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Eastern Europe and Central Asia

Acknowledgements

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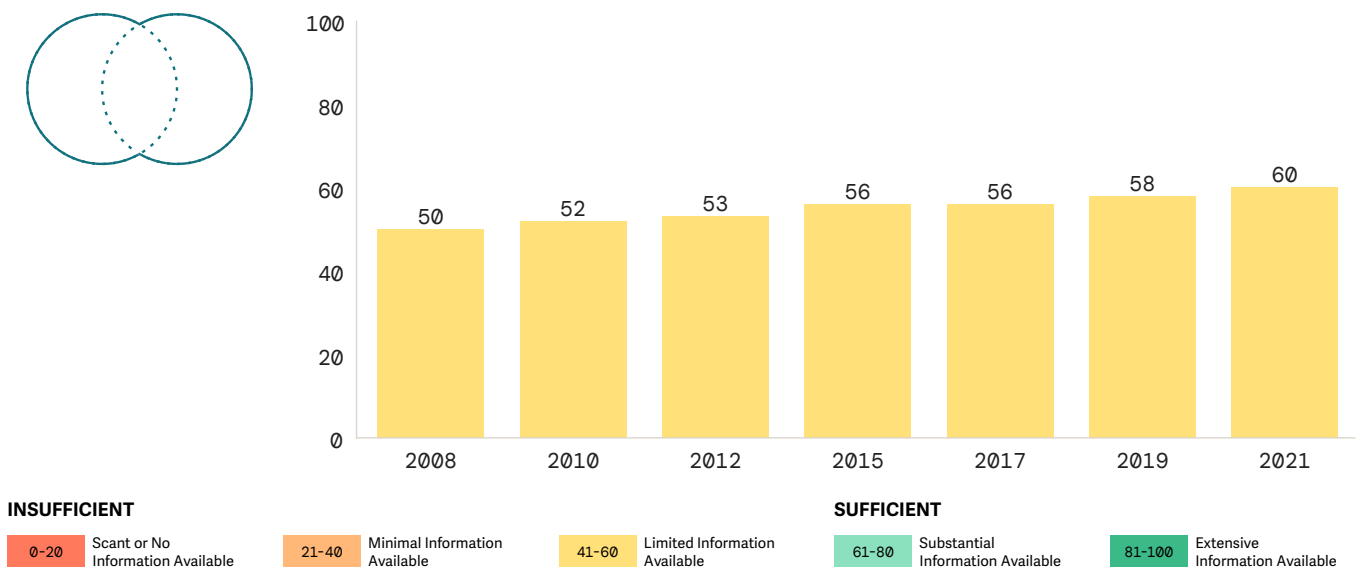
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Four paths to transparency in Eastern Europe and Central Asia

Background

Since the start of the Open Budget Survey, most governments in Eastern Europe and Central Asia (ECA) have committed to enhancing budget transparency and have *intensified their efforts to disclose documents and data* and embed transparency into laws and regulations. With a 10-point jump from 2008, this region is 1 point away from reaching the threshold of sufficient budget transparency and joining the “61+ club”. This reflects the region’s evolution in its understanding – and implementation – of budget openness. An open budget agenda in many of these countries has evolved from a donor-imposed set of reforms to an internally driven requirement by citizens who are increasingly interested in how their money is spent.

Regional average for budget transparency in ECA, for 17 comparable countries

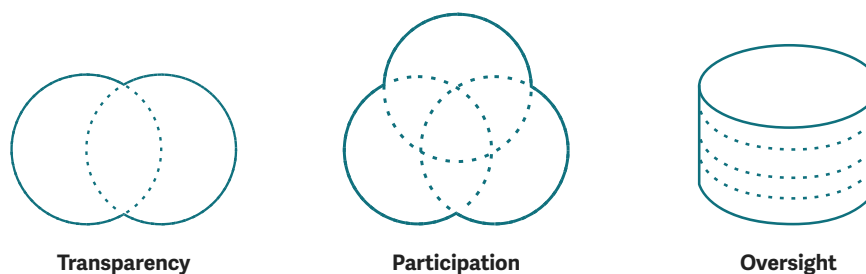


Challenges, however, persist. Several countries in the region still suffer from significant corruption and development challenges and have not managed to institutionalize transparency as part of the formal framework to manage public resources. In most countries, citizens lack meaningful opportunities to effectively participate in the budget process and challenges remain with respect to formal oversight by legislatures and audit institutions.



Mass protests in Brasov, Romania against planned measures aimed at defending corrupt officials. cge2010 / Shutterstock

Budget transparency, participation, and oversight scores for countries in ECA in OBS 2021



	Transparency	Participation	Oversight
Georgia	87	44	74
Russia*	73	28	78
Bulgaria	71	26	61
Slovenia	66	11	83
Moldova	65	11	63
Slovakia	65	22	56
Ukraine	65	39	82
Croatia	64	17	65
Kazakhstan	63	9	61
Romania	63	7	43
Kyrgyz Republic	62	26	61
Armenia	61	6	50
Czech Republic	60	15	83
Poland	60	22	82
Azerbaijan	57	9	63
Turkey	55	0	61
Albania	52	6	67
Serbia	46	2	54
Hungary	44	0	57
North Macedonia	36	6	54
Bosnia and Herzegovina	32	9	57
Tajikistan	16	0	43
Regional average	57	14	63

*The Open Budget Survey (OBS) is a comprehensive assessment of budget accountability. One limitation is the survey only partially covers or omits some areas of public finance - including extrabudgetary funds, quasi-fiscal activities, tax expenditures, public procurement, and classified expenditures - that can reduce fiscal accountability.

Russia is not adequately assessed on three fiscal practices, hence its misleading high transparency score.

1) A fairly large and growing proportion of the Russian national budget is classified as secret.

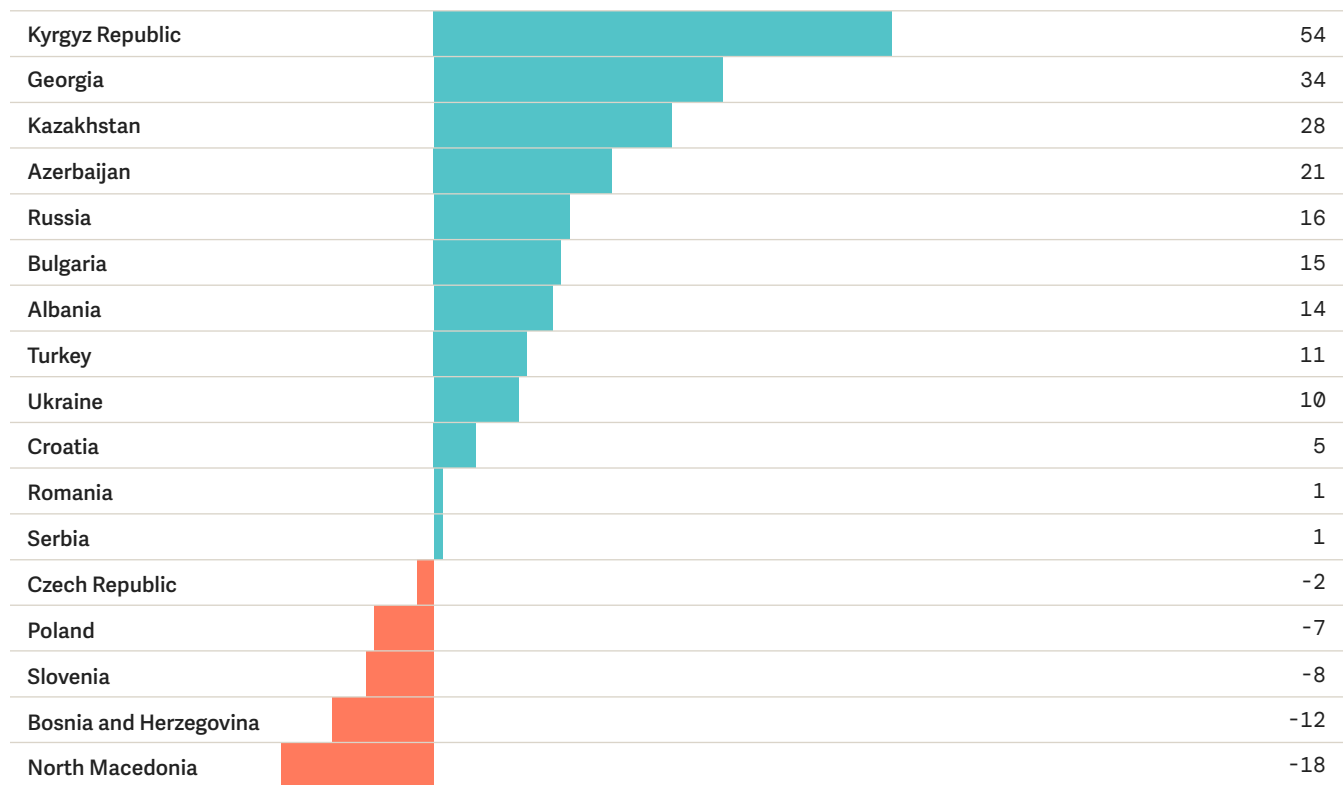
2) Public procurement transactions are not assessed in the OBS and yet more than one-third of public procurement contracts in Russia were classified as secret and therefore not subject to open and competitive tendering procedures.

3) The OBS incompletely assesses the governance of extrabudgetary funds, such as Russia's large sovereign wealth fund which, similar to other extrabudgetary funds, does not receive the same level of scrutiny as expenditures that are routed through the national budget.

Context

The region includes countries with different backgrounds, traditions, languages and religions. Yet, during the communist period they all conformed to a “wall of silence” doctrine — a political culture that suppressed freedom of speech and information — which included budget secrecy. Transparency often amounted to publishing annual or multiannual plans on results to be achieved, without any economic analysis backing those assumptions up or basic data on revenues and expenditures. Yet, over the course of several decades, many countries in the region have vastly transformed their budgetary practices as part of their post-communist transitions. However, we know this trajectory, and the incentives driving change, looks quite different across the region, which also varies vastly in its performance on other governance and democratic measures.

The evolution of transparency across the years (2008-2021)



What have been the drivers of change? With the due caveats around generalizations, we have identified four paths that countries in this region have taken and that can explain their progress.



Journalists film a protest in Georgia's capital, Tbilisi. Eval Miko / Shutterstock

- **“Revolutionary transparency”** – several countries experienced powerful political shifts that resulted in a new political class emerging that had a mandate to drive and institutionalize transparency.
- **“Controlled bargaining” transparency** – countries in this category release a highly controlled amount of budget data to maintain regime stability, leading the public to believe that the preferences of legislators and the regime are aligned.
- **Donor-driven transparency** – donors, backed by calls from civil society organizations, incentivized countries in this category to pursue transparency reforms as a precondition for budgetary support.
- **“Conditional transparency”** – several countries in the region pursued pro-transparency measures as part of their political and economic integration into international bodies like the European Union (EU).

Below is an overview of these four paths and a look forward to how the region might move toward more sustained and meaningful reforms to advance transparency and accountability.

Revolutionary transparency: the winds of change

Both Ukraine and Georgia have undergone political shifts that included high levels of public pressure for greater transparency. This overwhelming public support has continued to drive forward the institutionalization of reforms in both countries, despite political turmoil, conflict and ongoing challenges to democratic freedoms.

Transparency emerged as one of the main priorities of the Ukrainian government after the Maidan Uprising and even earlier for Georgia with the Rose Revolution. It became a counterpoint to the non-transparent actions of the previous governments that were removed following a series of mass protests.

Ukraine's progress in ensuring that substantial budget information is available is strengthened by the adoption of the law *"On the Openness in Using Public Means"*, which mandated the uploading – by all state managers and receivers of public funds – of information on the planned and actual use of public funds to a single government web portal. Thanks to this and other innovations (such as the award-winning procurement portal, *Prozorro*), Ukraine has emerged as a champion in ensuring public participation and oversight in the budgetary process.

“Another “revolutionary” transparency champion is Georgia. Beginning in 2005, Georgia has actively promoted an agenda of open government, digitalization of the public sector and fiscal data transparency.”

Another “revolutionary” transparency champion is Georgia. Beginning in 2005, Georgia has actively promoted an agenda of open government, digitalization of the public sector and fiscal data transparency. The Georgian government has also created an electronic platform to consult citizens on budget priorities and collect feedback throughout the budget process. The State Audit Office of Georgia has also continued *to build its capacity and strengthen its relationships with the Parliament to ensure better follow-up of audit reports by the executive*. Georgia has registered a 34-point jump on the OBS measure of budget transparency since the start of the survey and is now the survey's top performer.

Looking forward

Both governments should take steps to strengthen public participation in the budget process. In addition, it is worth noting that open budgeting practices yield the most benefits for society when there are also robust democratic systems, and Georgia has seen worrying signs of backsliding on that in recent years. It goes without saying that Russia's invasion of Ukraine is a threat to open government values both in the region and around the globe. The future remains uncertain while the war rages on – threatening hard-won gains in advancing an open budget agenda in Ukraine.

“Controlled bargaining” transparency: the Joker for authoritarian regimes

To maintain regime stability, authoritarian leaders may support transparency initiatives to lead the voting public to believe that significant progress is being made to align with good practices and good governance. In practice, however, authoritarian governments use transparency initiatives to primarily co-opt criticism, ensuring that complaints can be raised in a manner that does not threaten regime stability. This is the case in Azerbaijan, Turkey, Kazakhstan, Hungary and Russia.

These countries produce several key budget documents in order to appear in line with international standards. Elites maintain the space to criticize the ruling government in order to give the appearance that a credible opposition can operate. But in practice, there are very few channels for meaningful debate and critique by the public, as well as some weaknesses in the independent oversight provided by legislature and auditors, including for example, legislatures’ failure to monitor in-year budget execution.

Over the last two rounds of the survey, countries in this category (with the exception of Turkey) registered drops or no changes in oversight scores and continue to show weak public participation, but paradoxically made good to exceptional progress in publishing budgetary information. Russia leads this group’s transparency ranking, but the reason for this paradox relates to how firmly institutionalized, and controlled, the Russian budget process is. In other words, “there are laws and regulations governing the budget process, and the relevant documents are published routinely in accordance with the legislation,” but these documents lack critical information on classified and/or extrabudgetary funds. Azerbaijan and Kazakhstan appear to use a controlled transparency process not only to ensure political stability, but also to demonstrate moderate good faith measures to consolidate their countries’ investment profiles, access to European markets and financial institutions.

Hungary and Poland pursued greater transparency as part of their accession to the EU and continued to pursue transparency measures to formally fall in line with the EU regulations and avoid the risk of sanctions. Their progress in open budgeting has stalled, but they continue to implement transparency practices to avoid EU reprimands and backlash.

Looking forward

Transparency is often the first step to greater public participation in budget decision-making processes; citizens need access to budget information in order to have a say. However, transparency does not guarantee an open budget process in which people can meaningfully influence and inform how public resources are managed. In several of these countries, we have seen governments pursue a highly controlled process of publishing budget information without showing credible commitments to enhance public participation in the budget process or address specific weaknesses in oversight by independent auditors and legislatures. The international community should increase its monitoring of any participatory commitments that these countries take and seek opportunities to “raise the bar” on open budget standards to acknowledge the critical role of oversight and participation in promoting transparent and accountable public finance.

Donor-driven transparency

The EU has by far been one of the biggest supporters of fiscal transparency for countries including Moldova, Kyrgyz Republic, Serbia, Croatia and Albania. At the urging of civil society organizations and donors, transparency was included as a precondition for budgetary support in these countries. This support has allowed for countries like the Kyrgyz Republic to record stunning growth in transparency milestones. Other notable performers include Croatia and Moldova, which managed to join the club of countries that are publishing substantial information on budgets. For Serbia and Albania, transparency is also a pre-condition to accessing European funds, although both have shown lackluster commitment and only make limited fiscal information available.

The progress we have seen in these countries has been possible in part because of the EU's strategic and operational goals set in various strategic policy frameworks – Europe 2020, the Juncker 10 Priorities and the Strategic Agenda of the European Council – which raised questions on the transparent, efficient and responsible allocation of EU funds as part of development assistance frameworks. Most of the EU's budget support has come with conditionalities on transparency, efficiency and accountability.

These conditionalities have been included in official financial agreements, with clear policy measures to be achieved. Long-term financial and technical support from various agencies has supported civil society organizations in their efforts to monitor the use of public money and management of public property, creating capacities both for the government and civil society to engage in robust dialogue about public finances. This long-term support has also ensured the sustainability of these efforts and enabled policy ideas to take hold as institutional practices.

“It is worth noting that the sustainability of these reforms has been due to the development of a particularly strong civil society sector.”

It is worth noting that the sustainability of these reforms has been due to the development of a particularly strong civil society sector. Supreme audit institutions (SAIs) have been important champions of transparency. SAIs not only promote adherence to transparency among legislators and the executive, but also forge strong alliances between civil society organizations and investigative journalists. While these countries have made relatively modest progress on transparency compared to others in the region, they are higher than the global average.

Looking forward

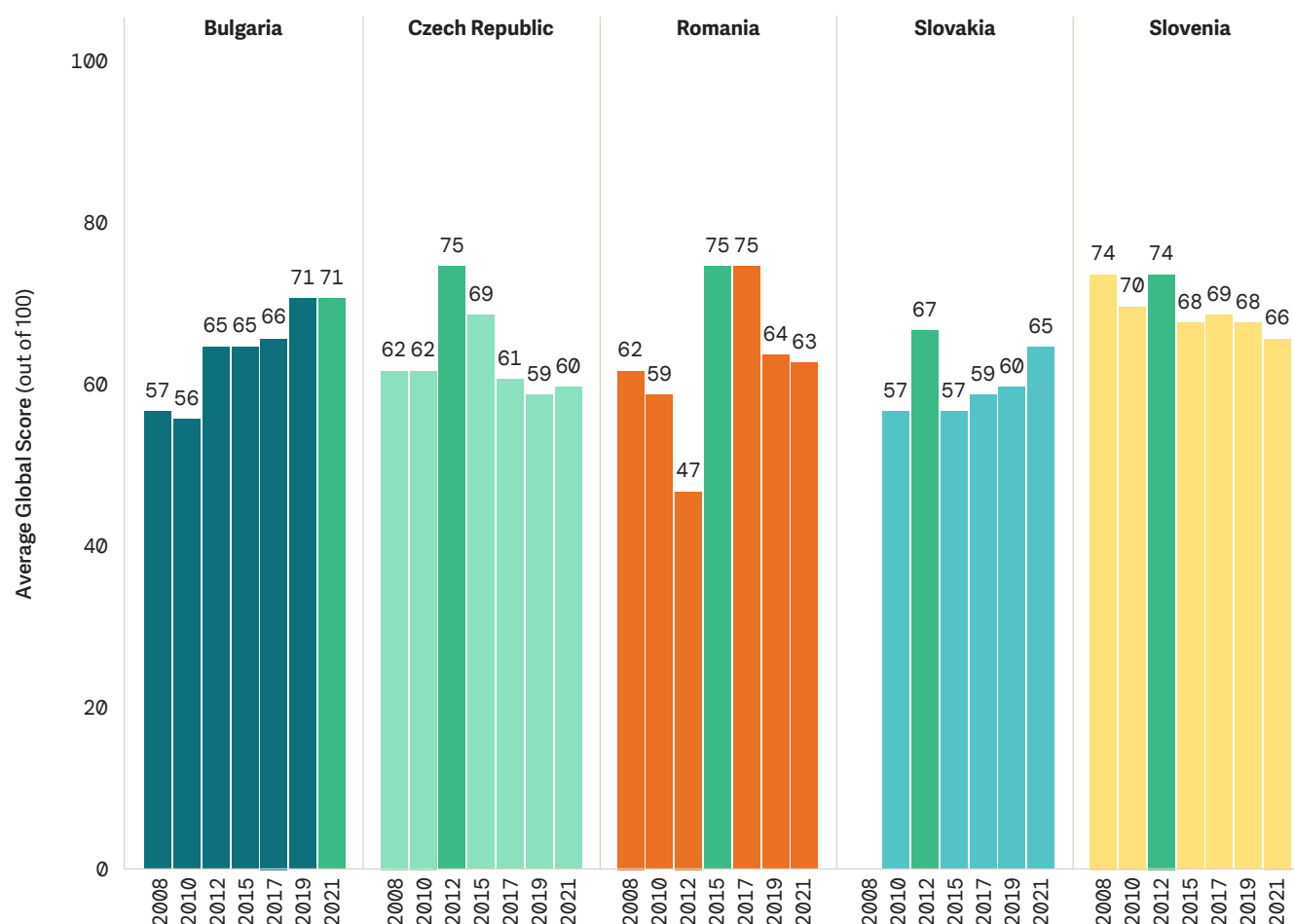
The next step for these countries is to move beyond mere transparency to open and democratic budgeting processes, leveraging the presence of strong civil society and supportive institutions, to deepen participation and experiment in the co-creation of spending policies.

“Conditional” transparency due to political and economic integration into the European Union

Countries such as Romania, Slovenia, Slovakia and the Czech Republic improved their transparency frameworks as part of their EU accession process.

With clear engagements and regulations from the EU, these countries made great progress in the pre-accession and early accession years – only to fall back to their early accession results in 2021. For example, the highest transparency scores for Romania, Slovenia and Czech Republic were recorded between 2012 and 2015. On the other hand, Bulgaria – an unlikely candidate – has managed to keep steady and impressive progress over the years, jumping from 57 points in 2008 to 71 points in 2021.

Budget transparency scores, 2008-2021



Looking forward

The next step for these countries is to continue showing commitment to disclosing comprehensive and usable information, as well as to demonstrate new leadership and innovative practices to open their budgets to citizens. They should introduce formal and accessible mechanisms for public participation in the budget process. They should also strengthen their peer learning and share practices through their active engagement in regional bodies such as the Public Expenditure Peer Assisted Learning Network.

Conclusion

Much of the discussion on the region is rightly focused on the ongoing Russian invasion of Ukraine. The outcome of the conflict will hold weighty consequences for the state of democracy not only in the region, but on the global stage. In these uncertain times, it remains more essential than ever for the region's leaders to commit to building strong and inclusive democracies that welcome the participation of civil society and the public in budget processes. The international community should also continue to support reformers in the region, and citizens, that have demonstrated a strong commitment to advance transparency and accountability. Ensuring full and comprehensive budget transparency – and pursuing avenues to engage the public more meaningfully in public spending decisions – will remain a key pillar of strengthening democracy and open government in this region.



Hundreds of thousands protest in Kiev, Ukraine. Golcin / Adobe Stock

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