Mexico	Nicaragua	Peru
Total responses	103	74	36	25	74	84	59	46
Legislators	30	40	14	2	16	25	1	14
CSOs	12	7	7	13	33	19	19	11
Journalists / columnists	29	9	5	4	11	22	6	10
Researchers / academics	32	18	10	6	14	18	33	11
Total coverage or rate of response	52%	54%	63%	50%	85%	58%	63%	61%

In order to obtain responses to the perceptions survey, various data collection methods were used simultaneously (multi-modal survey): self-administered interview via fax or mail; telephone interview; and face-to-face interview. Most of the responses were obtained through self-administered methods.

Originally, the entire population was invited to participate in the survey through electronic mail. Subsequently, telephone calls were made to ensure response via the method preferred by each interviewee. The survey taking was carried out by organizations in each country between April 12 and September 20, 2005.

Measurement of Data Dispersion

Normally, the quality of census data is measured with an indicator: coverage of the population. In the case of the budget transparency survey, however, the measurement of coverage does not enable comparison of the quality of data between the eight participating countries. Therefore, measurement of dispersion in the general scoring of each country was included as an indicator of data quality, as detailed in Table 3.

Table 3: General Scoring and Measurement of Dispersion per Country

	Argentina	Colombia	Costa Rica	El Salvador	Guatemala	Mexico	Nicaragua	Peru
Overall transparency score (from 1 to 100)	46.8	58.1	60.1	31.1	43.5	53.8	38.5	51.9
Variance of scores (S ²)	378.9	188.7	390.8	430.2	466.6	278.3	556.4	254.2
Standard deviation	19.5	13.7	19.8	20.7	21.6	16.7	23.6	15.9
Minimum confidence interval	43.0	54.8	52.4	22.2	38.5	50.1	32.0	47.1
Maximum confidence interval	50.6	61.4	67.7	40.1	48.5	57.4	45.1	56.7

Weighting

The 2001 Index of Budget Transparency included larger populations of legislators in all countries because three parliamentary commissions were included (instead of one, as in 2003 and 2005.) Analysis of the results showed that legislators' answers tend to be more positive than responses by the rest of the population of experts, particularly with respect to certain budget stages. In addition, the size of the populations of legislators varied significantly by country, and the proportion of responses by this population in each country ranged from 1% to 90%. In order to prevent varying proportions of "legislative bias" in the different countries, responses were weighted in such a way that legislators' answers represented 10% of each country's total responses.

Handling of the Response of "Do Not Know"

Given that response to the questionnaire requires significant knowledge and the response of "Do Not Know" in itself is informative (indicating an expert's lack of knowledge about a certain topic), this response was handled in two special manners: one applied to the instructions for the interviewee, in which emphasis was constantly placed on the answer of "Do Not Know." Indeed, in the questionnaire format, the category of "Do Not Know" always appeared as the first response option. The other manner in which this response was handled involved the reports of results. In this case, "Do Not Know" was included as a valid response category, unlike the category of "No Response."

Construction of Variables

The variables are groups of questions that investigate particular aspects of budget transparency. Fourteen variables were constructed, based on 49 specific questions. The variables and their corresponding number of questions are listed in the following table:

Variables	Atributos
Citizen participation in the budget	5
Authority and participation of the legislature in the budget	3
Information on macroeconomic criteria in the budget	2
Changes in the budget	1
Budget allocation	4
Budget oversight	5
Evaluation of the internal comptroller	1
Capacities of external oversight institutions	3
Accountability	7
Control over public officials	5
Responsibilities among government levels	1
Information on federal debt	4
Quality of information and statistics in general	4
Timeliness of budget information	4
Total	49

Reported Results: Scores (1 to 100)

Results are reported according to two units or scales. On one hand, the index and scores per stage or process are the averages obtained in the survey of experts using a scale of 1 to 100.

Reported Results: Percentage of Positive Responses

On the other hand, the percentage of positive responses or agreement is reported per variable and specific question. This percentage is the sum of the responses of "fully agree" and "agree" (values 4 and 5), divided by the total number of valid responses, as per the following scale:

1 Fully Disagree	2	3 Neither agree nor disagree	4	5 Fully Agree

The positive responses or results for a variables is the sum of all positive responses to the questions corresponding to such variable, divided by the total number of responses obtained for the questions corresponding to the variable. For example:

The variable "Budget Oversight" = sum of five questions (i=5).

2. Practical Questionnaire

In order to put perception survey results into context and to emit fundamental recommendations on the budgetary practices of each country, a questionnaire was included as part of the study methodology. The questionnaire made it possible to determine the level to which budget information is available in practice. One main characteristic of the questionnaire was its focus on *public* information, since access to complete, quality information is considered to be an essential aspect in evaluating the degree of transparency in budget processes.

The questionnaire was completed by one or more experts from the organization in charge of implementing the study in each participating country. It had three specific objectives:

1. Examine the availability and distribution of the main budget documents in the country.
2. Analyze the type of information available in the budget proposed by the executive, and identify additional information that may be of use in monitoring and analyzing the information contained in the budget.
3. Study and measure the degree of openness in each of the four phases of the budget process.

3. Linkage Guide

The perceptions survey and practical questionnaire were linked through a guide, which followed the order of the survey variables. The objective of the guide was to explain results within the context of budget practices, specifically with respect to the access to and quality of budget information. In this manner, the linkage guide related questions in the perceptions survey to questions included in the practical questionnaire. A digital version of the guide is available at www.fundar.org.mx/indicetransparencia2005 and on the CD that accompanies this study (available upon request from the organizations in charge of the study in each country.)

For this edition, the formal study included in the methodology applied in 2003 was updated. The objective was to provide current information about the legal frameworks that govern budget processes in the different countries.

Annex 2: questionnaire of the Survey on Budget Transparency 2005⁴⁹

Budget Transparency Index
Mexican Interviews

INTRODUCTION

Welcome to the questionnaire on budget transparency. Your answer is very important to us and we guarantee absolute confidentiality, since our information will only be presented in an aggregate manner of statistical analysis and therefore we never reveal individual responses.

The present survey is part of a project of civil and academic institutions in 10 Latin American countries: Argentina, Brazil, Colombia, Costa Rica, Chile, Ecuador, El Salvador, México, Nicaragua and Peru; Poder Ciudadano from Argentina, Instituto Brasileiro de Análises Sociais e Economicas (IBASE) from Brazil, Corporación del Fondo de Apoyo de Empresas Asociativas (CORFAS) from Colombia, Universidad de Costa Rica, Estado de la Nación and Fundación Arias from Costa Rica, Departamento de Economía de la Universidad de Chile, Centro de Derechos Económicos y Sociales from Ecuador, Probidad from El Salvador, Centro de Investigación y Docencia Económica (CIDE) and Fundar Centro de Análisis e Investigación from México, Centro de Información y Servicios de Asesoría en Salud (CISAS), Coordinadora Civil and Grupo Fundemos from Nicaragua, and Universidad del Pacífico from Perú.

We hope that this survey will help all public budget processes in our countries be more transparent. For this reason, we need the contribution from experts on the subject such as you. We would appreciate if you would carefully answer each and everyone of the following questions and in case of having doubts or suggestions attach them at the end of the questionnaire.

Some remarks about the questionnaire

- In every question we seek to know your own perception of reality without taking into account other peoples opinions or what reality should be.
- We are not interested in measuring knowledge (if there is any question for which you do not know the answer please choose the code "Don't Know")
- When you are responding the questionnaire please remember that we refer only to the Mexican Federal Budget, which means the Executive's Power spending and it's decentralized and deconcentrated organisms.
- Due to the fact that this effort will continue to exist in the future, please give your perceptions on present time events.

DEMOGRAPHICS

1. Which is your current country of residence? (one answer only)	Argentina	01	105
	Colombia	02	
	Costa Rica	03	
	Guatemala	04	
	El Salvador	05	
	Mexico	06	
	Nicaragua	07	
	Peru	08	
	Others	09	

⁴⁹ This questionnaire was used in Mexico in 2005. Some questions were adapted to make them compatible to the context of each country.

2. What is your current professional activity or employment? (various answers)	University or Higher Education Center	01	106
	Newspaper or Magazine	02	101
	Chamber of Deputies	03	102
	Civil Society Organization	05	
	Other (specify)	06	
3. What is your main occupation? (only one answer)	Popular Representative	01	106
	Employee	02	
	House wife	03	
	Freelance	04	
	Currently unemployed	05	
	Student	06	
	Retired or Pensioned	07	
	Other (specify)	08	
4. Year when you were born	19		9 107
5. Gender	Female	1	108
	Male	2	
6. Level of Education	No studies/ none	01	110
	Uncompleted Elementary	02	
	Complete Elementary	03	
	Uncompleted Secondary	04	
	Complete Secondary	05	
	Uncompleted High school	06	
	Complete High school	07	
	Uncompleted Bachelor's Degree	08	
	Complete Bachelor's Degree	09	
	Masters Degree	10	
	Doctorate	11	
LEVEL OF KNOWLEDGE			
7. Please mark the countries of which you have some knowledge about their budget practices. (various answers)	Argentina	01	112
	Brazil	02	113
	Colombia	03	114
	Costa Rica	04	115
	Chile	05	116
	Ecuador	06	
	El Salvador	07	
	Mexico	08	
	Nicaragua	09	
	Peru	10	
	Other	11	

8. Please indicate the level of knowledge you have about the budget process in your own country (during formulation, approval, execution and supervision and control) in a scale of 1 to 5, where 1 means nothing and 5 means a lot. (only one answer)	<table border="1" style="display: inline-table; margin: 0 auto;"> <tr> <td style="width: 20px; text-align: center;">1</td> <td style="width: 20px; text-align: center;">2</td> <td style="width: 20px; text-align: center;">3</td> <td style="width: 20px; text-align: center;">4</td> <td style="width: 20px; text-align: center;">5</td> </tr> </table>	1	2	3	4	5	_ _ 119
	1	2	3	4	5		
Nada Mucho							

GENERAL

9. We will use the word transparency when we refer to the existence of a normative framework and of clear practices in the budget process, to the public access to information and to the formal mechanisms of participation along this process.

In a scale of 1 to 100 in which 1 means non transparent, 100 is completely transparent and 50 is the midpoint which where budgetary practices are neither opaque nor transparent. ¿How do you score the budget transparency conditions in your country?

1	50	100
Not at all transparent	Neither opaque nor transparent	Very Transparent

10. Please indicate how much you agree with each of the following sentences in a scale of 1 to 5 in which 1 means totally disagree and 5 is totally agree. Please remember that we only refer to the Mexican Federal Budget (one answer only).

	Don't Know	Totally Disagree	2	Neither agree nor Disagree	4	Totally Agree	
1. Any future obligation or liabilities of the Federal Government is made public	0	1	2	3	4	5	_ 121
2. All future obligation of the government as labor liabilities, financed investment, or economic sector rescues are accountable as public debt	0	1	2	3	4	5	_ 122
3. In general, national statistics generating institutions produce true data	0	1	2	3	4	5	_ 123
4. It is possible to detect inexplicable enrichment by way of declaration of goods that functionaries have made	0	1	2	3	4	5	_ 124
5. Public official's wages are public and can be known with exactitude	0	1	2	3	4	5	_ 125
6. Information on public official's benefits such as bonuses, medical insurance, automobiles, personal expenditures, etc is made public	0	1	2	3	4	5	_ 126

11. Please indicate which of the following information is made public when the government acquires public debt. (only one answer)						
	Don't know	It is not made public	Only in some cases	It is made public		
1. The destination of the contracted debt	B	1	2	3		127
2. The duration of the debt and the projection of payment of the debt	B	1	2	3		128
ELABORATION						
We will now proceed to ask you a few questions regarding the budget's formulation stage. As always, we only refer to FEDERAL Expenditure in Mexico.						
12. Please indicate how much you agree with each of the following sentences in a scale of 1 to 5, where 1 means totally disagree and 5 means totally agree. (one answer only)						
	Don't know	Totally Disagree	2	Neither agree nor Disagree	4	Totally Agree
1. The executive publishes the macroeconomic assumptions that are used to elaborate the new budget	B	1	2	3	4	5 129
2. The projections of income in the budget are reliable	B	1	2	3	4	5 130
3. The allocation of the budget is essentially inertial, meaning it is based upon past allocation criteria	B	1	2	3	4	5 131
4. Budget documents clearly present the main political initiatives that are financed through the budget	B	1	2	3	4	5 132
5. The majority of the resources assigned by the federal government to the states are based upon public criteria	B	1	2	3	4	5 133
6. Annual budgets are elaborated according to long term policies established in the National Development Plan	B	1	2	3	4	5 134
7. The budget provides a complete view of the national government finances	B	1	2	3	4	5 135
13. Considering the previous questions, in a scale of 1 to 100 in which 1 means non transparent, 100 is completely transparent and 50 is the midpoint where budgetary practices are neither opaque nor transparent. How do you score the transparency conditions in the formulation stage of the budget process in your country? You can use any number in the scale. (only one answer)						136
SCORE						
14. Now, please tell us, in your opinion, how important is the budget's formulation stage for the issue of budgetary transparency in a scale of 1 to 100 where 1 means not important at all and 100 means extremely important.						137
SCORE						

APPROVAL

We will now ask you some questions about the approval stage of the budget process, which is the moment when the budget is discussed and approved by the Legislative Power.

15. Indicate how much you agree with each of the following sentences in a scale of 1 to 5, where 1 means totally disagree and 5 means totally agree. (one answer only)

	Don't know	Totally Disagree	2	Neither agree nor Disagree	4	Totally Agree	
1. The legislature has sufficient powers to modify the budget proposed by the executive branch	8	1	2	3	4	5	138
2. The calendar for the approval of the budget (one month and a half) allows sufficient time for analysis and discussion	8	1	2	3	4	5	139
3. There is a substantial debate within the legislature about the Executive's budget proposal	8	1	2	3	4	5	140

16. Considering the previous questions, in a scale of 1 to 100 in which 1 means non transparent, 100 is completely transparent and 50 is the midpoint where budgetary practices are neither opaque nor transparent. How do you score the transparency conditions in the approval stage of the budget process in your country? You can use any number in the scale. (only one answer)

|||141

||| SCORE

17. Now, please tell us, in your opinion, how important is the budget's approval stage for the issue of budgetary transparency in a scale of 1 to 100 where 1 means not important at all and 100 means extremely important.

|||142

||| SCORE

EXECUTION

Now we will formulate some questions on the execution stage of budget, this is when the budget and the expenditure is executed.

18. Indicate how much you agree with each of the following sentences in a scale of 1 to 5, where 1 means totally disagree and 5 means totally agree. (one answer only)

	Don't know	Totally Disagree	2	Neither agree nor Disagree	4	Totally Agree	
1. The executed resources are attached to the levels of expenditure approved by the Legislative Power	8	1	2	3	4	5	143
2. There is a clear understanding of the division of budgetary responsibilities between the National and Sub national levels of government	8	1	2	3	4	5	144

	Don't know	Totally Disagree	3	Neither agree nor Disagree	4	Totally Agree													
3. In case of irregularities in the execution of the budget, it is possible to establish responsibilities	8	1	2	3	4	5	145												
4. The purchase prices paid by the Executive power are made public when they are above 500,000 pesos.	8	1	2	3	4	5	146												
5. The functionaries who misuse the budget for to benefit themselves or third parties are penalized	8	1	2	3	4	5	147												
19. In case that substantial modifications are made to the approved budget along the period of execution, in what ways does the Legislative branch participate in this changes?							148												
<table border="1"> <thead> <tr> <th>8 Don't know</th> <th>1 Does not participate</th> <th>2</th> <th>3</th> <th>4</th> <th>5 Participates actively</th> </tr> </thead> <tbody> <tr> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> </tbody> </table>							8 Don't know	1 Does not participate	2	3	4	5 Participates actively							
8 Don't know	1 Does not participate	2	3	4	5 Participates actively														
20. Considering the previous questions, in a scale of 1 to 100 in which 1 means non transparent, 100 is completely transparent and 50 is the midpoint where budgetary practices are neither opaque nor transparent. How do you score the transparency conditions in the execution stage of the budget process in your country? You can use any number in the scale. (only one answer)							149												
SCORE																			
21. Now, please tell us, in your opinion, how important is the budget's execution stage for the issue of budgetary transparency in a scale of 1 to 100 where 1 means not important at all and 100 means extremely important.							150												
SCORE																			
CONTROL AND OVERSIGHT																			
The following questions refer to the stage of control and oversight in the budget process, this is the stage of internal control and auditing of the budget expenditure once it has been executed.																			
22. Indicate how much you agree with each of the following sentences in a scale of 1 to 5, where 1 means totally disagree and 5 means totally agree. (one answer only)																			
	Don't know	Totally Disagree	3	Neither agree nor Disagree	4	Totally Agree													
1. The resources executed by parastatal enterprises such as PEMEX or CFE are supervised	8	1	2	3	4	5	151												
2. Resources executed by all of the decentralized organizations such as IMSS, ISSSTE, UNAM, etc are supervised	8	1	2	3	4	5	152												

	Don't know	Totally Disagree	2	Neither agree nor Disagree	4	Totally Agree	
3. The government provides indicators that allow to adequately value the of the expenditure	8	1	2	3	4	5	153
4. Federal expenditure for Defense is supervised	8	1	2	3	4	5	154
5. External debt is supervised	8	1	2	3	4	5	155

23. We will now refer to the evaluation of the internal comptroller of the Executive branch, this is the Secretaría de la Contraloría (SECODAM). Please indicate how much you agree with each of the following sentences in a scale of 1 to 5, where 1 means totally disagree and 5 means totally agree. (one answer only)

	Don't know	Totally Disagree	2	Neither agree nor Disagree	4	Totally Agree	
1. The internal comptroller (SECODAM) is trustworthy	8	1	2	3	4	5	156

24. We will now refer to the external comptroller of the Executive branch, this is the organism of the External Auditor. Please indicate how much you agree with each of the following sentences in a scale of 1 to 5, where 1 means totally disagree and 5 means totally agree. (one answer only)

	Don't know	Totally Disagree	2	Neither agree nor Disagree	4	Totally Agree	
1. The external comptroller is trustworthy	8	1	2	3	4	5	157
2. The recommendations of the external comptroller have helped combat corruption	8	1	2	3	4	5	158
3. The external comptroller verifies that the Executive accomplishes the physical goals of the budget programs	8	1	2	3	4	5	159
4. The external comptroller has the capacity to efficiently supervise federal spending.	8	1	2	3	4	5	160

25. Considering the previous questions, in a scale of 1 to 100 in which donde 1 means non transparent, 100 is completely transparent and 50 is the midpoint where budgetary practices are neither opaque nor transparent. How do you score the transparency conditions in the supervising stage of the budget process in your country? You can use any number in the scale. (only one answer)

SCORE

161

26. Now, please tell us, in your opinion, how important is the budget's supervising for the issue of budgetary transparency in a scale of 1 to 100 where 1 means not important at all and 100 means extremely important.

SCORE

162

ACCESS TO INFORMATION

We will now ask you some questions about the public information regarding the budget and how easy it is to have access to it.

27. Please indicate how much you agree with each of the following sentences in a scale of 1 to 5, where 1 means totally disagree and 5 means totally agree. (one answer only)

	Don't know	Totally Disagree	3	Neither agree nor Disagree	4	Totally Agree	
1. Budget information is disaggregate enough as to allow a detailed analysis	0	1	2	3	4	5	163
2. Budget information is introduced with aggregations - summaries that allow a thorough analysis.	0	1	2	3	4	5	164
3. At the final stage of the execution of the budget, the Executive turns in reports about the impacts of it's expenditure	0	1	2	3	4	5	165
4. The reports with results of the execution of the budget include exhaustive information regarding the expenditure in any kind of decentralized organizations and/or parastatal enterprises (IMSS, UNAM, PEMEX or CFE)	0	1	2	3	4	5	166
5. The executive branch periodically publishes la necessary information to evaluate the advancement in the accomplishment of its program's objectives	0	1	2	3	4	5	167

28. Please indicate if the following reports including the partial results of the execution of the execution of the budget are comparable with the approved budget. (one answer only)

	Yes	No	5	
1. Reports regarding the state of revenue and expenditures of the government.	0	2	1	168
2. Reports regarding the progress of the execution of programs and their non financial objectives	0	2	1	169

29. During each of the phases of the budget process, how easy is it to gain access to budget information? (one answer only)

	Don't know	Totally Disagree	3	Neither agree nor Disagree	4	Totally Agree	
1. Formulation	0	1	2	3	4	5	170
2. Discussion and Approval	0	1	2	3	4	5	171
3. Execution	0	1	2	3	4	5	172
4. Supervision	0	1	2	3	4	5	173

30. Considering the previous questions, in a scale of 1 to 100 in which 1 means non transparent, 100 is completely transparent and 50 is the midpoint where budgetary practices are neither opaque nor transparent. How do you score the transparency conditions in the access to information about the budget in your country? You can use any number in the scale. (only one answer)

| | | | SCORE

31. Now, please tell us, in your opinion, how important is the access to information about the budget for the issue of budgetary transparency in a scale of 1 to 100 where 1 means not important at all and 100 means extremely important.

| | | | SCORE

CITIZEN PARTICIPATION IN THE BUDGET

We would now like to ask you about citizen participation in the budget process. We refer to any form of participation different from representation by the Legislative branch, such as direct participation or through civil society organizations, unions, or any type of social organization.

32. Please indicate how much you agree with each of the following sentences in a scale of 1 to 5, where 1 means totally disagree and 5 means totally agree. (one answer only)

	Don't know	Totally Disagree	2	Neither agree nor Disagree	4	Totally Agree	
1. Mechanisms exist that allow to incorporate the public's opinion in the budget	B	1	2	3	4	5	176
2. Mechanisms exist that allow the incorporation of public opinion in the formulation of the budget in general	B	1	2	3	4	5	177
3. Mechanisms exist and are known by the by the public to incorporate its opinion during the approval of the budget	B	1	2	3	4	5	178
4. In the event that there are substantial changes in the approved budget during its execution, the executive branch sufficiently informs the public about these changes particularly when they involve cuts or raises by area	B	1	2	3	4	5	179

33. Considering the previous questions, in a scale of 1 to 100 in which 1 means non transparent, 100 is completely transparent and 50 is the midpoint where budgetary practices are neither opaque nor transparent. How do you score the transparency conditions in for citizen participation in your country? You can use any number in the scale. (only one answer)

| | | | | SCORE

| | | | |180

34. Now, please tell us, in your opinion, how important is the citizen's participation in the budget for the issue of budgetary transparency in a scale of 1 to 100 where 1 means not important at all and 100 means extremely important.

| | | | | SCORE

| | | | |181

35. The word transparency refers to the existence of a normative framework and clear practices during the budget process; to the public access to information and to formal mechanisms of participation along this process.

We will now repeat the following general question:

In a scale of 1 to 100 in which 1 means non transparent, 100 is completely transparent and 50 is the midpoint where budgetary practices are neither opaque nor transparent. How do you score the budget transparency conditions in your country?

| | | | | SCORE

| | | | |184

36. In your opinion, which element or elements could be useful to make the Federal Budget more transparent?		190		
		191		
1. _____		192		
Any other element which you consider important?		195		
		196		
2. _____		197		
Any other element which you consider important?		200		
		201		
3. _____		202		
Any other element which you consider important?		205		
		206		
4. _____		207		
IDENTIFICATION				
		216		
1.- Argentina	2.- Brazil	3.- Colombia	4.- Costa Rica	5.- Chile
6.- Ecuador	7.- El Salvador	8.- Mexico	9.- Nicaragua	10.- Peru

Annex III: Table of Positive Scores per Country, with Averages
Percentage of positive responses (sum of responses 4 and 5)

Variable / Attribute	Argentina	Colombia	Costa Rica	El Salvador	Guatemala	Mexico	Nicaragua	Peru	Average
Citizen Participation in the Budget	8	35	14	5	13	11	10	16	14
Mechanisms exist and are known by the population for the incorporation of opinions during budget approval	3	29	18	5	13	3	12	6	11
Mechanisms exist to incorporate opinions of the general population in the budget	7	51	15	5	22	7	10	18	17
Mechanisms exist to incorporate opinions of the general population in the budget formulation	5	52	9	5	14	6	5	21	15
In the event of any substantive changes to the approved budget during its execution, the executive provides exhaustive reports on these changes to the public	10	25	15	4	9	24	20	22	16
Upon completion of budget execution, the executive provides exhaustive reports on the impact of its spending	15	20	16	5	9	16	30	12	15
Authority and Participation of the Legislature	44	45	55	31	52	52	62	39	48
The legally-allocated time period for budget analysis and discussion is sufficient	53	59	64	73	63	52	64	60	61
The legislature has sufficient power to modify the executive's budget proposal	60	55	75	48	80	65	91	42	65
There is meaningful debate in the legislature about the executive's budget proposal	18	20	25	32	13	39	33	14	24
Information on Macroeconomic Criteria	55	60	47	6	38	54	14	54	41
The executive publishes the macroeconomic assumptions used to prepare the new budget	72	77	52	4	42	72	21	77	52
Income projections in the budget are reliable	38	43	43	9	33	35	8	32	30

Variable / Attribute	Argentina	Colombia	Costa Rica	El Salvador	Guatemala	Mexico	Nicaragua	Peru	Average
Accountability	28	36	27	17	22	27	14	22	24
Purchase prices paid by the executive are made public for purchases or expenditures greater than 500,000 pesos	15	37	42	21	33	35	21	25	29
The government provides indicators that enable adequate evaluation of spending impact	22	31	19	21	4	12	3	10	15
The executive periodically publishes the information necessary to evaluate progress toward the fulfillment of its program goals	29	31	16	0	5	16	3	11	14
Reports on the state of governmental income and expenditures are comparable to the approved budget	44	48	37	29	55	51	30	54	44
Reports on the progress of program implementation and the achievement of physical goals are comparable to the approved budget	41	45	28	24	24	29	25	21	30
Budget execution reports include exhaustive information on the spending of any type of decentralized entity or semi-official enterprise	9	23	24	0	9	13	2	10	11
Budget documents clearly present the main policy initiatives financed by the budget	38	36	23	25	23	34	17	22	27
Control Over Public Officials	18	48	45	22	21	20	14	20	26
The salaries of public officials may be known with certainty	12	61	48	21	29	20	12	14	27
Information on all benefits enjoyed by public officials is public	12	42	60	12	13	16	5	12	22
Unexplainable increases in wealth may be detected through the property declarations submitted by officials	45	40	30	25	21	18	21	18	27
Guilty parties can be identified in the event of irregularity in budget execution	12	53	36	41	30	14	22	32	30
The functionary who makes improper use of the budget for his/her benefit or that of others is penalized	11	41	50	9	11	10	11	24	21

Variable / Attribute	Argentina	Colombia	Costa Rica	El Salvador	Guatemala	Mexico	Nicaragua	Peru	Average
Accountability	28	34	27	17	22	27	14	22	24
Purchase prices paid by the executives are made public for purchases or expenditures greater than 500,000 pesos.	15	37	42	21	33	35	21	25	29
The government provides indicators that enable adequate evaluation of spending impact.	22	31	19	21	4	12	3	10	15
The executive periodically publishes the information necessary to evaluate progress toward the fulfillment of its program goals.	29	31	16	0	5	16	3	11	14
Reports on the state of governmental income and expenditures are comparable to the approved budget.	44	48	37	29	55	51	30	54	44
Reports on the progress of program implementation and the achievement of physical goals are comparable to the approved budget.	41	45	28	24	24	29	25	21	30
Budget execution reports include exhaustive information on the spending of any type of decentralized entity or semi-official enterprise.	9	23	24	0	9	13	2	10	11
Budget documents clearly present the main policy initiatives financed by the budget.	38	36	21	25	23	34	17	22	27
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Unexplainable increases in wealth may be detected through the property declarations submitted by officials.	45	40	30	25	21	18	21	16	27
Guilty parties can be identified in the event of irregularity in budget execution.	12	53	36	41	30	14	22	32	30
The functionary who makes improper use of the budget for his/her benefit or that of others is penalized.	11	41	50	9	11	10	11	24	21

Variable / Attribute	Argentina	Colombia	Costa Rica	El Salvador	Guatemala	Mexico	Nicaragua	Peru	Average
Information on Debt	38	46	45	24	31	29	21	35	34
The destination of contracted debt is made public	27	50	45	25	32	17	13	35	31
The duration of the debt (time periods) is made public	61	50	54	25	43	41	18	49	43
Any future obligation or liability of the federal government is made public	36	43	60	17	30	28	21	33	34
All future obligations of the government are recorded as public debt	29	39	21	29	20	30	32	22	28
Quality of Information and Statistics	47	44	41	15	27	41	19	36	34
In general, the institutions that generate national statistics produce accurate data	62	39	64	9	25	50	16	30	37
Budget information is presented in a disaggregated manner to allow for detailed analysis	44	38	28	17	22	37	22	41	31
Budget information includes aggregations that allow for integral analysis	43	48	44	12	33	37	22	41	35
The budget provides a complete panorama of national government finances	41	51	28	21	26	39	17	34	32
Responsibilities Among Government Levels	40	25	30	21	30	32	24	17	27
The division of budget responsibilities among national and subnational governments is very clear	40	25	30	21	30	32	24	17	27
Timeliness of Budget Information	27	31	29	17	20	24	12	16	22
Degree of timeliness in which budget information is made public during the formulation phase	37	30	22	22	14	27	3	9	21
Degree of timeliness in which budget information is made public during the discussion / approval phase	49	38	42	22	34	29	41	20	34
Degree of timeliness in which budget information is made public during the execution phase	18	29	16	14	18	27	5	31	20
Degree of timeliness in which budget information is made public during the oversight phase	5	26	36	10	12	13	0	2	13

Information on the Organizations Involved in the Study

Argentina

Poder Ciudadano

Piedras 547 oficina 2; Buenos Aires; Argentina
C1070 AAK
Tel/Fax: (54-11) 4331-4925
www.poderciudadano.org

Colombia

Corporación Fondo de Apoyo de Empresas Asociativas (CORFAS)

Calle 54 no 1081 piso 2
Bogota. Colombia
Telephone: (571)- 2121554/ 2697575 /2445251
presupuestos@cable.net.co

Costa Rica

Programa Estado de la Nación

Pavas, de la Embajada de los Estados Unidos 1.3 km al norte, Edificio Franklin Chang Díaz.
Telephone: (506) 290-7222/ 32-0640
Fax: (506) 290-5879
www.estadonacion.or.cr

Posgrado en Economía, Universidad de Costa Rica

Facultad de Ciencias Económicas
Sede Rodrigo Facio
Telephone: (506) 207-5186, 207-4334
Fax: (506) 207-5241

Fundación Arias para la Paz y el Progreso Humano

Barrio Francisco Peralta, rotonda frente al IMAS. Casa nº 37
Telephone: (506) 224-1919
Fax: (506) 224-4949
www.arias.or.cr

El Salvador

Probidad

Calle del Egeo No. 39, Col. Jardines de Guadalupe,
Antiguo Cuscatlán, El Salvador, C.A.
Telephone: (503) 22439806
Fax: (503) 22117829
www.probidad.org

Guatemala

Centro de Investigaciones Económicas Nacionales (CIEN)

10 calle 3/17 zona 10,
Edificio Aseguradora General, Nivel 5
Guatemala, Guatemala.
Telephone: (502) 2331-1564/ 65, (502) 2331-1644/ 46
www.cien.org.gt

Mexico

Fundar, Centro de Análisis e Investigación

Popotla 96-5, Tizapán San Ángel, 01090, México, D.F.
Tel/fax: (52 55) 55 95 26 43/ 56 81 08 55
www.fundar.org.mx

Nicaragua

Centro de Información y Servicios en Asesoría en Salud. (CISAS)

Canal 2 T.V., 1c. Al sur, 75 vrs. Abajo. Bolonia. Managua, Nicaragua.
Telephone: (505) 2663690-2685969
Fax: (505) 2662237
www.cisas.org.ni

Peru

Centro de Investigación de la Universidad del Pacífico (CIUP)

Av. Salaverry 2020, Jesús María
Telephone: (511) 219 0100
Fax: (511) 219 0135
www.up.edu.pe/ciup/