

Explain That to Us:

# How Governments Report On and Justify Budget Deviations

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# CONTENTS

- Executive Summary ..... 3**
  - Background..... 3
  - The Research ..... 3
  - The Findings..... 4
  - How Can We Move Forward From Here? ..... 5
- 1. Introduction: Confidence Game..... 6**
- 2. The Research Process..... 11**
  - Partner Research ..... 11
  - Research Challenges..... 11
- 3. The Sample ..... 13**
  - Challenge of Assessing the Impact of Underspending ..... 17
- 4. Reasons ..... 20**
  - Publishing Reasons ..... 20
  - Interviews ..... 23
  - Types of Reasons ..... 23
- 5. The Quality of Reasons..... 26**
  - Assessing Explanations ..... 29
  - Better Practices ..... 35
  - What We Learned About Our Criteria ..... 36
- 6. CONCLUSION: Toward Better Public Reasons..... 40**
  - How Can We Move Forward From Here? ..... 41
- ANNEX 1: Description of Civil Society Partners’ Selected Budget Credibility Cases ..... 43**

# EXECUTIVE SUMMARY

## BACKGROUND

Declining confidence in government stems in part from the ways in which governments act, but also from the ways that they communicate with the public about their actions. When governments fail to meet their promises and then do not inform the public or encourage dialogue about their actions, this opacity, whether intended or not, breeds cynicism about the public sector. It also undermines accountability: without such information, citizens and oversight actors struggle to make sense of government actions and to distinguish between cases of responsive governments adjusting to changing contexts, and irresponsible deviations from agreed priorities.

In 2018, the International Budget Partnership (IBP) set out to learn more about *budget credibility* – the degree to which governments implement their budgets. In this report, one of several studies IBP is producing on the subject, we focus on the question of whether and how governments publicly justify deviations that occur during budget implementation.

## THE RESEARCH

Our research was undertaken in partnership with 24 civil society organizations (CSO) in 23 countries over the period from October 2018 – January 2019. Each CSO partner identified a credibility challenge in their country that they deemed important. In order to qualify for inclusion in the project, the cases selected had to be consequential: the deviations between enacted budget and actual expenditure or revenue had to have occurred repeatedly over at least a 3-year period (i.e., no one-offs due to shocks), had to exceed, on average, 5%, during that period, and had to relate to a program or area of spending with recent and direct impact on budget priorities and the quality of people's lives.

The partners were expected to: (1) provide data on the extent of the credibility challenge; (2) document any published government explanations – from key budget documents, sector and program documents, legislative reports and reports by other government agencies; (3) document the non-published explanations they received through interviews or direct information requests; and (4) assess these explanations for adequacy via reasoning criteria that we provided.

Our criteria for assessing the adequacy of reasons are still provisional and not comprehensive, but they strive to examine the government explanations here for five things: (1) Do the explanations clearly provide a causal link for the deviation? We consider this a minimally acceptable condition. (2) Are they specific enough about the causes?

(3) Do they provide enough detail to explain variation in outcomes? (4) Are they consistent with past experiences, or do they describe how conditions have changed? (5) And, do they address the most important deviations?

## THE FINDINGS

Overall, the extent of deviations in the budget areas identified by partners was severe. While this was partly influenced by the parameters we set for inclusion in this study, it is notable that, in most of the cases, deviations exceeded 20 percent, far above our threshold, and involved underspending on priority items, such as health, education, and nutrition. The type of reasons provided for these budget deviations varied, but the most common reason, provided in half of the cases we examined, pointed to sluggish bureaucratic or administrative procedures.

Two-thirds of the governments involved with this research provided some sort of published justification for deviations in their budget documents, an indication that they have already accepted our basic premise: that citizens deserve to be given explanations for promises that are not fulfilled. And most of the partners that participated in our study were able to get interviews with government officials to further discuss the budget deviations that they were concerned about. This too suggests a willingness to engage in dialogue with citizens about budget credibility that we should not take for granted, and that may well not have existed a couple of decades ago.

But, at the same time, our study also showed that too many countries either do not provide explanations (33%) or provide explanations (whether in published reports or in interviews) that fall well short of what we might expect. Many of the reasons put forth are too general, and do not explain the specific areas of poor credibility that citizens are concerned with. Others are too generic, leaving citizens without clear causal mechanisms that plausibly explain low credibility. Even the best cases we reviewed leave variation across time and different programs or ministries unexplained, making it hard to claim that these reasons adequately explain budget deviations.

While all countries could improve the kinds of reasons they provide, some governments provide more detailed and disaggregated reasons than others. The fact that some governments provide reasonably extensive published explanations for budget deviations also means that there are some practices that already exist that can be borrowed by governments that want to do better.

We found that the criteria we proposed to guide this research did help partners to assess governments' explanations, but they require further refinement. Not all the criteria applied to all the cases considered, making it difficult to use them to create a point system. Nevertheless, looking for specific reasons with causal mechanisms that can explain variation over time and across programs and ministries (as our criteria do) proved a useful starting point for looking more deeply at the reasons governments provide for budget deviations.

## HOW CAN WE MOVE FORWARD FROM HERE?

1. Civil society can continue to help refine the criteria for assessing the quality of reasons, so that we can work toward generally accepted global principles.
2. Governments can share practices with each other about how to publish explanations for budget choices and actions and can engage civil society to better understand the types of explanations that will build confidence between governments and citizens.
3. Legislators can demand better published explanations from government for budget deviations and deliberate on budget implementation data and explanations in robust public hearings in their chambers.
4. Finally, international institutions that set standards for public finance practices can do more to incorporate the need for explanations and an assessment of their quality into their frameworks.

# 1. INTRODUCTION: CONFIDENCE GAME

Ours is an extraordinary moment in the history of democracy. Liberal democratic institutions experienced a vertiginous ascent starting in the 1970s, as democracy spread across cultural and geographical boundaries once believed to be impermeable. But democracy's tide has ebbed since then, and the last several years have seen liberal institutions come under fire, as many citizens, from diverse ideological camps, express disappointment with democratic governments perceived as distant and incapable of providing effective services or addressing growing inequality. This is part of a broad crisis of confidence in representative government, and in other formal institutions (e.g., political parties, media) that are no longer trusted.

There are many ways to react to the perceived limitations of current versions of liberal democracy. One is to revert to some form of authoritarianism, and this has been the animating spirit of many populists who have gained prominence in recent years. An alternative is to demand further democratization of liberal regimes; this amounts to a claim that democracies must become more representative, and that citizen voice and participation must be at the core of how democracy functions. Many experiments are already underway all over the globe that seek to democratize governance in this way, including the use of citizen juries, participatory budgeting, deliberative polling, and crowd-sourcing political reforms.<sup>1</sup>

While further democratization does involve fundamental changes in how institutions work, it is built on a set of basic minimum principles, already widely shared, about the roles and responsibilities of citizens and governments. For example, one simple democratic proposition is that when citizens delegate responsibility to government officials, they expect to be informed about government plans and decisions. They expect to be told when those plans and decisions change, as they inevitably will from time to time, and why those changes are happening. And they expect to have opportunities to consider and express their views on these plans and decisions, and the reasons for these changes, before and after they happen.

This is not a radical proposition. We expect most people would agree with its spirit (in democracies, and many non-democracies as well). Yet few governments live up to it. If we think about the national government's budget as the locus of major plans and decisions each year, we would expect that the budget itself would be published, but also that information on changes during the year would be made available, and that governments would explain the ways in which they deviated from these plans at the end of the year. These are international standards which already exist, and which are captured in our Open Budget Survey.

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<sup>1</sup> This introduction draws in part on the global report "Open Budget Survey 2017" (International Budget Partnership, Washington, D.C., January 2018). <https://www.internationalbudget.org/wp-content/uploads/open-budget-survey-2017-report-english.pdf>.

According to the most recent Open Budget Survey (2017), 87 percent of countries surveyed publish an Enacted Budget, indicating what they are intending to do in a given year. But only 66 percent of countries surveyed publish a Year-End Report, where governments report back on what they have done. In many countries, even when a Year-End Report is published it does not contain detailed information about revenue or expenditure deviations, and it lacks basic explanations for these deviations. According to an additional assessment we carried out in 2018 on 24 of the countries that produce YERs, only four (17 percent) provide any kind of explanations for deviations.<sup>2</sup>

Declining confidence in government stems in part from the ways in which governments act, and in part from the ways that they communicate with the public about their actions. When governments fail to achieve promised budget targets, or to inform the public or encourage dialogue about their actions, this undermines confidence and breeds cynicism about the public sector. Yet many governments fail to provide even basic information about what they are planning and what they are doing, even when they are successful. This report is about one way in which governments are losing the confidence game, but it also offers some simple ways in which they could play better.

The degree to which governments implement their budgets, which is also known as “budget credibility,” is a theme of considerable importance to public finance experts. Public finance specialists often focus on *aggregate budget credibility*, meaning whether total actual revenue and expenditure match the budget, because when governments fail to meet their revenue targets, or exceed their spending targets, this can lead to growth in the deficit and unsustainable fiscal policies.

Governments may also meet their macro-fiscal targets but fail to spend budgeted funds for priority sectors like health or education, if such funds are shifted to other parts of the budget. This is also a sign of poor budget credibility, and it deserves equal attention. The importance of this type of credibility challenge is recognized in the Sustainable Development Goals. SDG 16.6.1 targets budget credibility at both aggregate and sector level. The Public Expenditure and Financial Accountability (PEFA) framework, hosted by the World Bank, refers to this as “compositional credibility,” i.e., the extent to which the composition of the budget at the ministry or sector level is credible.<sup>3</sup> But, of course, credibility can be undermined at an even lower level, when programs, sub-programs, activities, or projects are deprived of their approved funding during the budget year.

Budget credibility matters to non-experts, too. Failure to spend on specific programs, or decisions to shift resources from one part of the budget to another, are of significant concern to citizens. When governments fail to implement their budget as enacted, or when they decide to shift public funds from one area to another, they owe

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<sup>2</sup> “Budget Credibility: What Can We Learn from Budget Execution Reports?” (International Budget Partnership, Washington, D.C., July 2018). <https://www.internationalbudget.org/publications/budget-credibility-execution-reports/>.

<sup>3</sup> “Framework for assessing public financial management” (Public Expenditure and Fiscal Accountability (PEFA) Secretariat, Washington, D.C., February 2016). [http://pefa.org/sites/default/files/PEFA%20Framework\\_English.pdf](http://pefa.org/sites/default/files/PEFA%20Framework_English.pdf)

citizens an explanation. Without such information and explanation, governments are less likely to be accountable for their actions.

Yet systematic, cross-country information on compositional credibility problems, and the degree to which governments justify them, is quite limited.<sup>4</sup> In 2018, we set out to learn more about budget credibility at a disaggregated level, and to learn whether and how governments justify budget deviations. This report summarizes findings from an assessment that was undertaken in partnership with 24 civil society organizations in 23 countries (Table 1).

Each civil society organization partnering with us in this study identified credibility challenges in their country that they deemed important and chose to scrutinize a case where the government consistently failed to raise or spend funds as it said that it would at the start of the fiscal year. They looked for explanations for these deviations in published documents and then sought interviews with public officials to further understand the deviations.

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<sup>4</sup> Some data is available from both PEFA and BOOST on compositional credibility, though PEFA covers a limited number of years for each country, and is carried out only periodically, while BOOST has more limited country coverage. Neither of these sources collect systematic information on explanations for budget deviations at compositional level.



**TABLE 1. PARTICIPATING ORGANIZATIONS AND THEIR BUDGET AREAS OF RESEARCH**

<b>Country</b>	<b>Organization</b>	<b>Budget area of investigation</b>
<b>Afghanistan</b>	Integrity Watch Afghanistan (IWA)	Capital
<b>Argentina</b>	Asociación Civil por la Igualdad y la Justicia (ACIJ)	Child care
<b>Australia</b>	Tax and Transfer Policy Institute (TTPI)	Company tax
<b>Bangladesh</b>	University of Dhaka/Research and Policy Integration for Development (RAPID)	Women's programs
<b>Benin</b>	Social Watch Bénin	Health
<b>Brazil</b>	Institute for Socioeconomic Studies (Inesc)	Women's programs
<b>Dominican Republic</b>	Fundación Solidaridad	Health
<b>Ecuador</b>	Fundación para el Avance de las Reformas y las Oportunidades (Grupo FARO)	Education
<b>Guatemala</b>	Instituto Centroamericano de Estudios Fiscales (Icefi)	Road infrastructure
<b>Hungary</b>	Fiscal Responsibility Institute Budapest (FRIB)	Public research
<b>India</b>	Support for Advocacy and Training to Health Initiatives (SATHI)	Health
<b>India</b>	National Campaign on Dalit Human Rights (NCDHR)	Education
<b>Indonesia</b>	Perkumpulan Inisiatif	Nutrition
<b>Kenya</b>	Institute of Public Finance Kenya (IPFK)	Health
<b>Mexico</b>	Fundar, Centro de Análisis e Investigación	Social Development / Agriculture
<b>Nigeria</b>	BudgIT Foundation	Education
<b>Paraguay</b>	Centro de Análisis y Difusión de la Economía Paraguaya (CADEP)	Nutrition
<b>Portugal</b>	Thomas Jefferson-Correia da Serra Institute of Public Policy - Lisbon (IPP)	Capital
<b>Romania</b>	Funky Citizens	Capital
<b>Serbia</b>	Transparency Serbia	Contingency fund
<b>Sierra Leone</b>	Budget Advocacy Network (BAN)	Health
<b>Sri Lanka</b>	Verité Research	Agriculture
<b>Ukraine</b>	Centre Eidos	Road infrastructure
<b>Zimbabwe</b>	National Association of Non-Governmental Organisations (NANGO)	Education

Budget credibility challenges arise all over the world, in a wide range of sectors and programs. Many budget deviations are substantial, involving underspending (or under-collection of revenue) of as much as half of the budget (or, in a few cases more), and they have an impact on priority services like education, health, and infrastructure. For example, in 15 of the 24 cases that we examined, the average absolute deviation exceeded 20% of the original budget. Some governments provide the public with substantial information about budget deviations, while others provide almost none. Most countries publish explanations for the specific deviations investigated, but many do not. Of those countries that provide explanations, most of them are inadequate, failing to specify causes or explain variation in performance over time or across programs.

While this report shows that most governments fail to publish adequate explanations for budget deviations, it also suggests that doing so is possible and relatively easy. There is wide variation in government practice, but some governments do provide detailed and regular explanations which, while imperfect, help to set reasonable standards for what other governments, who currently publish nothing, could aspire to. Given the size of the budget deviations documented in this report, and the degree to which they can impact on major social priorities in health, education, and beyond, it is essential that governments improve the ways in which they communicate about them. This is the minimum that accountability demands, and that is necessary to build confidence that government is in fact operating in the public interest even when it changes its plans. Enhanced communication with the public on budget deviations cannot alone remedy the crisis of confidence in representative democracy, of course, but a journey of a thousand miles begins with one step.<sup>5</sup>

The remaining sections of this report delve into our findings in detail, as follows:

- Section 2 – the research process in more detail
- Section 3 – the countries selected, the issues investigated, and the extent of deviations
- Section 4 – the reasons: countries providing public justifications for budget deviations and the types of reasons offered
- Section 5 – the quality of justifications: descriptions of the criteria used for the project, and some of the challenges confronted in applying them
- Section 6 – conclusions and recommendations

In addition to this full synthesis report, we have prepared summaries of each of the 24 cases involved in our research; these will all be available online. Readers interested in the underlying full case reports prepared by our partners can access those through links in the case summaries.

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<sup>5</sup> Adapted from Lao Tzu, *Tao Te Ching*, Chapter 64, [http://www.with.org/tao\\_te\\_ching\\_en.pdf](http://www.with.org/tao_te_ching_en.pdf).

## 2. THE RESEARCH PROCESS

In August of 2018, we issued an open call to civil society organizations in our network around the world to participate in a joint research project on budget credibility. Each organization had to identify an area of the budget in their country with poor budget credibility and explain why that area merited attention. We received applications from 72 organizations and accepted 25. Nearly all approved organizations completed the study. The discussion in this report is based on the 24 reports that we eventually received.

In order to qualify for inclusion in the project, partners had to identify a credibility challenge where the deviations between enacted budget and actual expenditure or revenue:

- Occurred repeatedly over at least a 3-year period and exceeded, on average, 5 percent
- Were relevant, as they related to a program or area of spending with recent and direct impact on budget priorities, and significance to the quality of people's lives

We also sought out cases where it seemed that the conditions in the country were propitious enough for a partner to learn more about a credibility problem than what was known at the outset of our work. In some cases, there was clearly more to learn, but it did not seem feasible to learn it in the short time available for this project.

### PARTNER RESEARCH

Partners completed a research plan detailing the issues they were investigating, the documents they would consult, and the interviews they would conduct. They proceeded to collect information in October-December 2018, and to write up their findings and submit them to us by December.

Partners were expected to provide data on the extent of the credibility challenge, document the published explanations they found, document the non-published explanations they received through interviews or information requests, and assess these explanations according to some criteria of adequacy, which we explain in greater detail in Section 5. Data was sought through public documents, but also through access-to-information requests where possible, and through direct contacts with government officials.

### RESEARCH CHALLENGES

Implementation of the study faced several challenges. First, partners had limited time to reach out to governments and get responses. In all cases, partners had at least one month to do this, but given political and administrative calendars in different countries, it was not always possible to interview government officials within this timeframe.

Documenting credibility challenges at different levels and of different types across countries was challenging, as there is no unique standard for reporting on budget credibility.

Finding budget credibility data and looking for explanations inevitably requires consultation beyond the eight key budget documents that we examine through our Open Budget Survey (OBS) and was therefore more open-ended than OBS research.<sup>6</sup> For example, whenever these were available, we asked partners to look at sector working group reports, legislative reports, and other departmental reports that are not covered in the OBS (see Table 2). Not all these reports proved relevant, but we sought to avoid a scenario where explanations were published in documents that we had overlooked. Nevertheless, given the lack of standardization in approaches to reporting, it is always possible that additional documents containing explanations for deviations are available but were not identified.

**TABLE 2. PRIMARY GOVERNMENT RESOURCES REVIEWED**

<b>Executive’s Budget Proposals</b>
<b>Enacted Budgets</b>
<b>In-Year Reports</b>
<b>Year-End Reports and other performance reports with nonfinancial information</b>
<b>Audit Reports</b>
<b>Sector, Ministry and Department Reports</b>
<b>Legislative Reports</b>
<b>Budget Portals</b>
<b>Independent Fiscal Institution Reports</b>

Despite the challenges our partners faced, all found relevant information across a wide range of sources and analyzed it for this study. We look at what they found in the next several sections.

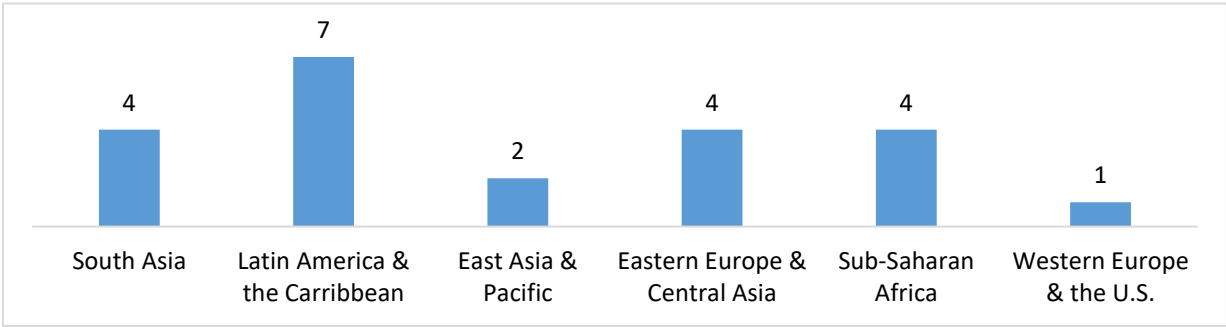
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<sup>6</sup> For more information, see Open Budget Survey 2017, “Methodology” (International Budget Partnership, Washington, D.C., 2018) available at: <https://www.internationalbudget.org/open-budget-survey/methodology/>.

### 3. THE SAMPLE

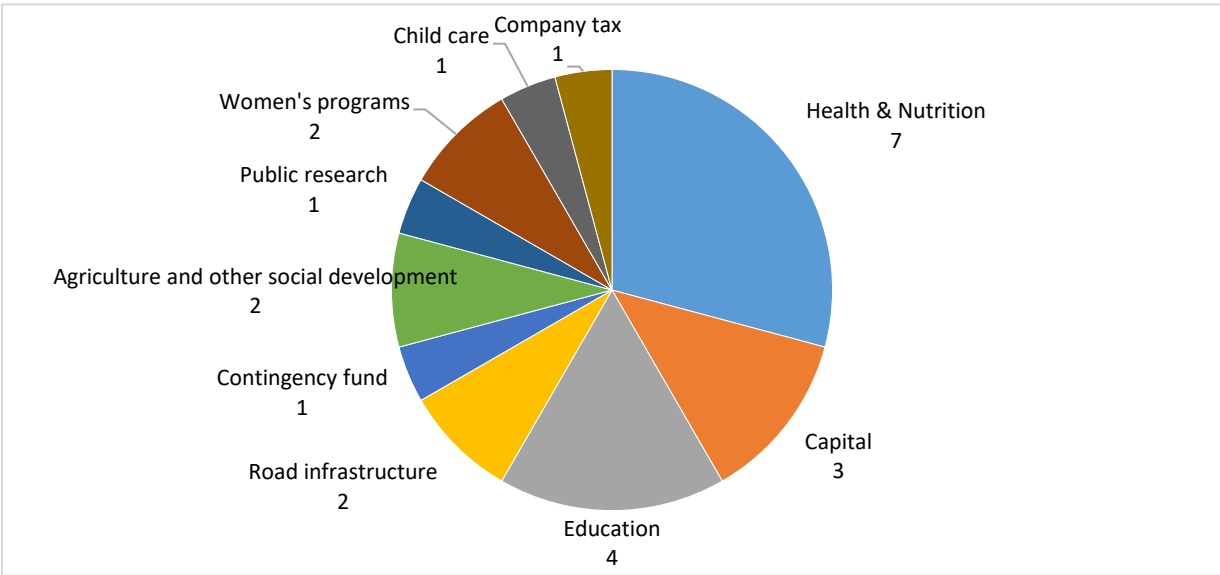
Twenty-four civil society partner organizations from 23 countries participated in this study. The list of the budget areas they chose to assess for budget credibility in their countries is presented in Annex 1. Figure 3.1 summarizes the regional spread of countries covered in the study.

**FIGURE 3.1: COUNTRIES REPRESENTED IN THE STUDY, BY REGION**



While each partner chose to examine a specific issue of budget credibility in their country, these issues fell into broad categories. The distribution of budget areas selected by the partners for this study can be seen in Figure 3.2. In each case, the topic related to an area of significant social impact.

**FIGURE 3.2: DISTRIBUTION OF BUDGET AREAS SELECTED FOR RESEARCH BY PARTNERS**



Partners identified significant budget deviations across these areas. The table below shows the extent of the deviations on average (by quintile) in each case we investigated. In some cases, partners investigated multiple levels of deviation (e.g. ministry, sector, or program-level), and we chose just one for purposes of this table (usually the more disaggregated level, where possible).

**TABLE 3.1: SELECTED BUDGET AREA AND AVERAGE ABSOLUTE BUDGET DEVIATION, BY COUNTRY**

Country	Partner organization	Budget area	Average absolute deviation (%)
Afghanistan	IWA	Capital	41-60%
Argentina	ACIJ	Child care	61-80%
Australia	TTPI	Company tax receipts	20% or lower
Bangladesh	RAPID	Women's programs	41-60%
Benin	Social Watch Bénin	Health	20% or lower
Brazil	Inesc	Women's programs	61-80%
Dominican Republic	Fundación Solidaridad	Health	21-40%
Ecuador	Grupo FARO	Education	81% or higher
Guatemala	ICEFI	Road infrastructure	21-40%
Hungary	FRIB	Public research	20% or lower
India	SATHI	Health	21-40%
India	NCDHR	Education	21-40%
Indonesia	Perkumpulan Inisiatif	Nutrition	21-40%
Kenya	IPFK	Health	41-60%
Mexico	Fundar	Social Devt. / Agriculture	20% or lower
Nigeria	BudgIT	Education	21-40%
Paraguay	CADEP	Nutrition	20% or lower
Portugal	IPP	Capital	20% or lower
Romania	Funky Citizens	Capital	20% or lower
Serbia*	Transparency Serbia	Contingency fund	--
Sierra Leone	BAN	Health	61-80%
Sri Lanka	Verité Research	Agriculture	21-40%
Ukraine	Centre Eidos	Road infrastructure	20% or lower
Zimbabwe	NANGO	Education	21-40%

\* The average absolute deviation is not shown for Serbia because of the special nature of the credibility issue in this country. See footnote 5 in the Introduction and Annex 1 for more information.

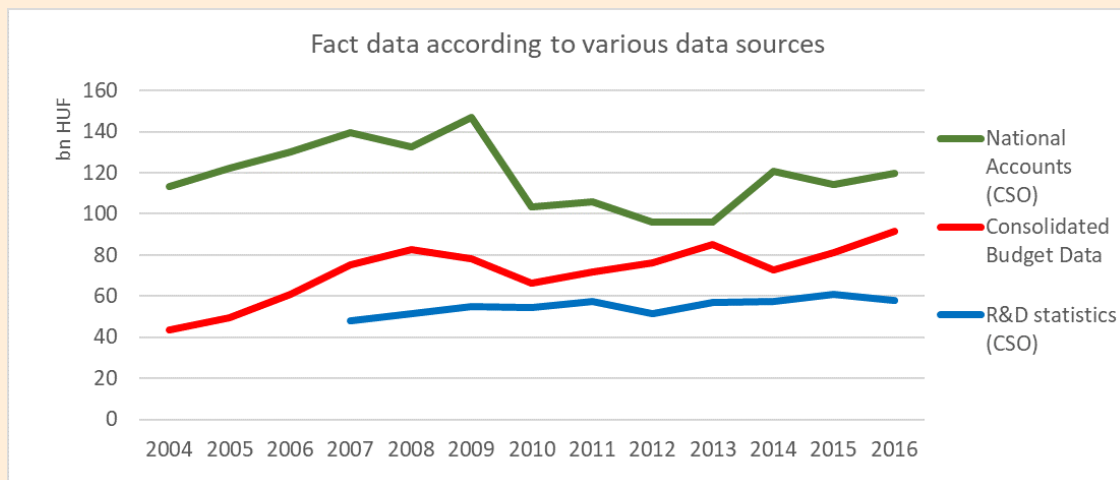
In some cases, it was difficult to identify reliable data showing the extent of deviations, a basic minimum for our research. Boxes 3.1 and 3.2 describe two cases where basic data on budget deviations was inconsistent across sources.

### Box 3.1: Incredible Data: Documenting Budget Credibility in Hungary

A documented credibility problem was a minimum condition for participation in the assessment we carried out. However, in a few cases, as partners attempted to unravel the credibility challenges in their countries, they found that the basic data documenting the problem was itself not entirely reliable.

In Hungary, the Fiscal Responsibility Institute Budapest (FRIB) sought data on the government's basic research budget. FRIB examined four different sources of data on basic research spending (Ministry of Finance, Treasury, National Accounts and Central Statistical Office figures), each of which is classified somewhat differently, and only some of which have original budget data to compare with actual spending. There are significant differences between these sources, and a basic discrepancy between the flow of funds and the stock of unspent appropriations that such a flow should imply. It therefore is almost impossible to define exactly how much was allocated for the basic research function, and how much was spent. For example, Figure 3.3 compares actual spending on basic research reported by three of the four official sources and shows the discrepancies among them:

**Figure 3.3: Actual spending on basic research in Hungary, according to three different official sources**



### Box 3.2: Incredible Data: Documenting Budget Credibility in India

A documented credibility problem was a minimum condition for participation in the assessment we carried out. However, in a few cases, as partners attempted to unravel the credibility challenges in their countries, they found that the basic data documenting the problem was itself not entirely reliable.

In India, the National Campaign for Dalit Human Rights investigated the budget for scholarships for Dalits and Adivasis. In this case, NCDHR collected information on budget execution from both the Ministry of Finance and the University Grants Commission within the responsible ministry. Both sets of figures show budget credibility challenges, but those from the Ministry of Finance show substantial and consistent underspending, while UGC shows that in some years the budget was overspent and in general the deviations are less severe. Cumulative underspending over five years in the Ministry of Finance data is 32 percent, while in the UGC data it is only two percent.

**Table 3.2: Information on budget execution, according to two different official sources**

Source of Data	Ministry of Finance As per expenditure budget profile (US\$ million)				Dept of Higher Education, Min of Human Resource Development (UGC) As per University Grants Commission (US\$ million)			
	Approved Budget (1)	Utilized Amount (2)	Un utilised (3)	% Un utilised (4)	Approved Budget (5)	Utilized Amount (6)	Unutilised (7)	% Un utilised (8)
2012-13	142.8	100.51	42.29	30%	132.29	121.6	10.69	8%
2013-14	118.91	102.63	16.28	14%	114.19	100.02	14.17	12%
2014-15	82.58	60.74	21.84	26%	79.35	86.07	-6.72	-8%
2015-16	81.71	40.53	41.18	50%	68.25	78.45	-10.2	-15%
2016-17	82.23	41.86	40.37	49%	82.23	80.88	1.35	2%



These were not the only cases where data on credibility exhibited credibility challenges of its own. In some countries, changes to the budget structure over time made it difficult to track credibility (e.g., Indonesia, Kenya, Sri Lanka), with ministries, programs, and sub-programs shifting names and location in the budget structure without sufficient narrative. Some countries attribute their low execution rates to poor data systems, as in Benin, where data on donor-financed expenditure is particularly underreported. In other cases, government officials that were interviewed for the project simply denied that there was underspending, even when official published reports showed that there was.

## CHALLENGE OF ASSESSING THE IMPACT OF UNDERSPENDING

For each case, we tried to identify an impact that might be a result of underspending. This is not straightforward. For example, it is certainly the case that in several countries there is both underspending and underperformance against nonfinancial targets (e.g., number of scholarships awarded). However, while failure to meet nonfinancial performance targets can be the result of under-execution, it might also be a result of under-budgeting, or the selection of unrealistic targets in the first place. For example, in Paraguay, we have at least one case where a regional government executed 100 percent of its budget but was only able to provide school meals for 71 percent of the days targeted. This may well be evidence of underbudgeting, though such cases can also reflect lack of efficiency or misuse of funds. We also have cases of the opposite, where budget execution is low, but targets are exceeded, as in Indonesia. This suggests that the targets were not ambitious enough, or were not set properly (in this case, at least one target was met due to subnational actions that the target was not intended to measure).

While we are not able to state with confidence that underspending is the cause of poor performance, we present information that indicates the kind of services that will not be or are not provided when money is not made available. This at least gives an indication of the relevance of the credibility issue.

**Box 3.3: The Challenge of Linking Budget Performance to Nonfinancial Performance**

Ideally, we should be able to connect underspending and poor performance on nonfinancial targets. But while there is likely some relationship, the nature and quality of financial and nonfinancial information can make it difficult to make a clear link. For example, in Kenya, the target for share of women receiving family planning commodities was 60 percent in 2015/16, and the designated target for 2017/18 in that year was 80 percent. In 2016/17, the target for 2017/18 fell to 46 percent, and it fell again in 2017/18 itself to 30 percent. This strongly suggests that the original targets proposed in 2015/16 were unrealistic and failure to meet them is not likely to be exclusively the result of low budget credibility. It is nevertheless the case that there was massive underspending on family planning during this period, so there may be some relationship between the two, but it is difficult to prove.

**Table 3.3: Changing Targets for Percent of Women of Reproductive Age Receiving Family Planning Commodities in Health Facilities Across Medium-Term Budget Documents**

Medium-term Budget Document	Performance target						
	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
2015/16		60%	80%	80%			
2016/17			45%	46%	47%		
2017/18				30%	20%	10%	
2018/19					49%	50%	51%

For example, in Ecuador, Grupo FARO looked at a scholarship program. This program was under-spent in the face of evidence from Ecuador that there is unmet demand for these scholarships. In 2018, the government projected that it would award 8120 scholarships for university education, but only managed to provide 1630. This suggests that such underspending is likely to directly result in fewer students attending university.

In Zimbabwe, a program with the aim of assisting orphans and vulnerable children to access basic education at the primary and secondary level was under-executed by more than 30 percent between 2012-2014, which may have affected the number of children served. According to a 2014 report, in 2012 380,000 of 976,000 primary and secondary school students who needed the program’s support did not receive any and only 45 percent of Basic

Education Assistance Modules (BEAM)’s budget was executed.<sup>7</sup> At the same time, when implementation improved in 2015, the 2016 enrollment figures began to slowly increase as well, and the dropout rate stabilized, suggesting a possible relationship between budget execution and enrollment.

Table 3.4 gives a summary of some additional cases where we have a sense of the kinds of services that are likely to be impacted by underspending. While we cannot always make a direct link, these cases are highly suggestive of potential impact.

**TABLE 3.4: EXAMPLES OF CASES WHERE UNDERSPENDING HAS AN IDENTIFIABLE POTENTIAL IMPACT**

Country	Issue	Potential impact of underspending
Paraguay	School meals program	Fewer registered children received school meals, and / or the same pool of children received fewer meals than targeted. In 2017, school lunches were provided to 21% of registered students for 79 % of school days.
Indonesia	Nutrition support for pregnant women, infants, and toddlers	Indonesia has high proportions of pregnant women with chronic energy deficiency, which can lead to their death or harm the wellbeing of their children. Without this support, fewer pregnant women may receive needed assistance to lead healthy lives for them and their children.
Guatemala	Road construction and maintenance	Nearly 60% of roads in Guatemala need rehabilitation. Reduced spending on the road infrastructure program may affect the adequacy of roads in the country.
Ukraine	Road construction and maintenance	Over 90% of the roads in Ukraine are in unsatisfactory condition. Under-spending may reduce progress towards establishing an adequate road system.
Serbia	Corn reserves for emergencies	In 2016, over half of funds to purchase corn reserves were shifted to another program and less corn was purchased than needed for emergency situations.
Sierra Leone	Malaria prevention and control	Over a quarter of the country’s population is infected with malaria. Under-spending on malaria prevention can reduce the number of people who could receive treatment and vaccination.

<sup>7</sup> Musavengana W.T. Chibwana and Nicea Gumbo, “Assessment of the alternative care system for children in Zimbabwe” (SOS Children’s Villages International, Zimbabwe, 2014). p. 12. <https://bettercarenetwork.org/library/social-welfare-systems/child-care-and-protection-policies/assessment-report-of-the-alternative-care-system-for-children-in-zimbabwe>.

## 4. REASONS

The heart of this study is our assessment of the reasons that governments provide for budget deviations. As we stated at the beginning of the report, a culture of reason-giving and deliberation about reasons is part of what we think democracy means. Improving the ways in which governments justify and reason publicly is also one way of promoting greater trust in government.

This section of the report looks at the extent to which governments publish reasons for budget deviations, and the degree to which they are responsive to citizen requests for more information about the reasons for these deviations. We describe the kinds of reasons that governments offered, where they did. In Section 5, we will describe the criteria we used to assess these reasons, how our findings measured up to them, the challenges we faced in applying these criteria, and what that suggests about how to take this work forward.<sup>8</sup>

### PUBLISHING REASONS

The first thing we asked partners to do was to look at publicly available documents for any published reasons that explained the relevant budget deviations. Partners looked at key budget documents, including In-Year Reports, Year-End Reports and Audit Reports, but also looked at sector and program documents, where available, as well as legislative reports and reports by other government agencies. In 33 percent of the cases examined, researchers could not find any published reasons accounting for the budget deviation they scrutinized. In another 13 percent, researchers found some reasons, but they were general reasons, which did not refer to the specific credibility challenge that partners were investigating.

We use the word **general** to mean an explanation that addresses overall under/overspending or performance, but that cannot explain deviations at the ministry or program level. A general explanation is one like a “macroeconomic shock.” An explanation of this type can explain overall revenue performance but cannot explain the many decisions that are normally taken to increase or decrease budgets in specific sectors. The one exception to this is when there is an across-the-board cut. If the budget is uniformly cut by, say, 10 percent, then the explanation for a program-level cut of 10 percent is, by definition, general. Though this can happen, it is rare and does not apply to any of our cases.

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<sup>8</sup> These criteria are described in detail in Jason Lakin “Assessing the Quality of Reasons in Government Budget Documents” (International Budget Partnership, Washington, D.C., 2018). <https://www.internationalbudget.org/publications/assessing-reasons-in-government-budget-documents/>.

For example, in Brazil, the kinds of explanations provided in official documents relate to the overall budget. We quote a case from 2013:

“These [budget] changes were made with the purpose of avoiding losses to the development of the Government's priority actions, without, however, compromising the fiscal targets, and taking into account the needs of each body.” (Presidential Accounts Report of the Presidency, 2013, page 142).

This is a general explanation for overall budget performance, rather than a specific explanation of underspending on women’s programs, which was the subject of investigation by our partner, INESC.

As another example, in Afghanistan, the Ministry of Finance provided the following explanation for why revenues underperformed and less funds were available for expenditures:

“The reason for the cash problems was the uncertainty due to the prolonged political transition and international forces withdrawal from the country.”

This explanation attempts to clarify why aggregate revenues and expenditures deviated but does not show how this would affect specific areas of the budget.

We use the term **generic** to refer to explanations that might be intended for a specific ministry or program but are not on their own sufficient to really explain performance. For example, if the reason for poor performance is given as “poor planning,” we consider this a generic response because it is not specific enough to explain ministry or program performance, even if it is intended to do so, as opposed to being offered as an explanation for overall performance. The Brazilian explanation above is also generic, in that it is consistent with almost any level of underspending or overspending. Such explanations lack clear causal mechanisms, a point we will return to.

An important finding from our research is that government practice varies. While many countries provide no reasons or only highly general reasons for budget deviations, and, while all countries could stand to improve the kinds of reasons they provide, there are governments that provide more detailed and disaggregated explanations than others. For example, each year in its annual reports, the Argentine government provides explanations for deviations from nonfinancial targets. When explaining why it failed to meet its targets for the number of children assisted by its program supporting Community Child Development Centers, the government notes that the demand for access to these centers was dampened by children suffering from seasonal illnesses. Whatever one may think of this reason, it is not “general” as it explicitly relates to nonperformance on a specific indicator.

Several Latin American countries follow a type of results-based budgeting where they report on “products,” specific goods, or services that government is supposed to produce. They then provide explanations for deviations in performance at the level of those products. While the quality of the reasons provided is not always high, this effort does result in a set of specific reasons at a more detailed level than what is seen in most other countries. It is important to note that these explanations do not always offer reasons for underspending. In some cases, such as the Dominican Republic (DR), nonfinancial underperformance is blamed on underspending, but the underspending itself is left unexplained. Furthermore, it is not always possible to directly connect nonfinancial performance to budget performance. In the DR, the products have historically not aligned to programs one to one (this is changing in 2019).

Table 4.1 provides examples of some of the more specific justifications that some countries in our sample published in the case of underperformance. We are not assessing quality here, but the table demonstrates that many countries do provide specific justifications at a more disaggregated level.

**TABLE 4.1: EXAMPLES OF SPECIFIC, PUBLISHED JUSTIFICATIONS FOR BUDGET DEVIATIONS**

Country	Area of low credibility	Example of Published Justification
<b>Australia</b>	Under-estimation of company tax receipts	Results were consistent with higher-than-expected growth in corporate profits and stronger-than-expected results from ATO compliance activity. (2018)
<b>Bangladesh</b>	Under-execution of Ministry of Women and Children Affairs budget	Failure to appoint project director and necessary human resources on time, and reduction in the grants promised by the donor agencies (2017)
<b>Benin</b>	Over-execution of Ministry of Health budget	Expenditure overruns authorized by the Ministry of Economy and Finance to make payments of outstanding operational costs out of wages or electricity and water bills (2013-2015)
<b>India (SATHI)</b>	National Health Mission underspending	"Structuring of NHM budget into more than a 1000 budget lines, and limited flexibility in the use of funds across different flexible pools poses a hurdle in utilisation" (2017)
<b>Sri Lanka</b>	Fertilizer subsidy underspending	Funds for this program were diverted to the Gamdora program through the virement procedure because the Gamdora program had not been approved by the cabinet and was not included in the ministry's Action Plan (2016).
<b>Romania</b>	Public investment underspending	Under-execution was due both to the non-materialization of the expenditure forecast for projects financed by external EU funds and the under-achievement of allocations from domestic sources
<b>Zimbabwe</b>	Basic education assistance underspending	10% of administrative funds were diverted to pay for food hampers for the ministry's staff (2015).

\*The DR publishes product-level justifications. This justification is for a product related to the program of interest, but, at least until 2018, there was no way to directly link such products to specific budget programs in published documents.

## INTERVIEWS

Although our partners pursued interviews with government officials over a period of between a few weeks and a couple of months, many were unable to secure an interview about credibility challenges during this period. This is one more indication of why publishing is important, since it is often neither possible nor fruitful to chase after government officials for explanations. In four countries it was not possible to conduct interviews or receive written responses, or officials were only willing to speak off the record: Australia, Hungary, Kenya, and Mexico.

Interview responses often were subject to the same limitations as published information. While interviews were sought to yield new information and to elaborate on general or generic explanations already offered in published documents, in many cases, the interviews yielded only additional general or generic explanations that did not further explain the specific under/over-spending problem that was of interest.

For example, in Brazil, at least one interview respondent justified underspending on women's programs with a reference to the legal authority of the government to make changes to the budget, in general, without specific reference to the programs which were affected. Similarly, in Benin, the Ministry of Economy and Finances explained that unrealistic revenue and expenditure estimates led to budget cuts in the Ministry of Health, but this general (aggregate) reason does not explain why the execution rates of ministries vary widely. Interviewees also discussed macroeconomic shocks. As discussed above, a macroeconomic shock is not a specific reason for underspending in a specific program unless it results in an equivalent across-the-board cut in all programs, including the one under study. Otherwise, it is a general explanation that cannot tell us why one program was cut, and another was not.

In Nigeria, interviewees that were asked about the credibility of the education budget attributed it to poor planning by ministries, revenue shortfalls, capacity challenges and conflict between the legislative branch and the executive over the budget. These responses were general and generic: they were not intended to explain the specific challenges facing the education sector, nor the different levels of budget execution within the sector.

## TYPES OF REASONS

While many countries did not provide reasons for budget deviations, we find that there were some types of reasons which were prevalent across the sample. In many cases these were general or generic reasons, but not always. For example, "low technical capacity" or "lack of leadership" would qualify as both general and generic reasons in many cases. However, in some, additional context improves the explanation; for example, an unfilled position in a specific department makes the reason "lack of leadership" more specific and of higher quality.

Table 4.2 lists the reasons that emerged repeatedly in our study. We draw here both on published reasons and those that were described in interviews. This table is intended to give a sense of the types of reasons we encountered, but it should not be assumed that all the reports or interviews that yielded these reasons were of equal quality. We discuss quality in the next section.

**TABLE 4.2: RECURRING TYPES OF REASONS AND THEIR INCIDENCE – AMONGST OUR SAMPLE CASES**

<b>Type of reason</b>	<b>Number of cases (out of 24)</b>	<b>Governments that gave this reason</b>
<b>Bureaucratic/administrative procedures that slow down implementation, including procurement</b>	12	Afghanistan, Argentina, Benin, Guatemala, India (SATHI), Indonesia, Kenya, Nigeria, Paraguay, Portugal, Romania, Ukraine
<b>Poor planning and project design</b>	7	Afghanistan, Benin, Indonesia, Nigeria, Romania, Sri Lanka, Ukraine
<b>Cash flow challenges and late disbursements</b>	7	Afghanistan, Benin, India (SATHI), Nigeria, Sri Lanka, Ukraine, Zimbabwe
<b>Lack of technical or leadership capacity in ministries to implement</b>	7	Afghanistan, Bangladesh, Benin, Brazil, Nigeria, Romania, Ukraine
<b>External shocks (security, weather, economic, labor unrest)</b>	6	Afghanistan, Australia, Benin, Kenya, Serbia, Sri Lanka
<b>Delays or other challenges pertaining to external/donor funds</b>	5	Bangladesh, Benin, Guatemala, Portugal, Romania
<b>Poor forecasting</b>	5	Argentina, Australia, Benin, Indonesia, Romania
<b>Subnational unit delays, or lack of coordination among levels of government</b>	5	Argentina, India (SATHI), Portugal, Romania, Ukraine
<b>Change in program or program rules and regulations</b>	5	Argentina, Australia, Ecuador, Guatemala, India (SATHI)
<b>Shift of funds to other areas of the budget</b>	5	Ecuador, Indonesia, Serbia, Sri Lanka, Zimbabwe
<b>Lack of demand or other challenges associated with program beneficiaries</b>	4	Argentina, Bangladesh, Paraguay, Zimbabwe
<b>Poor monitoring and oversight</b>	3	Argentina, Sri Lanka, Zimbabwe
<b>Poor data collection, including cases where the under-performance may not actually be real but simply due to poor data on actual spending</b>	2	Benin, Dominican Republic



These types of explanations are not surprising; they are similar to explanations discussed in PEFA reports.<sup>9</sup> One difference is that there are relatively few references to shocks, and specifically “macroeconomic” factors, one of the main explanations in PEFA reports. This is likely a reflection of the fact that explanations uncovered in PEFA assessments mainly concern overall revenue and expenditure, whereas the explanations partners sought in this project were mainly at ministry and program level, where such shocks have lower explanatory value (as discussed above). In our ministry/program-focused sample, we find that instead of economic shocks, the most common reason across countries is bureaucratic or administrative procedures. This is followed by poor planning, cash flow challenges, and low capacity. All four of the top reasons in our sample face a high risk of being considered generic, in the sense we described above, but we will discuss their quality further below.

Some governments admitted that funds were reprioritized during the year from one program or sector to another. Clearly, however, many governments are implicitly shifting funds from one area to another during the year when they underspend sector or program allocations, but most do not acknowledge these trade-offs. Whether these shifts are causal is an open question: a program may underspend because of (say) lack of demand, and then this may lead to excess funds that are transferred somewhere else. In this case, the transfer is not the cause of the underspending.

But even when this is the case, it is useful to know how funds were reallocated, since this is still a matter that affects budget credibility (e.g., it may lead to overspending for some other part of the budget). For example, in Mexico, budget data show that, on balance, spending is over budget, and that there are annual increments above-budget for expenditure on the Office of the President, while at the same time there are declines from budget in expenditure on social development (between 2014-2017). This does not mean funds are being taken directly from social development to the Office of the President, but it clarifies the ways in which low budget credibility can lead to both winners and losers.

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<sup>9</sup> “Budget Credibility: What Can We Learn from PEFA Reports?” (International Budget Partnership, Washington, D.C., July 2018). <https://www.internationalbudget.org/wp-content/uploads/budget-credibility-what-can-we-learn-from-pefa-reports-ibp-2018.pdf>.

## 5. THE QUALITY OF REASONS

This report is fundamentally about how to improve the ways that governments explain their decisions and actions to the public. As we have shown elsewhere, the idea that governments should provide public reasons or explanations for public finance decisions and actions is uncontroversial.<sup>10</sup> What is missing from this consensus, however, is a set of ideas about how to assess the quality of these reasons. We have all seen reasons that seem inadequate: they fail to help us to understand why something happened, or why someone wants to do one thing versus another. Without some general guidance on what constitutes an adequate reason, governments might provide low quality reasons to comply with a demand for explanations, but without contributing to an enhanced understanding of their decisions and actions.

Defining the quality of a reason is difficult. Our intuition can certainly guide us to some degree. For example, we might think that a reason to do A is more compelling (of higher quality) if it acknowledges that there are alternatives B and C. This is because there may be a good reason to do A, but also a good reason to do B and C. Since all of these are options, a better reason to pursue A recognizes that B and C are options and justifies a choice of A *instead* of B and C. This logic is helpful particularly when we are reasoning proactively about decisions where we have a set of choices.

In the case of the present study, we are focusing on explaining action (or inaction) in the past. What kinds of ideas or principles will help us assess the quality of reasons for past action? We made a preliminary attempt to define five criteria that we thought would help to assess reasons for past actions. We asked partners to use these criteria in assessing the kinds of reasons they found in budget documents. These criteria are explained in Table 5.1. We also asked partners to think about other criteria that we might have missed and to bring those to bear (see “Criteria 6” in Table 5.1).

While these criteria were provided as rough guidance, we found that it was not always easy to apply them to the reasons that partners uncovered. We reflect more on what we learned about the criteria later in this section of the report.

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<sup>10</sup> Jason Lakin, “Assessing the Quality of Reasons...”

## Box 5.1: Thinking About Reasons: Are Bureaucratic Obstacles an Adequate Reason for Budget Deviations?

Let us start with the most common reason presented in section four: bureaucratic or administrative obstacles to implementation, including procurement. How should we assess reasons of this type? On its face, a reason of this type has much to commend it. We know that government bureaucracies can be plodding, and that byzantine procedures can slow down the actions of even ambitious civil servants. This kind of explanation has a certain comfortable familiarity; it seems to be true in some timeless sense that accords with our understanding of government.

And yet, this kind of explanation is also inadequate in most cases. We can argue by analogy. Suppose that someone is late for an early morning meeting and is asked for an explanation. They respond that the reason they are late is “because of the speed limit system.” If it did not exist, they say, they would have been on time for the meeting. How would we assess such a reason?

There are a couple of problems with such a reason. First, the “speed limit system” is a part of how society is organized. It is something that is known at the time that a person leaves their house and even the night before. We cannot blame the known structure in which all members of society operate for being late; we must incorporate the existence of this structure into our plans. If we do not, we are to blame, not the system.

The second problem is that the explanation seems to suggest that “but for the system,” this person would have met their target. However, the system also has a reason for its existence. In the case of the speed limit, the reason is safety. The argument that but for the speed limit system one would have arrived assumes that one could have driven at any speed and arrived safely. It is equally likely that one would have driven too fast and crashed.

The procurement system, and other bureaucratic rules, also exist for a reason: to ensure some degree of control and accountability. It is possible that one would have implemented their programs more rapidly without such controls, but it is also possible that all the money for their programs would have been misused.

An explanation in terms of bureaucracy or the procurement system must have certain properties to be adequate. First, it must not be the case that this reason is used every year to justify underspending, because it is a known structure. If every year we are unable to spend due to bureaucratic constraints, we are overbudgeting. By the same token, where a new bureaucratic system is put in place, then this can be a reason for poor implementation, at least in the first year.

Second, it must be that we can identify specific aspects of the bureaucracy or procurement system that slow down project implementation and identify whether they have a role in ensuring accountability for expenditure. Bureaucracy does slow us down, but it also has a function. Where it is unnecessary, we should identify the specific practices that can be eliminated without a major reduction in accountability. Finally, it must be the case that the procedures highlighted do in fact restrict budget implementation in other areas where they must be followed, and not only in our area. That is, if large roads can be built by one agency following the same procurement process, then an agency’s slow implementation of large bridges reveals the explanation as inadequate.

This informal discussion suggests some considerations that might be more general. For example, an adequate reason accounts for the past, not only the present. An explanation that is inconsistent with the past raises questions: if raising tax “A” in the past caused revenue to rise, it is reasonable to think the same will happen now. On the other hand, if policy “A” made it difficult to spend the budget in the past, then we should expect the same now. In this case, we might expect the budget to be reduced, since it is known that this challenge continues and ambitious growth in expenditure is not realistic.

Another general consideration: an explanation for one event should be consistent with other similar events. If policy “A” causes implementation of large capital projects to be slow in sector “B,” it should also cause the same effect in another sector “C,” assuming policy “A” applies to both. If sector “C” is much more effective at spending than sector “B,” policy “A” is likely not an adequate reason. These general considerations are in fact linked to the third and fourth criteria we used to assess reasons in this study.

**TABLE 5.1: IBP PROPOSED CRITERIA FOR ASSESSING THE ADEQUACY OF REASONS FOR BUDGET DEVIATIONS**

<p><b>1. Identify a causal link between a set of facts (A) and deviations from the budget (B).</b> <i>(Minimum Condition)</i> A government should explain why actual performance deviated from the original projections in the budget.</p> <p>For example, actual revenue or expenditure may be different than the budget for reasons related to the economy, to changes in policy, or to technical factors such as errors in predicted participation rates in a program or tax credit. These facts could be used to provide a causal explanation for budget deviations.</p>
<p><b>2. Explain the mechanism by which a set of facts (A) has caused deviations (B) and, where possible, what (C) caused (A) in the first place.</b> If A (facts) caused B (deviation from budget), how did A cause B? A causal statement is more powerful if it explains the mechanism through which A caused B.</p> <p>For example, assume government identifies an economic shock as having caused revenue to decline below forecast levels. Explaining the mechanism by which this occurred would require providing evidence showing how the economic shock resulted in lower economic growth, which led to lower employment and lower incomes, which in turn reduced collections for major tax heads like income tax and VAT.</p> <p>In cases where A was under the government’s control, such as when it was caused by a policy change, at least some explanation for this (C) that caused (A) should be provided. For example, if revenue decline (B) was caused by failure to implement an automated revenue system(A), why was the system not implemented? Only one additional reason for (C) needs to be identified.</p>
<p><b>3. Provide sufficient detail to explain any variation in outcomes.</b> If a set of facts (A) explains a deviation from the budget (B), is the set of facts sufficient to explain any variation in the deviation when it is disaggregated into its component parts (B<sub>0</sub>, B<sub>1</sub> and B<sub>2</sub>)?</p> <p>For instance, assume overall expenditure has declined, but that some types of spending increased while others decreased. The facts presented should be sufficient to explain both facts: overall spending on health might have decreased because uptake of a large insurance scheme was below target but spending on health infrastructure was faster than expected due to the sudden resolution of outstanding legal cases that had barred construction on contested land.</p>
<p><b>4. Show how explanations are consistent with past experiences or why conditions have changed.</b> <b>If A facts caused B deviation, is this result consistent with historical experience? If not, why not? A is a better explanation for B if evidence is provided to show that A normally (from past experiences) causes B.</b></p> <p>For instance, if a specific change in the economy normally causes revenue to decline by a certain amount, it is a more convincing reason for the revenue decline now. If actual performance is not consistent with past experiences, then some additional explanation for this fact is needed. Where conditions have changed, governments should also confirm that they will change their approach to forecasting in the future or explain why not.</p>
<p><b>5. Explain the most important deviations.</b> <b>If X, Y, and Z are all major deviations from the budget, are explanations provided for all three?</b></p> <p>A government should explain all major budget deviations, rather than explaining only some or instead explaining minor deviations. Major deviations can be defined in terms of budget size, but also in terms of priority groups (e.g., the poor), or in terms of the non-financial impact of the deviations. The government will have to make and explain its judgement about what constitutes a major deviation or what are the most important deviations.</p>
<p><b>6. Other considerations.</b></p> <p>Please use this space to evaluate the quality of the reasons provided by government according to any other standard you think relevant that is not covered above.</p>

## ASSESSING EXPLANATIONS

How did the explanations partners found in reports and interviews measure up to these criteria and to our intuition about what makes for adequate justifications or reasons? This section discusses some of the findings about the quality of reasons from different reports. In the next section, we reflect on challenges faced using the criteria and ways of revising them going forward.

Most of the explanations that partners found did meet the most basic condition for an explanation: a causal statement linking some facts to an outcome. This was true for many of the generic reasons that were uncovered. We provide some examples in Table 5.2.

**TABLE 5.2: EXAMPLES OF CAUSAL STATEMENTS IN EXPLANATIONS**

Country	Budget issue	Explanation	Comment
<b>Afghanistan</b>	Underspending of capital budget in 2014	The development expenditures declined last year as a result of the cash problems that occurred during the second half of 2014. The reason for the cash problems was the uncertainty due to the prolonged political transition and international forces withdrawal from the country, both of which caused revenue to significantly underperform relative to the target.	The explanation starts by attributing underspending to poor cash flow but goes on to explain why cash flow problems existed.
<b>Australia</b>	Under-collection of Company Tax in 2016/-17	“This is primarily driven by the fall in commodity prices in recent years, lowering profitability in the mining sector.” (2016-17)	This is a concise causal statement that links falling commodity prices to lower profits, and therefore lower tax payments / collection
<b>Bangladesh</b>	Underspending in Ministry of Women and Children Affairs in 2017	The major reasons for the budget deviations in Ministry of Women and Children Affairs in FY17 were failure to appoint project director and necessary human resources on time, and reduction in the grants promised by the donor agencies.	This is a causal statement for ministry-level performance, though it might require additional detail to explain variation among specific programs within the ministry, such as the women’s entrepreneurship fund investigated in this case
<b>India (SATHI)</b>	Underspending on National Health Mission in Maharashtra State	Delay in transfer of funds from State treasury to State Health Societies (SHAS) continues to be a major problem for most states visited, including delays of 256 days in Maharashtra.	The larger causal argument is that the law changed in March 2014 so that funds previously transferred directly from central government to state health agencies were now passed first to state treasuries, and that this has led to delays in transfers, and thus inability to spend all the funds in budget year.
<b>Sri Lanka</b>	Underspending on rice export promotion scheme in 2014	Failure to carry out a feasibility study.	The larger argument is that the lack of a feasibility study meant that there was a lack of clarity about the challenges that the program would face when implemented, leading to slower implementation than targeted

This most basic causal statement criterion was not met where an explanation provided nothing beyond an additional description of the problem. In other cases that we looked at, it was not possible to link the explanation directly to the impact that it was supposed to explain. Some examples are presented in Table 5.3.

**TABLE 5.3: EXAMPLE OF EXPLANATIONS THAT DO NOT MEET THE MOST BASIC CRITERIA FOR ADEQUACY**

<b>Country</b>	<b>Budget issue</b>	<b>Official explanation – that does not meet criterion 1 (i.e., no causal statement)</b>	<b>Challenge</b>
<b>Argentina</b>	Underspending on Child Development Centers in 2012	Unfavorable deviation according to the estimate	A deviation is just a description of the problem
<b>Benin</b>	Underspending of Ministry of Health budget between 2013-17	Information on external resources is not always available on time	A perceived credibility problem may not exist after accounting for underreporting, but it is not clear
<b>Dominican Republic</b>	Underspending on Maternal Health	There has been an increase in the budget for Risk Management and Disaster and Emergency Services	An increase in one activity does not on its own explain a decrease in another (and in fact they appear to be unrelated)
<b>Guatemala</b>	Underspending on Road construction/ Maintenance in 2017/18	New article (100) in budget law that poses an obstacle to budget implementation	Legal requirement only affects past projects and cannot explain implementation of 2017/18 projects
<b>Ecuador</b>	Underspending on University scholarship program	Public records do not give a true picture of funding after internal reallocations that are not publicly available	This could indicate that a perceived credibility problem does not exist after accounting for internal reallocations, but we measure credibility against the initial budget, and this merely suggests lack of transparency, not a cause of underspending.

Our second criterion was harder for partners to apply. While they interpreted it in different ways, it nevertheless did help to clarify what constitutes an adequate reason. One way to interpret this criterion relates to specificity. Was the explanation provided specific enough about the causes of the deviations? Using our earlier terminology, was the reason “generic” or did it provide specific details about the causal mechanism at work? Another, related way to interpret this criterion is to ask whether the explanation demonstrates *how* a particular problem led to poor execution. The final consideration is: when the proximate cause of poor credibility appears to be a policy choice itself, does the explanation provide further reasons for that choice?

Table 5.4 offers some examples from reports where partners felt that reasons given were not adequate in terms of specifying the mechanism that caused low credibility. For example, in Argentina, “administrative delays” were one reason for failing to fully execute the budget for Child Development Centers. But such an explanation is generic, lacking specific details about aspects of the administrative process that could be changed (and which likely exist for some reason). These cases show that partners often wanted more detail about the mechanism at work or were uncertain that the mechanism highlighted was really a causal mechanism.

**TABLE 5.4: EXAMPLES OF EXPLANATIONS THAT DID NOT SPECIFY A MECHANISM**

<b>Country</b>	<b>Budget issue</b>	<b>Explanation</b>	<b>Challenge with Explanation</b>
<b>Afghanistan</b>	Underspending of capital budget	Late disbursement of funds	What is cause of late disbursement?
<b>Argentina</b>	Underspending on Child Development Centers	Administrative delays	What are the specific “delays” that caused poor implementation and are amenable to reform?
<b>Australia</b>	Overcollection of Company Tax	Stronger-than-expected collections in the year to date (partly reflecting higher mining profits in 2016-17) [and] successful ATO enforcement activity	What was the nature of ATO enforcement activity and how did it contribute to improved collections?
<b>India (SATHI)</b>	Underspending on National Health Mission (Maharashtra)	An administrative procedure of getting sanctions of 25 different officials for approval to release funds from State Treasury to State Health System.	Why are so many desks involved and what is the scope for reducing this number?
<b>Indonesia</b>	Underspending in Directorate of Community Nutrition	Delays in procurement of supplementary food and multivitamin (2014 and 2015) and blood supplement tablets (2016)	What are the specific factors leading to procurement delays for these activities in 2015 and 2016?
<b>Serbia</b>	Underspending on corn reserves program of Republic Directorate for Commodity Reserves	Market conditions changed and agency could no longer buy corn at regulated maximum price (farmers not willing to sell at that price)	Regulated price was policy choice that could have been changed; why was that not done to respond to market conditions instead of transferring budget to other areas?



Both criterion 3 and 4 relate to the degree to which a particular reason can explain performance variation: either among different components of a ministry or program (criterion 3), or over time (criterion 4). We consider some of the challenges partners found with the explanations they received vis-à-vis these criteria. Many of the explanations that partners found for low credibility failed to satisfy them, because the implementation rates of programs under study varied considerably from year to year, or across their components, but explanations were too generic to account for this.

Table 5.5 captures cases where there was relevant variation, and where explanations could not account for this variation. The case of Paraguay is instructive. Because the school feeding program is implemented at the regional level, we can see variations across regions and over time for the period between 2014-2017. There are substantial shifts from year to year in the regions that perform well in executing their budgets. In at least two regions, the reasons given for low credibility in 2017 were due to bureaucratic obstacles at the national level. However, in both cases, we know that the region performed worse or better in previous years, and that there are better performing regions in 2017. In all these cases, the bureaucratic obstacles would appear to be constant, and thus cannot explain the variation in execution rates over time or across regions.

Another common finding is that low execution is repeated from year to year with similar reasons given. This raises a question as to why, over time, governments do not adjust their budgets downward accordingly to deal with persistent challenges in implementation? If a set of structural factors constrain budget implementation consistently, then it would be logical to think that the agencies involved should adjust their budgets accordingly rather than blame the structure. Yet this is not what we see.

**TABLE 5.5: EXAMPLES OF EXPLANATIONS THAT DID NOT ACCOUNT FOR VARIATION IN BUDGET EXECUTION OVER TIME OR AMONG BUDGET AREAS**

Country	Budget Area	Variation	Reason(s)	Challenge
Nigeria	Ministry of Education	Although underspent in all years, the extent of underspending for Ministry of Education varies from 12 to 37 percent, with different rates for basic education and tertiary education each year	Poor planning, procurement challenges, low technical capacity in ministries and agencies	These problems do not appear to vary systematically in a way that could explain the variation in implementation from year to year or across sub-sectors
Sri Lanka	Ministry of Agriculture	Large total deviation in budget for Ministry of Agriculture in 2016	Funds transferred to another program that had not been planned for earlier	The funds transferred to this other program only account for less than one percent of total deviation, leaving the rest unexplained
Paraguay	School Feeding Program	Regional government of Canindeyú spent 92 percent of its school feeding budget in 2017	“Extreme bureaucracy” in the national Ministry of Education and Public Contracting	All regions engage with the same national agencies, but many achieved higher execution rates in 2017. Canindeyú also achieved 100% execution in 2016, but not clear that new or more burdensome bureaucratic practices were introduced in 2017
Guatemala	Road construction	Road infrastructure funds are managed by three agencies, all of which underspend their budgets, with execution rates between 47 and 91 percent from 2014-2017	Explanations include challenges with external funding, delays due to investigations in a major corruption scandal in 2017, and other legal and administrative controls	These explanations cannot explain the variation over time or between the three agencies that all work on roads. In 2017, for example, agencies ranged from 51 percent execution to 91 percent execution but would have all been impacted by the factors mentioned.
Afghanistan	Capital budget	There is overall low execution for the capital budget (67%) in 2017, but with significant variation across sectors (e.g., health at 94% and agriculture at 63%)	The execution rate improved over 2016 due to increased revenue collection and a less ambitious capital spending target.	This may explain overall performance, and it could explain some sectors, like health, that improved execution in 2017, but would not explain others, like agriculture and education, which both declined.
Benin	Ministry of Health	Over-execution of the Ministry of Health recurrent budget during 2013-2015	The over-execution was caused by outstanding payments for wages and utility bills	This reason does not explain the variation in over-execution during this period, which ranged from 108 to 115%. It is also unclear why execution then fell to 89 and 88 percent in 2016 and 2017, respectively.

Another challenge that arises related to these criteria is the extent to which an explanation can be linked to nonfinancial performance. Sometimes variation in financial and nonfinancial performance raises questions about the adequacy of an explanation. For example, in Sri Lanka, in one case of poor implementation, only half of the units where a program was supposed to be implemented were implemented, and this led to a budget execution rate of 48 percent. In another case, where two out of four targeted districts were included in the implementation of an agricultural project, the execution rate was only 36 percent. Of course, it is possible that there are different unit costs for different units or districts, but further explanation would be needed to clarify this.

Our final criterion asked about important deviations: were the most important deviations explained? This proved tricky for many partners. Obviously, where there are no justifications provided, the most important deviations are not explained. But this is not telling us anything new. It makes sense to apply this criterion where there are a large number of deviations, only some of which are explained. For example, in Sri Lanka, there were reasons provided in audit reports at the line item level for a handful of budget items in the agriculture sector, but not for the majority.

## BETTER PRACTICES

While many governments did not provide explanations, and those that did often provided inadequate explanations, there are countries that provide more information than others and that represent better practice. As mentioned earlier, some Latin American countries (e.g., Argentina, Dominican Republic) provide disaggregated explanations at product level. In Australia, explanations are provided for deviations from revenue, many of them at the level of individual tax sources. No other countries provide systematic justifications at this level, but some countries provide some justifications at a highly disaggregated level and could build on this to become more comprehensive.

There were also instances where government provided more detailed, if imperfect, explanations. In Paraguay, for example, regional governments provide detailed explanations in annual financial reports. In the case of Itapua, the government ascribed the failure to fully implement the budget for the school feeding program in 2017 to two factors: the closing of 14 school institutions during the academic year because of low entrance turnout and fewer students to feed than anticipated because of school dropouts during the academic year. We may raise questions about these explanations, but they are detailed.

In many cases, detailed explanations can be found episodically, but some governments make a consistent effort to provide reasons for budget deviations over the years, even at disaggregated levels. In Bangladesh, the Ministry of Planning reports offer distinct reasons between 2015 and 2017 to explain sub-execution in various ministries, including the Ministries of Disaster Management and Relief, Health and Family Welfare, and Food. A similar

pattern is found in Australia's budget documents, like the mid-year and annual reports, where reasons are consistently provided between 2014 to 2017 to explain deviations in the collection of company tax receipts.

While civil society organizations struggled to get useful information, it is clear that some governments have more information about budget implementation that they could publish, as this information was revealed to partners when asked in interviews or when information requests were filed. For example, in Ukraine, the researcher received a non-public document that provides reasons for why performance goals (known as a passport in Ukraine) are unfulfilled, which are not found in other publicly available documents. Publishing this report would be a simple step towards better informing the public on budget outcomes.

## WHAT WE LEARNED ABOUT OUR CRITERIA

The criteria we provided to partners, and which were developed at greater length in an earlier paper, were intended to be preliminary. One of the purposes of this research was to learn about how useful they were by using them to examine concrete cases. Overall, we found that the criteria did help to structure the assessment and guide our conversations with partners, but they also suffered from some limitations, which we describe here.

### EXPLANATIONS OF WHAT?

Although it may seem obvious to say that A causes B, and that B is therefore our unit of analysis, this turns out to be more complex in any real-life assessment of budget deviations. First, in order to establish a credibility challenge, we asked partners to look at multiple years of data. This ensures that we are not focusing on one-off problems. But it also introduces complexity, as there are sometimes multiple explanations offered in each year, and / or explanations that differ from year to year, or an explanation is given for a problem over a period of time without specifying the budget year to which it applies. There is therefore not one, singular, explanation for the "credibility problem" that can be assessed.

Moreover, how we understand a credibility problem often depends on other aspects of the budget.

Underspending on a particular program demands more explanation when most other programs are not underspending than when they all are. In general, our understanding of deviations in a certain sector or program depends on what is happening across the budget, what is happening in a specific ministry, and what is happening in other related programs. It can be difficult to define how many other aspects of the budget we need to consider when deciding whether we have an adequate explanation.

Thus criterion 5, which asks whether all major deviations have been explained, turned out to be challenging to answer. It might apply well when one is trying to understand deviations at ministry level for all ministries. Here,

the absence of explanations for a few key ministries would clearly violate the criterion. But in other cases, it was not clear what to include in the universe of “important and unimportant deviations.”

Similarly, while criterion 3 was very important in assessing reasons in some cases where there were multiple programs or sub-items under review, in other cases it was not clear what the components would be. This generally suggests that not all the criteria can be used all the time, and certainly there is no easy way to aggregate responses across criteria and score them for comparative purposes.

## EXPLANATIONS BY WHOM?

Our broad approach to public reasoning suggests that the executive, which is responsible for implementing the budget, is responsible for reporting on deviations and explaining them. However, it was not always clear how to assess reasons from different sources. For example, are the official reasons we are looking for the ones emanating from the line ministry in charge of a particular program, or from the Ministry of Finance? (And, what should we do if these two agencies offer conflicting reasons?) In Sierra Leone, a Ministry of Finance official explained that under-spending on the Malaria Prevention & Control program was caused by the Ministry of Health’s failure to properly request the disbursement of funds. However, a Ministry of Health and Sanitation official refuted this claim and blamed the Ministry of Finance for not fully releasing the funds. In this case, two ministries offered contradictory reasons, obfuscating the truth.

Should we consider reasons published by other agencies, such as Independent Fiscal Institutions or the Auditor General, as public? It may be that the right standard is to accept only explanations published by the relevant line ministry, or in a consolidated way by the Ministry of Finance, but this issue was not resolved before we started the assessment. As a result, we did look at reasons provided by auditors (in Sri Lanka) and Fiscal Councils (in Romania). To be sure, such explanations do offer insights into the reasons for budget deviations, so looking at what they have to say is useful. But the accountability relationship between executives and the public that public reasoning is supposed to promote cannot necessarily be outsourced to such agencies, particularly auditors.

## CONSISTENCY WITH THE PAST

Our fourth criterion – addressing credibility issues through the lens of historical experience – was useful, but also challenging for many partners. First, consistency with the past could seem to be a justification for continuing to underspend. If bureaucratic obstacles were given as a reason in one year, and in three subsequent years for similar levels of underspending, this would seem to be consistent with the past. This is almost exactly the opposite of what we would likely argue, however, which is that an explanation that recurs over time is problematic. One

cannot continue to blame the same problem over time without changing behavior. Either the problem should be addressed, or the constraint accepted as structural, and the budget decreased.

The initial intention of this criteria was also to address situations where a reason is given that does not align with previous experience. For example, if falling commodity prices have tended to depress revenue by 10 percent in the past, and they are now blamed for a decline of 50 percent, some additional explanation is in order. We would be right to ask why this has occurred, and to expect an explanation. We cite an example related to changes in productivity in the British economy in the original paper on this topic, where the government recognized that the way it projected productivity growth might need revision going forward.<sup>11</sup> However, we found few cases where this version of the criteria was useful in the current study, and many more cases where governments tended to repeat similar explanations over time without changing their behavior. So, this criterion may need to be adjusted to recognize that situation as the more dominant quality issue for explanations. In previous work, we had two separate criteria related to this point, one that focused on cases where the government repeated the same problem over time, and another related to cases where a deviation was explained in terms that were inconsistent with past performance.<sup>12</sup>

## TRUTH IN REASONS

The quality of a reason for something is obviously directly related to whether that reason is based on facts that we know to be true. If a reason is based on a false statement, it is clearly not adequate. However, we do not explicitly consider the truth of the facts that governments rely on in our assessment.

We do not entirely ignore this issue: our criteria implicitly raise issues related to truthfulness. It is possible to point out under criterion 2 that there is no real causal mechanism for a particular outcome because the mechanism described by the government does not exist or does not apply to the current situation. While this is possible, the criterion does not require an assessment of the truthfulness of the mechanism.

Under criteria 3 and 4, reasons that are not sufficient to address the variation across time or agencies are deemed less adequate. This is because a reason A for impact B cannot hold if A does not cause B in a similar situation (in a previous year or at the same time). Nevertheless, this is an assessment of the likely truth of the relationship between A and B, and not of whether A is itself true.

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<sup>11</sup> Jason Lakin, "Assessing the Quality of Reasons..."

<sup>12</sup> See criteria 5 and 6 in: Jason Lakin and Mokeira Nyagaka, "In Search of Adequate Public Reasons in Kenya's Budget Documents" (International Budget Partnership, Nairobi, Kenya, January 2017). <https://www.internationalbudget.org/wp-content/uploads/public-reasons-in-kenya-budget-documents-ibp-2017.pdf>.

Because it is difficult to assess truth, and particularly in a cross-national assessment, we leave it to partners to try to bring additional context and analysis to bear on whether the statements that governments make are true, or at least could be true. Some of this additional analysis can be found in the case info-sheets and reports. There is nevertheless a question of whether and how we could do more to incorporate the truth and plausibility of reasons into an assessment of this type, given its importance when assessing quality.

## 6. CONCLUSION: TOWARD BETTER PUBLIC REASONS

Budget credibility is on some level about keeping promises. But while we want governments to respect the promises they make through the budget, we also want our governments to be responsive. We would not think much of a government that did not change its plans when confronted with major economic or social change, or evidence that programs were not working as planned. In fact, we would often *expect* government to break or amend budget promises under these conditions.

By the same logic, we are less accepting when governments seem to repeatedly budget more than they can spend for reasons that are entirely foreseeable. Promises will have little value if they are not intended to be kept, or if it is known at the time that they are made that they are likely to be abrogated.

How do we know whether governments are renegeing on promises arbitrarily, making promises they never intended to keep, or responding faithfully to changing conditions? The most basic way to know is because they tell us. If conditions are changing in ways that make keeping a promise difficult or unwise, governments should report on these changing conditions. And we should be told what alternatives government has considered when things do not work out as planned.

This is where explanations become crucial: they help us to distinguish between promises that are not kept for good reasons, and those that are broken due to administrative and political failures of different types. Explanations are always only a starting point for understanding. After all, people offer explanations for their actions all the time, and many of these are false: meant to distract attention from political motives, self-interest, or personal failings. Governments will inevitably engage in similar behavior – if not all the time, then some significant portion of the time. And analysts will never rely only on government’s own explanations to assess the veracity of a claim about budget deviations; they should and will also consider other kinds of independent evidence.

But explanations are how a dialogue is started. Once a government accepts that it should offer explanations, it is accepting the broader principle that citizens deserve to be told what government is doing. This idea is logically connected to the belief that citizens should be able to ask questions about government action and explanation, and this can in turn lead to further discussion, more refined explanations, and the discarding of at least some explanations that are weak and cannot be sustained. In other words, the process of dialogue that is initiated by providing explanations is one step on the road to a government that is more accountable to its citizens, and a more democratic relationship between citizens and officials.

The evidence from our study of budget credibility in twenty-four countries leaves room for both optimism and pessimism about the kinds of promises governments make in the budget, and how they handle cases of deviation



from the agreed-to plan. On the one hand, most governments in our study already do provide some type of published justification in budget documents on the specific budget area selected by partners. This is a promising indication that many governments seem to have already accepted our basic premise: that citizens deserve to be given explanations for promises that are not fulfilled.

In addition, it is encouraging that most of the partners that participated in our study were able to get interviews with government officials to further discuss the budget deviations that they were concerned about. This too suggests a willingness to engage in dialogue with citizens about budget credibility that we should not take for granted, and that may well not have existed a couple of decades ago. The fact that some governments are already providing reasonably extensive published explanations for budget deviations also means that there are some existing practices that can be adopted by governments that want to do better.

On the other hand, of course, our study has shown that more often countries either do not provide explanations or provide explanations (whether in published reports or in interviews) that fall well short of what we might expect. Some of these reasons are general, and do not explain the specific areas of poor credibility that citizens are concerned with. Others are too generic, leaving citizens without clear causal mechanisms that plausibly explain budget variances. Even the best cases we reviewed leave budget variation over time and across different programs or ministries unexplained, making it hard to claim that these reasons adequately explain deviations.

## HOW CAN WE MOVE FORWARD FROM HERE?

1. **Civil society can continue to help refine the criteria for assessing the quality of reasons, so that we can work toward generally accepted global principles.** We have made an effort to start this process, but our study suggests more work needs to be done to refine these standards. While justifying budget decisions and deviations is different from some other types of public reasoning, we can nevertheless learn from other fields, particularly from case law in democratic countries that has tried to define standards for reasonable processes and justifications that guard against arbitrary state action.<sup>13</sup>
2. **Governments can share practices with each other about how to publish explanations for budget choices and actions and can engage civil society to better understand the types of explanations that will build confidence between them and their citizens.** Our assessment shows that governments are experimenting

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<sup>13</sup> These standards are often codified in legislation on administrative procedures, such as the Administrative Procedure Act (APA) in the United States. Case law is then generated that sets standards for how agencies may take or change decisions. As an example, a finding of violation of the APA was used to challenge the Trump administration's decision to reverse an earlier policy on the Keystone pipeline in 2018. The judge found against the administration in part on the grounds that it violated the requirement to provide adequate reasons for overturning existing policy. See Case 4:17-cv-00029-BMM Document 218 Filed 11/08/18 "in the United States District Court For The District Of Montana Great Falls Division, Indigenous Environmental Network and North Coast River Alliance and Northern Plains Resource Council, et al., vs. United States Department of State, et al.", available at: <https://assets.documentcloud.org/documents/5031466/Keystone-XL-pipeline-order-issued-by-U-S.pdf>.

with different ways of presenting budget information, including explanations for decisions and actions, and that there are opportunities for peer learning. In addition, developing a meaningful approach to providing public reasons is ultimately about dialogue with the people who consume those reasons, and there is no substitute for working with citizens and civil society to understand better what the public wants to know.

3. **Legislators can demand better published explanations from their government on budget deviations and deliberate on budget implementation data and explanations for budget deviations in robust public hearings in their chambers.** Legislators should be among the principal consumers of government explanations for budget deviations, as they are on the front line of reviewing budget implementation. Legislators sometimes seek and find reasons for budget deviations through informal or non-public mechanisms that allow them to partly play their role without enhancing transparency in the budget process. We would argue that legislators should push executives to publish better explanations for budget deviations so that the legislature and public can work more effectively together to monitor budget execution, and so that public confidence in both executive action and legislative oversight is enhanced.
4. **Finally, international institutions that set standards for public finance practices can do more to incorporate the need for explanations for budget deviation and an assessment of their quality into their frameworks.** As we discuss elsewhere, there is already a consensus among global standard-setters that governments should explain their actions.<sup>14</sup> PEFA has also recently decided to include additional questions about government explanations in its revised framework.<sup>15</sup> But much of what international assessments look for is general or generic and would not meet the expectations of citizens for adequate public reasons for budget deviations. We do not claim that the criteria we have used here should be adopted wholesale by other institutions, but we hope that this assessment takes a step toward creating a stronger consensus about the need to assess government reasons and will also generate some additional thinking about how to do so.

We believe that, working together, citizens, government and international actors can encourage greater transparency around budget deviations, a deeper understanding of how government works, and ultimately enhanced confidence in our public institutions. This is not the work of a day or of a year, and it is not the only thing that is needed to reinvigorate modern democracy. It is nevertheless one small but significant step toward democratizing public finances.

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<sup>14</sup> Jason Lakin, "Assessing the Quality of Reasons..."

<sup>15</sup> "PEFA 2016 Handbook, Volume II: PEFA Assessment Fieldguide, (Second Edition)", (Public Expenditure and Fiscal Accountability (PEFA) Secretariat, Washington, D.D., December 2018).  
<http://www.pefa.org/sites/default/files/PEFA%20Handbook%20Volume%202%20-%20second%20edition%20publication.pdf>.

## ANNEX 1: DESCRIPTION OF CIVIL SOCIETY PARTNERS' SELECTED BUDGET CREDIBILITY CASES, BY COUNTRY

Country	Description of credibility problem
<b>Afghanistan</b>	Under-execution of the development budget of Afghanistan
<b>Argentina</b>	Budget deviations in a national program that funds child care centers for infants under 4 years old
<b>Australia</b>	Budget deviations in the collection of company tax receipts
<b>Bangladesh</b>	Under-execution in the Annual Development Program budget and a women's entrepreneurship sub-program.
<b>Benin</b>	Under-execution in the Ministry of Health budget
<b>Brazil</b>	Under-execution in the Women's Policies: Promotion of Autonomy and Coping with Violence Against Women program, which aims to promote gender equity and reduce violence against women
<b>Dominican Republic</b>	Budget deviations in the Collective Health Services program and its components, particularly the maternal-child health activity.
<b>Ecuador</b>	Under-execution in the budget for <i>Fortalecimiento del Conocimiento y Talento Humano</i> , a national scholarship program to help students access higher education
<b>Guatemala</b>	Under-execution in the budget for a major road infrastructure program, Desarrollo de la Infraestructura Vial
<b>Hungary</b>	Under-execution in the budget for basic public research
<b>India (SATHI)</b>	Under-execution in the budget for the National Health Mission (NHM) in Maharashtra State. NHM seeks to achieve universal access to quality health care. It is administered by state health agencies and involves central and state government funds.
<b>India (NCDHR)</b>	Under-execution in the budget for a scholarship program for Scheduled Caste and Scheduled Tribe communities to access higher education, administered by the University Grants Commission
<b>Indonesia</b>	Under-execution in the budget for the Public Health Department, which in part provides maternal and child nutrition services.
<b>Kenya</b>	Under-execution in the Reproductive, Maternal, Neonatal, Child and Adolescent Health (RMNCAH) program budget. This program provides increased immunization, improved nutrition, increased access to family planning services and improved health services.
<b>Mexico</b>	Budget under-execution in key social sectors, specifically the Secretariats of Social Development and of Agriculture, Livestock, Rural Development, Fishing, and Food; budget over-execution in other areas, such as the Wage and Economic Allowances branch, Secretariat of Energy, and Office of the Presidency.
<b>Nigeria</b>	Budget under-execution in the education sector, namely the Ministry of Education.
<b>Paraguay</b>	Budget under-execution in the School Nutrition Program, which provides nutritious meals to schoolchildren.
<b>Portugal</b>	Under-execution of the public investment budget of Portugal
<b>Romania</b>	Under-execution of the public investment budget of Romania
<b>Serbia</b>	Serbia has a special procedure that allows the government to transfer funds in the middle of a budget year into the current reserve fund (a contingency fund) using appropriations from various programs that "cannot be used." These can then be distributed to new budget areas, with little oversight and transparency. During this period, the current reserve fund has received a small initial allocation, that is later boosted significantly through in-year transfers.
<b>Sierra Leone</b>	Budget under-execution in the Malaria Prevention and Control program.
<b>Sri Lanka</b>	Budget under-execution in the agricultural sector.
<b>Ukraine</b>	Budget under-execution in the Development of Network & Maintenance of Public Roads program
<b>Zimbabwe</b>	Budget under-execution in the Basic Education Assistance Module, which helps orphans and other vulnerable children receive a primary and secondary education