

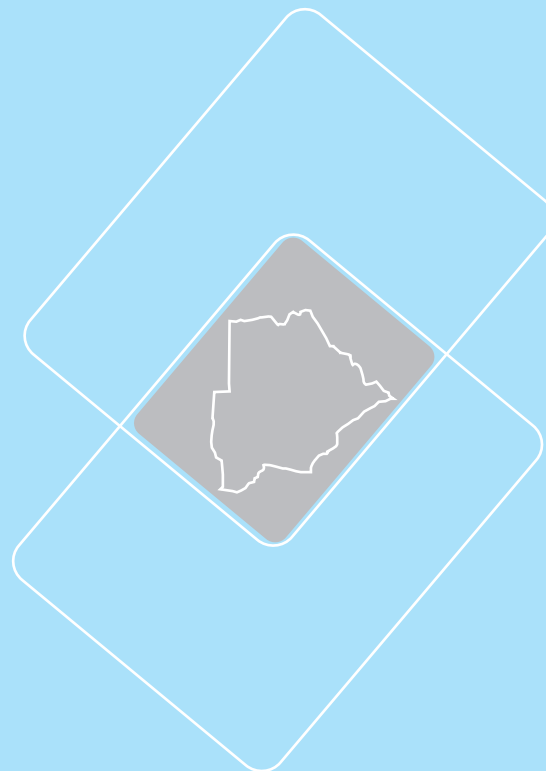


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Enhancing Public Budget Transparency in Botswana: *Why and How?*

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Gape Kaboyakgosi

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ENHANCING PUBLIC BUDGET TRANSPARENCY IN BOTSWANA: WHY AND HOW?

DR GAPE KABOYAKGOSI: RESEARCH FELLOW, BOTSWANA
INSTITUTE FOR DEVELOPMENT POLICY ANALYSIS

‘public’ to satisfy the requirements of
the methodology.

1. Introduction

This policy brief discusses the need to make Botswana’s budget process more transparent. Transparent or open budgets both facilitate and support timely, relevant public access to budget information, enhancing citizen participation in the budgetary process. Transparent budgets also strengthen the role and independence of oversight institutions such as Parliament and Supreme Audit Institution (SAI)-or the Office of the Auditor General - in order to engender budgetary accountability.

The objective of this brief is to advocate for the opening up of Botswana’s budgetary process. While Botswana has generally performed highly in terms of political governance indicators, economic performance, and credit rating among others, performance in indices of fiscal transparency has been generally low. As an example, Botswana’s performance for the 2010 Open Budget Index (OBI-2010) showed such performance declining for three consecutive occasions, from 65% in 2006 to 62% in 2008 and 51% in 2010. Some of the reasons that led to the decline in ranking by Botswana include the following:

- Some countries made improvements to budget transparency. For example, in terms of 2006 and 2010 scores; (Ghana, 42-54), Norway (72-83), Russia (47-60), Argentina (40-56), India (53-67) or Sri Lanka (47-67) far outperformed Botswana;
- The Annual Economic Review which Government has since discontinued, carried some information needed under OBI methodology to improve budget transparency;
- The lapse between NDP 9/10 accounted for some downgrades since the NDP 9 could not be used under the review period;
- Some earlier high marks were undeserved, as for example in-year-reports were not made

The implication of 51% performance rating is that Government of Botswana provides only *some* information to the public on central governments’ budget and financial activities in its documents during the fiscal year, and this makes it challenging for citizens to hold government accountable for its management of public finance.

Another 2010 public finance index, the Revenue Watch Institute’s Revenue Watch Index (RWI) also scored Botswana lowly. The RWI, which is an independent assessor of the transparency and accountability of mineral, gas and oil revenues ranked Botswana 24th out of a total of 41 resource rich countries. Botswana, according to the Index provide(s) citizens with information from their main extractive sector, diamonds, yet has important transparency gaps in one or more specific categories in the index. By illustration Botswana does not publicly reveal the price per carat for the country’s main income earner, diamonds (Evan-Zohar, 2007; Magang 2009). Such is the lack of transparency that this information is kept away from even members of parliament (MPs), thus making it difficult for citizens to know precisely whether the country is earning its fair share of revenue from diamonds.

2. The Institutional Landscape and Budgetary Transparency¹

The institutional landscape underpinning public budgeting in Botswana facilitates a measure of predictability and openness, which has historically been the bedrock of the credibility of Botswana’s public financial administration. Among others, Section 119 of the Constitution declares that the ministry responsible for finance will take the lead role in drafting the budget estimates. Section 119 also stipulates that these estimates will be tabled before parliament no later than 30 days before the onset of a new financial year. These stipulations have been adhered to in Botswana. Further adding some openness to Botswana’s public financial system is Section 124(5) of the Constitution which establishes the Office of the Auditor General, an oversight body, as an independent government department. That the OAG is given the latitude to select which departments or functions of government

¹ Institutions here are broadly defined to mean ‘economic institutions’, a category that includes law, organization and culture (North 1995)

budgetary process.

The preparation of the public budget in Botswana also involves a fair amount of consultation. The Ministry of Finance and Development Planning, which is the lead institution in budgeting in Botswana prepares the macroeconomic forecasts upon which government bases its public budgeting systems. Through the National Development Plans (NDPs), government undertakes an extensive consultative process involving the private sector, civil society and civil service.

At district level, the Urban and District Development Plans are formulated through a similar consultation process and it is upon these plans that the development of districts (whether urban or rural) is based for a duration of 5/6 years. What is of question could be the extent to which Government sticks to the priorities as outlined in the NDPs and how these are reflected in the budget (Phirinyane, 2005).

3. The Open Budget Index and Budget Transparency

This brief relies on methods and data collected for the Open Budget Index (OBI). The OBI, which was launched in 2006, is the only independent index that assesses the openness of budget systems in 94 countries. It uses criteria developed by, among others, the International Monetary Fund 'Code of Good Practices on Fiscal Transparency', the Organization for Economic Cooperation and Development 'Best Practices for Budget Transparency' and the International Organization of Supreme Audit Institutions' (INTOSAI) 'Lima Declaration of Guidelines on Auditing Precepts'. What limitations are found in the IMF, OECD and INTOSAI approaches are addressed through the OBI methodology, through defining the variables to measure budget transparency. These are:

1. The extent of public hearings facilitated by legislatures for budget discussions;
2. Public consultations undertaken by the Executive;
3. The presence or lack of communication mechanisms by SAI;
4. Availability of simplified data through Citizens Budgets, audit reports and related outputs; and
5. Budget data comprehensiveness regarding policies and programs intended for the poor

Data for the OBI is compiled through the participation of independent country researchers (BIDPA has carried out this function in Botswana for all the last three OBI indices). For the 2010 OBI, the data was improved through collaboration with country ministries of finance or treasuries. The OBI though, unlike indices designed by the World Bank and the International Monetary Fund is independent of governments or business interests, and thus this adds to its credibility. Botswana's continued decline in budget transparency should concern the country's decision makers due to the importance budget transparency is gaining.

4. Why is Budgetary Transparency important?

Several reasons are given for making government budgets more transparent. These include the need to improve accountability, increase effectiveness of budget processes, prevent corruption, enhance the credibility for budget processes, attraction of foreign direct investment and reduce the costs of borrowing; as well as assist in the monitoring of important national projects or initiatives.

Preventing Corruption and Enhancing Efficient Public Spending

Increasing budget transparency improves accountability since by giving the public access to budget information, members of the public, civil society and program/policy target groups can use that information to ensure that there are no arbitrary expenditure decisions being made relating to those funds. By knowing whether the money is being spent in line with legislative priorities, members of the public would thus be able to use that information to demand higher accountability for program implementation. In turn this would lead to greater efficiency in public expenditure, as well as improved program/project implementation, thus improving service delivery

Monitoring Important Developmental Initiatives

Transparent budgets also assist in the monitoring of important national developmental projects such as Vision 2016, the poverty reduction initiative and the Millennium Development Goals (MDGs). One of the challenges to the MDGs process to date (an issue that unfortunately extends to Vision 2016) has been that less attention has been paid to systematic reporting of progress (Vision 2016 Council, 2009). The more accessible budget data is to civil society, Parliament

and other interested parties, the more they can hold government and other lead implementation agencies to account for progress in these important initiatives. Poor access to data impedes efforts to hold implementing agencies accountable.

Attracting Foreign Aid, Investment and Cheaper Loans

Budget transparency is also important in aiding countries to attract foreign direct investment. Transparent budgets also assist countries to borrow money at reduced rates in international markets. According to the International Budget Partnership, studies have demonstrated that countries that have transparent budgets are able to borrow money at favorable rates in international capital markets. As concerns foreign aid, donors are likely to assist countries with transparent public financial systems as that assists them to account to their own home parliaments.

Enhancing the Credibility of Budget Processes

Transparent budgets increase the credibility of budget processes through generating 'buy-in' from citizens. Lack of transparency in government's policy choices can result in public servants making unpopular policy choices as well as spending public funds inappropriately. Citizens are thus more likely to support policies whose expenditure information are readily available. Facilitating access to budget information, leads to enhanced understanding and trust between citizens and government through managing expectations on both sides.

5. An Assessment of Budget Documents in Botswana

In the next section, the brief assesses eight (8) public budget documents with the view to assess whether these documents are available, and if they are available, how comprehensive the information contained in these documents is. These documents are the Pre-Budget Statement, Executive Budget Proposal, the Enacted Budget, In-Year-Reports, Mid-Year-Review, Year End Report, Audit Report and Citizens Budget.

Pre-Budget Statement (PBS)

The Pre-Budget Statement shows a set of figures, assumptions or parameters that inform the public budget. Indicators that go into the PBS include expected revenue, expected expenditure and expected levels of debt and allocations between the various sectors of the economy. The PBS is thus important in terms of

generating a common understanding between budget stakeholders; policymakers, civil society, politicians and the public in terms of the public budget.

Assessment

In Botswana the PBS is produced for internal purposes only, i.e. for the executive branch. It is not available to members of the public or even MPs. The unavailability of PBS for legislators who then have to interrogate the executive budget proposal, that had taken months to formulate, without a proper understanding of the parameters government faced in formulating the budget is a likely contributor to sub-optimal budget debates. Such information asymmetry cannot aid the quality of legislative debates to budgets. A similar point can be made about other budget stakeholders; civil society, politicians and academics. When information about 'public finance' is withheld from the public, the public's ability to interrogate the budget is highly curtailed.

The Executive Budget Proposal/Budget Speech

The Executive Budget Proposal details government's priorities, policies and allocations intended for a forthcoming fiscal year. Known as the Budget Speech, it is a proposal since it declares the executive's intended priorities, subject to legislative approval in a fiscal year.

Assessment

The positive aspects of the Budget Speech are that it is made widely available to the public through various methods, including being read on national radio. In recent years government has published the speech in the freely available Daily News newspaper. Furthermore, it is also placed on the Internet and most public libraries without charge. The challenges emanating from the Executive Budget Proposal however include that it lacks sufficient information to enable the public to know Government's true fiscal position, especially with regard to contingent and future liabilities as well as lacking information on outputs and outcomes, which makes it difficult to monitor impact.

The Enacted Budget/ Financial Statements and Estimates of the Consolidated and Development Funds Revenues

In parliamentary democracies such as Botswana, the enacted budget is the document that the Legislature approves, and consequently gives authority to the Executive to use as the blueprint to finance public projects, policies and programmes in the forthcoming fiscal year; thus the enacted budget is the passing into

legislation of the Executive Budget Proposal.

Assessment

In line with international best practices, Botswana's Enacted Budget is publicly available and available in most public libraries. On the downside however, Government does not place this document on the Internet. Furthermore, it has very little narrative, thus for those members of the public not arithmetically inclined it could have very limited utility.

In-Year-Reports

In-Year-Reports (IYR) is another set of documents, required to increase the transparency of public budgets. IYRs provide a snapshot of budget effects during the fiscal year. IYRs are produced periodically either on a quarterly or monthly basis to show progress of expenditures and revenues. IYRs also show trends in actual expenditures allowing for comparisons with actual expenditures compared with planned ones.

Assessment

Botswana produces IYR for internal Executive use only. They are not publicly available.

The Mid-Year-Review

The Mid-Year Review (MYR) provides a comprehensive overview of the budget effects at midpoint of the fiscal year. The information provided in the MYR can also allow necessary adjustments to be made.

Assessment

While Botswana produces the MYR, it is for internal Executive purposes, and is not published.

The Year End Report (YER)/Annual Statements of Accounts

The Year-End-Report compares actual budget execution to the enacted budget. Its major objective is to inform policy makers on tax policies, debt requirements and major expenditures facilitating modifications for upcoming years. Botswana produces and publishes the Year-End-Report.

Assessment

While the YER is produced and published, it is not

comprehensive, and it lacks differences between original budget estimates and actual outcomes.

The Audit Report/Report of the Auditor General

The Audit Report is usually compiled by an office independent of the Executive branch. It gives an assessment of whether government has raised and spent money in line with the Enacted Budget. It also reports on the accuracy of revenues and expenditures and on (any) problems auditors find in the management of public budgets.

Assessment

Botswana publishes its Audit Report. Challenges that remain are that the Audit Report is compiled without the input of the public, and thus the OAG lack feedback from the public.

Citizens Budget (CB)

The Citizens Budget is a document published to alleviate the invariably technical nature of public budget documents. A CB is a non-technical, highly summarized version of the Budget Speech commonly up to 4 pages. The main objective of citizen's budgets is to inform, in a simplified manner, the public as to the budget. In the region for instance, South Africa (whose budget was the world most transparent in OBI 2010), has a Citizens Budget that is printed in all of the country's official languages. Malawi too has a CB printed in English.

The effect of CBs is to further open up or democratize the budget processes in that they allow citizens the capacity to understand governments' major expenditure priorities for a given fiscal year. CBs also assist citizens to hold governments to account since citizens can raise concerns where they think there are unnecessary expenditures. Furthermore they help build an understanding between citizens and governments by managing expectations.

Assessment

Botswana does not produce or publish a Citizens Budget.

6. The Role of Oversight Institutions

Historically public budget processes have been

dominated by the Executive, the Ministry of Finance top officials in general and economic planners in particular. While this situation was not unique to Botswana, there is an emerging global consensus as to the need to make budgets more transparent. It is more accepted now that the role of Parliament, the Auditor Generals and civil society in the budget process can bring about checks and balances to public budgeting and enhance not only the democratic or participatory aspects of budgeting, but efficient, equitable and effective outcomes for taxpayers or citizens.

7. Parliament

The role of National Assembly is to approve the expenditure proposals of the Executive during budget debates and holds the Executive to account for expenditures during implementation and post-implementation. Through the Public Accounts Committee, Parliament's oversight role is strengthened through calling Accounting Officers to explain expenditures of their ministries.

Assessment-Parliament

One of the challenges facing parliament in its execution of the oversight function is that whereas sections 119 and 120 of the Constitution bestow on it the ability to authorize public expenditures, the same sections fail to stipulate the latitude to amend the same budget. Furthermore, as the budgets are mainly executive-led in Botswana, Parliament, like the public only come into contact with the executive budget proposal when the Minister responsible for finance reads out the budget speech, curtailing the ability of members of parliament to make meaningful contribution to the budget process.

Parliament's other weakness in its oversight role has been the highly limited opportunities for direct public participation in the process. Such participation is normally facilitated through public hearings, where members of the public are allowed to make an input into the process. A further challenge for Parliaments' efficiency in Botswana is the indirect accountability process for public enterprises. Public enterprises account, to the Minister thus diluting the ability of Parliament to call them to account.

8. Office of the Auditor General (OAG)

The Office of the Auditor General (OAG) is an autonomous government department that plays an oversight role in public financial management. The OAG assesses the efficiency of revenue collection and performance standards and assess, post implementation and the legitimacy of expenditures during implementation. Once the OAG has made its assessments of public financial expenditures; it passes these on to the Minister of Finance and Development Planning, who then passes them onto the legislature. In many parliamentary democracies, this function is enhanced by calling for public hearings.

Assessment-OAG

Challenges faced by the OAG include inadequate channels for communication with the public. Whereas the public can buy the OAG reports or access them in libraries, there are seldom opportunities given to the same public to give their feedback to the OAG. Another challenge to the effectiveness of the OAG is the inadequacy of follow-ups by Parliament and the Executive to queries or complaints made by the office.

Whether this is due to lack of support by Parliament or accounting officers this state of affairs can demoralize the OAG and even erode public confidence in the OAG. Beyond passing on reports to the executive, the OAG lacks the wherewithal to enforce its recommendations of ensuring that those who flout public financial procedures are punished. Indeed there, to date, exists no information on any expulsions or other forms of punishment meted out on the recommendation of either the Public Accounts Committee or the Office of the Auditor General (Kaunda et. al., 2008, p. 70).

Furthermore, the OAG remains the only public institution that has no external auditor. While international best practice is to have SAIs audited, Botswana is yet to undertake this practice, which might actually lead to the decline in the performance of the Office.

Like the National Assembly, various OBI assessments have rated Botswana's SAI highly in its oversight role performing on average, above the global average for SAIs (OBI 2006, 2008, 2010).

In line with international best practices the OAG releases its reports annually. More importantly, these reports are available to the public.

9. Conclusions

This policy brief has given a description and assessment of budget transparency in Botswana. Several claims have been made in this briefing, including that;

1. Budget transparency is important for ensuring accountability, attracting FDI, ensuring implementation efficiency, monitoring important national development initiatives, preventing corruption and enhancing the credibility of implementation;
2. The OBI is the only independent measurement of budget transparency, which however borrows from government led indices such as those by the OECD and IMF;
3. Botswana's performance in the OBI has been declining in the last three consecutive indices;
4. The lack of transparency of Botswana's public budget processes minimizes the ability of citizens and other stakeholders to hold public officials accountable;
5. Though performing above average, the functions of the SAI and the legislature are impeded by lack of public participation, and lack of follow-up where queries are raised as to the appropriateness of public expenditures made; and
6. While Botswana produces many public budget documents the lack of publicizing these reverses their (public) nature.

10. RECOMMENDATIONS: How to increase Budget Transparency in Botswana

The following recommendations, suggest what Botswana can do to improve budget transparency:

1. Publicize on government website, key budget documents already produced internally such as the Mid-Year report and In-Year-Reports
2. Produce and publish a Citizens' Budget
3. Increase the comprehensiveness of the Executive Budget Proposal
4. Improve follow-ups by both Parliament and accounting officers on queries raised by the Office of the Auditor General
5. Improve the ability of the OAG to receive feedback from the Public
6. The OAG must be audited
7. Provide opportunities for the public to testify at Parliament hearings on the budget;
8. Enable Parliament to provide more comprehensive oversight not only when the budget is being approved but also during implementation; and
9. Provide mechanisms to allow parliament's Public Accounts Committee to directly and publicly audit public enterprises

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Botswana Institute for Development Policy Analysis (BIDPA)
Plot 134, Tshwene Drive, BIDPA House
International Finance Park, Kgale View
Private Bag BR-29
Gaborone, Botswana
Tel. 267 3971750, Fax: 267 3971748
Website: www.bidpa.bw