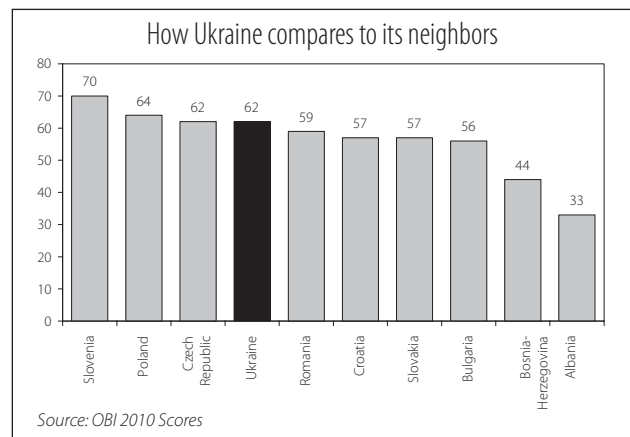
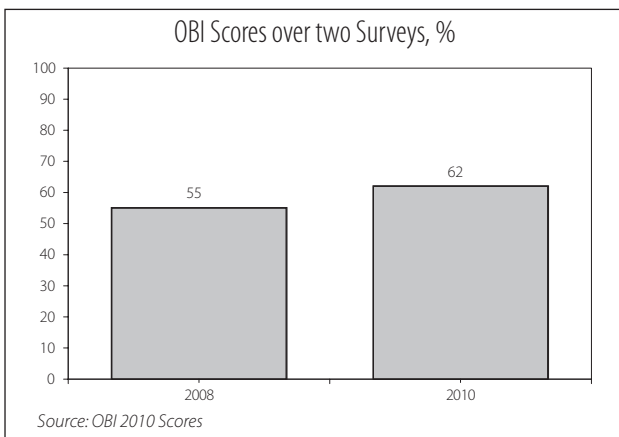




Open Budget Index 2010: Ukraine results

by Ildar Gazizullin

In 2010, Ukraine was 19th among 94 countries in the Open Budget Index, scoring 62 out of 100. Ukraine is ahead of other CIS countries, including Georgia, and some EU-member states.



Information in Public Budget Documents

The Open Budget Index (OBI) 2010 evaluates the quantity and type of information that governments make available to the public in the eight key budget documents that are supposed to be issued during the budget year. In 2010, the budget openness of a total of 94 countries was assessed.

The OBI was launched by the International Budget Partnership, which was established in 1997 to support civil society organizations around the world interested in strengthening public budget processes, institutions and outcomes.

A country's placement within a performance category was determined by averaging the response to 92 questions on the 2010 Open Budget Questionnaire.

Table 1. Adequacy & Availability of Eight Key Budget Documents

Document	Level of Information Grade	Publication Status
PBS	B	Published
EBP	B	Published
EB	B	Published
CB	E	Not Produced
IYR	A	Published
MYR	E	Produced Internally, Not Published
YER	D	Published
AR	B	Published

Table 2. Grade Scale for Comprehensiveness and Accessibility of Information Provided

A	81-100	Extensive
B	61-80	Significant
C	41-60	Moderate
D	21-40	Minimal
E	0-20	Little or no

Ukraine's score on the 2010 OBI shows that the government provides the public with significant information on the State Budget and financial activities during the course of the budget year.

Despite its high ranking, the country could score better, if the government had published the Citizen's Budget and a Mid-Year Review, and increased the comprehensiveness of information published in the Year-End Report and the Budget Proposal.

The **Budget Proposal** is the Government's most important policy instrument. It presents how the Government plans to raise revenues through taxes and other sources and to spend these monies to support its priorities, thus transforming policy goals into action. Absent this information, the public does not know the government's complete fiscal position. Major gaps in information in the Ukraine's budget proposal are found in the following areas:

- ✦ outputs and outcomes of public policy, which is important for those who are interested in monitoring the budget's impact.
- ✦ fiscal activities that can have a major impact on the government's ability to meet its fiscal and policy goals, including information on extra-budgetary funds, quasi-fiscal activities, tax expenditures, contingent and future liabilities, and financial and other assets.
- ✦ state debt and its future prospects.

The **Citizens' Budget** is a non-technical presentation of the State Budget that is intended to enable the public—including those who are not familiar with public finance—to understand a government's plans for raising revenues and spending public funds. Ukraine last produced a Citizens' Budget in 2006.

The **Mid-Year Review** provides an overview of the budget's effects at the mid-point of a budget year and discusses any changes in economic assumptions that affect approved budget policies. Information in this report allows a government's fiscal performance to be assessed against the plan laid out in the original budget. It allows the government, legislature, and voters to identify whether or not adjustments related to revenues, expenditures, or borrowing should be made during the last six months of the year. Ukraine does not publish a Mid-Year Review.

The **Year-End Report** contains information comparing the actual budget execution relative to the Enacted Budget. Year-End Reports can inform policy-makers' discussions on tax policies and debt requirements, as well as on major expenditure priorities for upcoming budget years. Furthermore, information contained in this report can assist individual ministries and the public in identifying shortcomings in existing policies and programs, which can be used to influence future directions. Ukraine publishes Year-End Reports that cover only some aspects and lack depth.

Public Participation and Institutions of Accountability

Beyond improving access to key budget documents, there are other ways in which Ukraine's budget process could be made more open. This includes ensuring the existence of strong legislatures and supreme audit institutions (SAIs), as well as providing greater opportunities for the public to participate in the budget process. The oversight bodies in Ukraine have moderate strength.

According to the Open Budget Survey 2010, Ukraine has a moderately strong legislature, however, it does not:

1. have sufficient powers to approve any amendments made to the budget over the course of the fiscal year; and
2. hold open budget discussions at which the public can testify or allow the public to be present during legislative hearings at which the executive testifies on its proposed budget.

According to the Open Budget Survey 2010, Ukraine has a moderately strong SAI, however, it does not:

1. have proper channels of communication with the public; and
2. have adequate reporting on the follow-up steps taken by the executive to address audit recommendations for remedial action.

What needs to be done to make Ukraine's budget more open

Without public information and procedures to account for public opinion, the government is unlikely

to gain the trust of its citizens or voter buy-in decisions, while voters will find it hard to hold their government accountable.

Despite Ukraine's relatively high ranking, the absolute value of the country's score in the 2010 OBI, 62%, is quite low. To improve this, Ukraine should:

- ✦ begin to produce and publish Citizens' Budgets and Mid-Year Reviews;
- ✦ make the Cabinet's Draft Budget and Year-End Reports more comprehensive;
- ✦ provide opportunities for the public to testify at Verkhovna Rada hearings on the budget;
- ✦ increase the powers of the Verkhovna Rada to amend the budget; and
- ✦ institute consultations between the Cabinet of Ministers and Verkhovna Rada during the preparation of the Draft Budget.

ICPS has been studying the openness of Ukraine's budget since 2008.

For more information on the International Budget Partnership (IBP) and the Open Budget Initiative (OBI), see www.openbudgetindex.org

For more information on ICPS findings, contact ICPS Senior Economist Ildar Gazizullin by phone at (+38044) 484-4400 or via e-mail at ig@icps.kiev.ua.

e-mail: office@icps.kiev.ua
www.icps.com.ua