***Open Budgets for Development: By Daniel Ndirangu.***

Open Budgets by definition are costed government plans that are provided and promoted publicly for accountability. Open Budget Survey is part of global research and advocacy program that works towards promoting public access to budget information and the adoption of accountable systems. Budget transparency is important for ensuring accountability, ensuring implementation efficiency, monitoring important national development initiatives, preventing corruption and enhancing the credibility of implementation.

OBS assess the three pillars of a public budget accountability system which are; Transparency, Public participation and oversight. This survey was launched in 2006. The 6th and then latest survey that was conducted in 2017, evaluated 115 countries across the 6 continents. Declines in budget transparency were most dramatic in Sub-Saharan Africa with the average transparency score falling by 11 points between 2015 and 2017. Other regions that experienced small increases or small declines with the exception of Asia whose score rose more substantially. A number of countries have experienced significant gains in transparency since they were first included in the survey, these include Georgia, Jordan, Mexico and Senegal.

1. Budget Transparency

OBS assesses budget transparency based on the amount and timeliness of budget information governments are making publicly available. Each country is given a score between 0 and 100 that determines its ranking on the open budget index.

1. Public participation

OBS measures public participation in the budget process by assessing the opportunities governments are providing to civil society and the public to engage in decisions about how public resources are raised and spent.

1. Oversight

Evaluates the role of formal oversight institutions, such as supreme audit institutions and legislatures. OBS measures Budget Oversight by Legislatures and Audit Institutions considering whether legislatures have adequate oversight practices.

The OBI is the world’s only independent, comparative assessment of the three pillars of public budget accountability: transparency, oversight and public participation. Kenya’s performance in the OBI has been declining in the last three consecutive indices. Lack of transparency in public budget processes minimizes the ability of citizens and other stakeholders to hold public officials accountable. In addition, institutions are impeded by lack of public participation, and lack of follow-up where queries are raised as to the appropriateness of public expenditures made.



 The Open Budget Index score for Kenya in 2017 decreased to 46% from 48% in 2015.Budget transparency is usually defined as full disclosure of all relevant fiscal information in a timely and systematic manner (OECD, 2002).

Article 225 (2) of the Constitution of Kenya, 2010 mandate parliament to enact legislation to ensure both expenditure control and transparency in all governments. Consequently, the Public Finance Management Act, 2012 emphasizes that institutions shall promote transparency, effective management and accountability with regard to public finances.

**Why should greater transparency improve fiscal performance?**

Lucie (2012) observes that increased transparency limits excessive public expenditures that results to an increase in public debt. This is through reduced fiscal illusion, decreased information asymmetry between the government and citizens and strengthening enforcement of fiscal rules. Further research conducted by Simson (2014) on transparency and development, found that grater budget transparency would lead to better development outcomes. Governments that publish their budgets are more likely to spend greater share of resources on areas that wider public care about.

Some of the necessary pre-conditions for transparency includes opportunities for citizen’s engagement and comprehensiveness of the information published.

While relationship between spending and development outcomes is not straightforward, researchers have examined many different stages of the budget cycle and identified multiple reasons why spending may not translate into outcomes at the same rate in all countries. However, studies have shown that transparent and accountable budget practices in the budget cycle, are critical considerations towards achieving development.

Transparency problem arises where the government enjoys informational advantage, both on its own actions and on the current state of nature. This information asymmetry is behind various types of budgeting practices that contribute to the mismatch between plans and outturns. These include escapist budgeting that authorizes more spending than the government can mobilize; hidden budgeting, where the real priorities are known only to a narrow group of individuals within government; and deferred budgeting where real spending patterns are obscured by the generation of arrears (pending bills). Sarr, B. (2015) Using a Principal-Agent approach argues that fiscal transparency reduces the agent’s informational advantage and constrains the agent to execute the contract (Enacted Budget) on behalf of the principal (citizens) as intended and observes that fiscal transparency increases the likelihood of having a credible and reliable budget.

If the budget is open to the public and effective legislative scrutiny, there is less room for deviations from policy decisions and reversal of budget allocations because increased transparency enables citizens to better understand the budget, and to evaluate the actual performance of the government. The government is required to disclose end of year performance. Simple disclosure of budget allocation does not amount to transparency. This is because the government could be transparent during the foemulatio0n stage of the budget cycle but fail to do the same in consequent stages in the budget cycle where actual performance on budget targets could be evaluated. Penno (1997) observes that disclosures must be truthful as the government cannot be held accountable unless the information available to the public about its performance is accurate.

**What can Kenya do to improve?**

* Parliament hearings should be sufficient in budget formulation
* OAG should have formal mechanism for engaging with public
* Treasury should engage more with public on formulation and on implementation
* Parliament should look at implementation reports and publish their findings
* Treasury should make Mid-year report publicly available

**References**

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