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TRANSPARENCY IN BUDGET EXECUTION

QUERY

Can you describe the experience of Brazil, and maybe some other countries in the world, concerning opening up the budget's execution (especially procurement) using online tools?

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SUMMARY

Transparency in the execution of a budget can significantly improve efficiency, prevent fraud and corruption, and help to identify potential wrongdoing and leaks. Evidence shows that the publication of budget execution data online has proven instrumental to uncovering corruption schemes and punishing those involved. This is the case in Brazil, where the Transparency Portal enables civil society organisations, the media, public officials and citizens to monitor and verify how the budget is being executed. The portal, which required relatively low investment to be developed, contains information on government revenues and expenditures, procurement processes, and federal transfers to municipalities and states, and more.

South Korea's fiscal portal is also considered to be innovative. However, in addition to providing information on budget execution, the portal also serves as the main financial management tool in the country, making its development more complex and costly.

Some countries have also opted for creating dedicated procurement platforms. This is the case in Georgia where the establishment of an e-procurement platform significantly improved public contracting in the country, making it simpler, more efficient and less prone to corruption.

1. TRANSPARENCY IN BUDGET EXECUTION IN PRACTICE

The budget execution phase is considered fertile ground for corruption. It generally involves the release of great amounts of money to government agencies and departments, followed by expenditure transactions by these agencies directly or through the procurement of goods and services. Information on budget execution is thus essential to monitor whether the budget is being implemented as planned or whether mismanagement, fraud, or corruption in general is taking place (Isaksen 2005).

For this to happen, governments should make key fiscal data available to the public, including information on budget and financial execution data and public procurement processes. To effectively enhance transparency and accountability, reduce and/or identify corruption it is important that the data disclosed is meaningful and provides a full picture of the government's activities to the public (World Bank 2013).

Some countries have established dedicated web portals where all relevant fiscal information can be accessed in an interactive and user-friendly way. In addition to these web portals, these countries still publish key budget documents on other dedicated websites where a more technical analysis of the budget execution can be carried out.

Some of these portals also provide information on procurement processes, such as the portals in Brazil and South Korea. In some countries, however, separate procurement portals have been created where relevant information regarding open bids and contracts awarded are available.

This answer provides information on the fiscal portals in Brazil and South Korea as well as on the dedicated procurement portal in Georgia, all of which are often referred to as examples of good practice.

Fiscal transparency portals

Brazil

Background

The Transparency Portal website (Portal da Transparencia) was launched in 2004 with the aim of increasing transparency in the public administration, enabling citizens to track the allocation of public money and play a monitoring role in this process.

Main features

The portal includes information on (Office of the Comptroller General 2012; Open Knowledge Foundation 2013):

- budget and financial execution data

- transfer of resources to states, municipalities, companies and non-governmental organisations

- transfers to individuals who are part of social programmes of the Federal Government, including the names of beneficiaries (e.g. information on the cash transfer programme, Bolsa Familia)

- direct expenses by the Federal Government, including construction contracts, government purchases, per diems and expenses on government credit cards

- contracts signed with individuals, legal entities or government bodies

- estimates on government revenue according to budget and financial execution data

- the 2014 World Cup and 2016 Olympic Games expenditures

- all federal public officials, including information about appointed positions, including their names and the remuneration received

- companies sanctioned by public entities and debarred from contracting with the public administration due to embezzlement or unlawful practices in previous public contracts or bidding

- suspended not-for-profit private entities (CEPIM) that are forbidden to either contract,

transfer contracts or partnership agreements with the Federal Government, or receive transfer of funds because of their participation in embezzlement or unlawful practices

- the Registry of Federal Government Suspended Staff which comprises the dismissal sanctions applied to public servants within the Executive Branch at the federal level

- data in graphs and other visualisations

- guidelines about public participation and citizen control, including a section on government programmes and how to police/audit them

The information disclosed is updated on a daily basis and presented in open format (machine readable). The website can be easily searched as the budget lines use both the official and popular names of the initiatives. Data is uploaded from the country's financial management information system, guaranteeing more accuracy and reliability (World Bank 2013).

The portal also allows interested parties to register to receive via email information regarding federal transfer to specific municipalities.

In addition, the website provides links to other relevant government web portals, such as the Federal Budget, containing all key documents of the budget cycle, including detailed information on budget execution per administrative unit, and the procurement portal, where comprehensive information on procurement processes and contracts awarded are available.

Individuals may also denounce, including anonymously, wrongdoings or corruption through the website, using a web form or contacting the Office of the Comptroller General directly. The web form allows citizens to annex documents or pictures that may provide evidence of wrongdoing.

Target audience

The Transparency Portal is used by the media, government officials and citizens in general. The number of citizens accessing the portal has grown from 54,000 in 2004 to more than 11 million visitors per year in 2014. In January 2014, the website received more than 1 million visitors. As of 2012, more than 44,000 citizens were registered to receive information about resource transfers from the federal government to municipalities (Office of the Comptroller General 2014).

Resources needed

The development of the portal cost approximately US$137,000. Currently, the portal is maintained by the Office of the Comptroller-General at a relatively low cost. There are 12 staff from the areas of corruption prevention, strategic information and internal control supporting the portal on a part-time basis. In addition, a technical group with around 10 people work to maintain the website (Open Knowledge Foundation 2013).

Impact

The Transparency Portal has been instrumental in supporting the direct social control of the government's activities. The media and watchdog groups have been using the information of the portal to denounce wrongdoings and monitor how public money is being spent by the Federal Government. For instance, using data published on the website, media outlets denounced alleged misuse of the government's "payments cards". The reports led to internal investigations and ultimately to the resignation of the minister responsible (Open Knowledge Foundation 2013).

Non-governmental organisations have also used information from the portal to highlight expenditure in specific areas of interest. A group of computer programmers developed the website Where Did My Money Go (Para onde foi o meu dinheiro) to present the data from the portal in an easy-to-understand format. Using coloured squares, for example, the website shows the amounts spent on transportation, education and human resources. Users have access to more detailed information by clicking on the square.

The government also uses the information from the portal to scrutinise public spending. For instance, in 2008, the Office of the Comptroller General

established the Public Spending Observatory (ODP). The observatory uses data from the portal and from several internal platforms to look for suspicious patterns and potential wrongdoing. One of the analyses, for example, consisted of collecting the names of the beneficiaries of the federal government's cash transfer programme – available on the portal – and cross-checking with the car registry database. Initial findings suggested that several beneficiaries of the programme owned expensive cars, but further investigation indicated that they were in fact not the real car owners, but had their names used by wealthy individuals seeking to evade taxes (Office of the Comptroller General 2012).

Challenges

One of the main challenges of the portal, as with other open government initiatives (Simson 2014), is to ensure meaningful participation by citizens. The website provides a great amount of information which, if not widely used, is unlikely to translate into more accountability. It is key that citizens, civil society organisations, media and public officials are trained to effectively use the disclosed data.

In addition, another challenge relates to the fact that Brazil's internet penetration is relatively low (40 per cent of the population) and distributed unequally. Among the poorest families, less than 20 per cent have internet access (IBGE 2013).

As part of its Open Government Partnership commitments, the Brazilian government aims to revamp the Transparency Portal to improve its quality and usability based on the lessons learnt from the last 10 years (Open Government Partnership 2013).

South Korea

Background

The web portal Digital Budget & Accounting System (dBrain), established in 2007, is seen as an innovative approach in the area of open budgets (Open Knowledge Foundation 2013).

dBrain is an integrated financial information system designed to systematically manage a series of processes such as budget formulation, execution, including procurement processes, accounting and performance evaluations. It also creates a platform for civic engagement. The portal was created with the aim of having a single platform to implement national finance, improving user convenience through integrated budget management, increasing accuracy of budget information, as well as preventing corruption (Government of the Republic of Korea 2013).

Main features

The portal main features include (Open Knowledge Foundation 2013):

- real time information on budget formulation, execution, account settlement and performance management

- automated financial revenue and expenditure handling

- data on procurement processes

- strategic allocation of financial resources and performance-based financial operations

- participatory budgeting where the central government, local governments, public institutions and the public jointly decide on the allocation of resources

- a "budget waste report center" where individuals can report alleged misappropriation of government funds. The government created a system of incentives ("budget saving incentive bonuses"), where citizens reporting corruption may be awarded up to US$30,000 if allegations are found to be true

- a financial statistics analysis system

- an electronic bill presentment and payment (EBPP) function enabling users to pay taxes and late payment penalties using internet banking

With regard to the budget function of the website, the system allows users to monitor the entire process, from budget formulation and allocation to execution

within a single system, which prevents the duplication of entries and improves reliability and accuracy of the data provided. Moreover, when budgets are executed through contracts, users can also make use of the online e-procurement system which is now integrated into the portal (Government of the Republic of Korea 2013).

Target audience

Website users include citizens, public officials in charge of central government budget and accounting, as well as public officials in charge of treasury management of local governments. In addition, the website was also designed to enhance citizens' participation in budget decision-making, although the number of external users remains limited. As of 2012, the website was accessed by 50,000 users (Ministry of Strategy and Finance no year).

Resources needed

The total cost to develop the portal was approximately of US$63 million. The portal is managed by the Fiscal Management Bureau of the Ministry of Strategy and Finance and its development was designed and managed by public servants specialised in financial management. The maintenance of the portal is outsourced to private IT companies.

As the website was developed in different modules (e.g. the central financial information system, the financial statistics system and the business support system), it is possible to customise it for different contexts, which could potentially reduce the development costs if any other country wishes to adopt a similar approach. Currently, the Korean government is providing support to other countries interested in implementing similar systems. For instance, a memorandum of understanding was signed with Ecuador and Russia (Government of the Republic of Korea 2013).

Impact

According to a survey conducted with public officials as well as external users of the portal, the great majority considered that the establishment of the dBrain has helped to increase transparency and efficiency in public spending. Respondents also mentioned an increased level of accuracy of the disclosed data since the creation of the portal (Hwang 2012).

The portal has also proven to be useful to government officials who can now review budget execution in an easier and more reliable manner (Open Knowledge Foundation 2013). Public officials can now monitor and manage their own programmes easily as the portal enables searches by programme, business unit and by project. In addition, budget authorities have a tool that allows them to make more efficient and strategic budget decisions as detailed information on financial statements of previous projects are available online (Open Knowledge Foundation 2013). Similarly, it has also become easier for the Korean legislature to review budget documents and information on budget execution from different government agencies and departments (Open Knowledge Foundation 2013).

Challenges

While the website has proven to be very useful to government officials and has significantly increased transparency, it remains a challenge to increase the participation of the general public in budget planning and formulation. So far, citizens' usage of the platform has remained relatively limited (e.g. use of electronic payment and transfer system), and had less focus on actively supporting the fiscal decision-making process (Open Knowledge Foundation 2013).

Procurement portals

Georgia

Background

Public procurement processes in Georgia have always been highly opaque, bureaucratic and inefficient, leading to high risks of corruption, unreliable data, restricted competition and high compliance costs (Competition and Procurement Agency 2012; Huter & Chanturia 2014).

In 2010, the government decided to reform the procurement process, establishing a fully electronic platform through which all public purchases should be made.

Georgia's e-procurement platform was created with

the aim of simplifying procurement procedures. By recording all activities throughout the budget process, from the tender announcement to contract award, the website also aimed at increasing transparency and reducing the opportunities for corruption.

The platform is often referred to as an example of good practice (Transparency International Georgia 2013) and it has been recognised as one of the best worldwide, according to the United Nations (United Nations Public Administration Network 2012).

Main features

The main features of the e-procurement platform include (Competition and Procurement Agency 2012; Huter & Chanturia 2014):

- information on individual tender documentation, documents submitted by bidders, participating bidders, their bids and all signed and amended contracts

- a clarification mechanism, where bidders can submit questions/requests for clarification regarding bids and receive an answer online within a short timeframe

- company white list, which consists of a list of companies that have been considered reliable in the past

- company black list, containing all legal entities that have been barred from contracting with the public sector

- integrated appeal mechanism, where bidders can file complaints regarding a specific tender

- electronic dispute resolution, where complaints put forward by bidders are reviewed by the review board which includes a representative from Transparency International Georgia. All complaints and decisions made by the Board are available on the portal.

Target audience

The portal's primary audience are those companies

and individuals participating in procurement processes. As of March 2012, there were more than 12,000 registered users (Competition and Procurement Agency 2012). Nevertheless, the website is extremely relevant to other public officials, civil society, the media and citizens in general who wish to monitor how public money is spent. According to the Competition and Procurement Agency, the portal received more than 170,000 unique visitors in 2012.

Resources needed

The procurement platform was developed by the Competition and Procurement Agency within one year and cost approximately US$1 million. According to the agency, the decision to develop the platform in-house significantly reduced the costs and the amount of time required to have a fully functioning system in place. Currently, the platform is also maintained by the agency (Competition and Procurement Agency, 2012).

Impact

The e-procurement platform helped to streamline procurement processes, increasing competition, limiting the discretionary power of procurement officials, enhancing transparency and in turn reducing the opportunities for corruption. According to the Competition and Procurement Agency (2012), in 2012 savings of more than US$142 million were generated due to the new system.

In addition, the procurement information is also instrumental for civil society organisations, citizens and the media to hold the government to account. For instance, TI Georgia gathers the information disclosed on the e-procurement portal and publishes it on another website (tendermonitor.ge) in a user-friendly manner where the public can search, monitor and analyse the contracts. While the information published by the Georgian government is very useful, only data on individual cases is made available. TI Georgia has thus been aggregating this data so that profiles of procurement transactions of all government agencies and of all companies that bid for public contracts can be made available (Huter & Chanturia 2014).

Challenges

While the platform has led to significant improvements in the country's public procurement system, an important loophole remains to be addressed. The law on public procurement provides for many exemptions that allow for contracts to be tendered outside the electronic platform (Huter & Chanturia 2014).

According to TI Georgia, in 2012, contracts worth more than US$458 million were procured under opaque procedures and without competition as a result of a special approval by the president and the government. Overall during 2012, approximately 45 per cent of all public contracting was done through non-competitive simplified procurement and approximately 55 per cent was procured through the e-procurement platform (Transparency International Georgia 2013).

2. TRANSPARENCY IN BUDGET EXECUTION: LESSONS LEARNT

Experience with regard to budget execution has shown that transparency can significantly enhance efficiency, prevent fraud and corruption, and help to identify potential wrongdoing and leaks. There are several examples where the publication of budget execution data online has proven instrumental to uncover corruption schemes and punish those involved.

The case of Brazil discussed above shows that proactive disclosure of budget information combined with citizens' participation has increasingly helped build capacities of different actors to better understand and challenge public expenditure. In addition, the availability of data has helped reinforce the media role as a watchdog, enhancing the supervision of governmental programmes (Alves & Heller 2011).

Similarly, in India, the publication of data related to budget execution allowed non-governmental organisations to expose how the government had diverted funds from programmes for marginalised communities to finance the 2010 Commonwealth Games. After the issue reached the media, the government admitted that US$130 million of public funds for a marginalised group was wrongly diverted and committed to returning the money (International Budget Partnership 2012).

In addition, transparency in public expenditure, particularly in public procurement processes, may help to identify corruption, including collusion between bidders and public officials, favouritism and patterns of bribery (Isaksen 2005).

Overall, the cases reviewed show that transparency in budget execution provides not only civil society and the media with the tools to monitor the process, but also that the existence of a single platform with fiscal data improves and facilitates the work of public officials.

How should information be disclosed?

To ensure that the information disclosed can be used by citizens, the media and parliament to hold public officials to account, it is important that the data is of a high-quality, accurate and easily accessible. Good practice in this area calls for the disclosure of fiscal information in a timely and systematic manner, preferably using a single online platform (World Bank 2013).

In addition to budgetary information, such as revenues and expenditures, fiscal transparency advocates also demand the publication of other information relevant to assess budget execution, such as public procurement data, sub-national budget information and audit reports (Open Spending no year)

To ensure that the information disclosed and the online platforms are useful, the World Bank (2013) highlights a series of principles that should be followed. The information disclosed should be:

- Timely and comprehensive: the government should provide detailed information on budget plans and execution results, including access to all revenues, allocations and expenditures.

- Reliable: the World Bank underscores that data coming from financial management information systems[1] are more likely to be accurate. In any

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[1] According to the World Bank, "financial management information systems (FMIS) support the automation and integration of public financial management processes including budget formulation, execution (e.g.

case, the source of the data should always be stated.

- Comply with open data standards: the information should be accessible to the public, editable (machine-readable), presented in a reusable format and without any restriction (free of charge).

- Effective: the government should provide meaningful information on fiscal policy, budget performance and achievements in order to allow for monitoring and meaningful assessment by civil society, the media and other interested actors.

- Presented in a useful manner: portals should be user-friendly and interactive, allowing users to filter results and analyse the data per organisational unit, for example.

Moreover, reporting mechanisms for denouncing the misuse of funds and corruption need to be easily available to encourage people to report potential wrongdoing.

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