



Public Participation in Budgeting and Budget Execution

General Context

Over the past decade, significant progress has been achieved with regard to public finance transparency and accountability. The Ministry of Finance, as along with sectoral ministries and agencies, are publishing information regarding budget plans and incurred expenses (including procurement) on their own websites. The Ministry of Finance also publishes a State Budget guide, which aims to provide information about revenues and expenses for the upcoming year, as well as the government's priorities, in clear vernacular.

The government's national and sectoral strategies and action plans are also electronically accessible.

The State Audit Office is publishing audit reports, as well as reports on the executive budget proposal and budget execution, on its own website.

These factors, together with other financial reforms, have had an impact on Georgia's international standing and the country's place in the rankings on democratic governance, public finance and corruption perception.

In the Open Budget Index,¹ which is a unique and highly influential assessment of budget transparency, Georgia's total points improved from 33 (on a scale of 100) in 2006 to 66 by 2015, indicating that the Georgian government has been providing the wider public with significant information about the budget. However, public participation in the budget process has been assessed at 46 points out of a possible 100, suggesting that the Georgian government has been offering limited opportunities to become involved in the budget process. Therefore, the extent of public participation in the budget process requires significant improvement.

Budget oversight by the Georgian Parliament has been assessed by 73 points out of a possible 100, while budget oversight by the supreme audit institution received a perfect score of 100. Both these figures show that budget oversight in Georgia is adequate.

¹ The assessment of countries' budget systems and the ranking of countries based on a specially designed questionnaire, is conducted by the International Budget Partnership. The questionnaire includes up to 130 questions that are assessed on a 4-point scale (A, B, C, D).

However, the status 'adequate' does not reflect the gap between the two different scores, and it is clear that the Parliament's budget oversight requires improvement.

A number of steps must be taken to increase public participation in the budget process. Implementing the following recommendations may significantly increase both public interest towards and involvement in the budget process.

Recommendations

1. Changes to the Budget Code of Georgia. Per legislation in force, accountability, which constitutes one of the fundamental principles of the budget system, stands for "the responsibility of all budget process participants for their own actions and for the information that they provide regarding the budget." It does not determine the executive government's public accountability. Through changes to the Budget Code, it is important to determine the following:

- ✓ The executive government's duty to ensure public participation.
- ✓ The aim of public participation, which cannot be limited to providing information (partial information is already being provided by sectoral ministries).

During the budget planning stage, the aim of public participation is to explore public opinion on the following issues:

- ✓ The compatibility of the ministry/agency's short-term and medium-term priorities with existing needs and problems.
- ✓ The effectiveness of the planned programmes/activities with regards to resolving existing problems.
- ✓ For legislative/representative bodies, the aim of public participation is to establish to what extent the programmes/activities of the ministries/agencies correspond to public needs and expectations, as well as to the government's medium-term priorities.
- ✓ During the budget execution stage, the aim of participation is to learn public opinion about the correlation between the expected results and the actual ones, and about which areas require a course of action change .

2. Development of programme budgeting. Ensuring meaningful public participation in the process of composing and executing the budget is impossible without a programme budget, which must have the nature of a programme both in terms of its form and its content. It is impossible to be results-oriented without meaningful programme budgeting. If the budget does not allow us to be results-oriented, then clearly the public will be unable to hold the government accountable for the results.

Georgia switched to programme budgeting in 2012, and within certain ministries, one can clearly detect progress in this regard (for example, within the Ministry of Labour, Health and Social Affairs, and the Ministry of Education and Science). Furthermore, the logical framework of the programme budget changed for the better in 2015. Nevertheless, there is still a long way to go to attain a results-oriented budget.

Within the programme budgets of ministries/agencies:

- Outputs, outcomes, indicators and targets more often than not are totally mismatched.
- Outputs and outcomes are not measured against pre-defined achievement indicators (it is not necessary for an indicator to always be measurable, but whenever possible, it ought to be quantitative, rather than qualitative).
- In certain cases, no indicators are provided at all.
- Indicators are mixed up with each other (therefore, outcomes are not outcomes per se).
- Both budgeting and budget execution focus on inputs (expenditures), which explains why outputs and outcomes receive less attention.

3. Preparing a popular version of the budget guide. Since 2015, the Ministry of Finance has produced an annual guide to the following year's State Budget Project. The guide includes a description of the budget system, the budget process, the participants involved in the system, the government's general medium-term priorities, as well as revenue and expense indicators. This initiative requires further improvements. It would be advisable to prepare similar documents at the budget reporting stage. Sectoral ministries play an important role in this process, as they must prepare short pieces of information about their respective sectors with regards to the existing situation and challenges, medium-term plans, programmes that were implemented during the previous year and their effectiveness (the number of programme/sub-programme beneficiaries, the scale of the rendered services, planned results, deviation from target forecasts, explanations, risks and challenges).

4. Sectoral ministries' duty to meet stakeholders. In the process of developing their medium-term priorities and budget statements (during the period from March until September), sectoral ministries must conduct at least three public meetings:

- ✓ The first meeting should take place in April or May, when the ministries are developing or updating medium-term action plans in accordance with the Budget Code. This stage should see the assessment of the past year's results and achievements within international and regional contexts, medium-term policy challenges and how the government plans to overcome them.
- ✓ The second meeting should take place in July or August, while work is being carried out on programmes and sub-programmes. It is particularly important to organise meetings during this period, in order to consider public opinion with regards to the following issues:
 - Design and quality of rendered services
 - Effectiveness of ongoing programmes
 - The need for changes and updates
- ✓ The third meeting should take place in September, once the parameters of next year's budget and sectoral funding have been clarified with the Ministry of Finance and the government. At this point, it is necessary to explain to the public/non-governmental sector and the experts to what extent the stated targets have been

realised, and how financial constraints (if any) have affected the programme's expected results and indicators.

Meetings must involve a wide range of stakeholders, including service users, interest groups, various state agencies, as well as donors (in cases when specific programmes are being co-financed by donors).

5. Using interactive methods of communicating with the public.

- ✓ **Website.** The public information section containing data about the agency's budget, must be expanded to provide the public with information about the agency's programmes. Together with financial information, the section must contain data about the project's aims, description and results. It should also specify who can become involved in the programme, and how. There must also be a facility to submit feedback for each one of the projects within the section, providing members of the public with the opportunity to express their views, satisfaction or dissatisfaction with the service and/or its supplier.
- ✓ **Calendar of public meetings.** The public information website should also contain a calendar of meetings with stakeholders and members of the public, indicating the times and locations of these meetings.
- ✓ **Facebook page.** The Facebook pages of ministries/agencies mainly contain information about visits and meetings conducted by the respective minister/head of agency. It is important to instead (or simultaneously) place video clips about the ministry's programmes on the page. These clips may fulfil the function of a guide by providing the following information:
 - The programme's aims
 - Who can benefit from the programme
 - What kind of application form must be completed
 - How it may be possible to communicate one's own views with the ministry
- ✓ **Online surveys.** It is important to establish a web portal containing online questionnaires for service users. The aims of the online questionnaires include the following:
 - Assess the quality of services provided by the state as part of its educational, healthcare, social etc. programmes (user satisfaction; the amount of time taken up by the process of receiving the service in question (including the registration period); the user's financial contribution towards obtaining the service; expected and actual benefits).
 - Receive feedback with regards to improving services.
- ✓ **Producing information brochures and clips** (particularly for provincial regions), which talk about the importance of public participation in the budget process.

6. **Supplementing the package of the Law on State Budget with an Appendix on Public Participation.** The supplement must contain information about public participation in the budget project, namely:

- The number of public meetings held, and which ministries were involved
- Periods and locations of the meetings (within Tbilisi and the provincial regions)
- The number of informative video clips and the means by which they were distributed
- The number of brochures produced and distributed (including geographical distribution)
- How many people became involved in the process of public participation in budgetary issues
- To what extent public views and comments were taken into account when composing the previous year's budget.

7. Learning from the best international practices of public participation and correcting the public participation events accordingly: It may seem logical to learn about the best international practices prior to establishing the public participation system. However, in our experience, such an approach might delay the establishment of the system to such an extent that it is better to establish the system first, and then implement corrections/changes based on the best experiences from abroad.

Sources Cited:

- Budget Code of Georgia
- Finance Ministry website
- The Finance Minister's decree regarding the approval of methodology of composing a programme budget (08.07.2011)
- Open Government Partnership – 2016-2017 action plan
- Open Budget Index (2006, 2008, 2010, 2012, 2015)