ASSESSMENT OF THE BUDGET PROCESS TRANSPARENCY IN MOLDOVA

Authors: Dumitru Budianschi (coordinator), Elena Culiuc, Tatiana Savva, Victoria Vlad

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Disclaimer: opinions and conclusion presented herein belong to the authors and do not necessarily reflect the views of the financing organization.
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FOREWORD

An important thing to take into account as we talk about transparency of the budget process in Moldova is that transparency is not a matter “in vogue” to comply with or follow through. Ensuring transparency is a responsibility of the Government and a tool for increasing efficiency and effectiveness of the state resources use. At the same time, transparency is a tool for the civil society to become more informed about the way public money is spent; this contributes to boost the civic spirit of the society and to propel society’s involvement in the decision making process.

The purpose of the study presented herein is to conduct a quantitative and qualitative assessment regarding the transparency of the budget process in Moldova and to obtain a clearer image about Moldova’s position to other world countries.

The paper is organized in 8 chapters, including a chapter for general recommendations.

First three chapters shortly present the budget process in Moldova, the role of transparency for good governance and the methodology used for the assessment.

Chapter 4 presents the Budget Transparency Index and compares Moldova’s position to other countries.

Chapter 5 presents the publicly available documents of the budget process and the assessment of a sub-score Budget Transparency Index of all these documents.

Chapter 6 presents main conclusions about the consistency of information revealed in the publicly available documents of the budget process.

Next chapter is allotted for the assessment of the participatory process in all stages of the budget cycle. The chapter presents the role of the Executive, the Legislative and the Court of Accounts of organizing public consultations.

The main conclusions and recommendations for the budget process transparency are contained in the last chapter.
The Budget Process in Moldova

The budget process in Moldova, regulated by Law no. 847 of April 24, 1996 on the budget system and the budget process, represents a series of “successive stages of formulation, enactment, execution and reporting on the budget execution.”¹

The stages mentioned above form a “democratic, mostly political decision making process, which is a continuous cycle of macro- and micro- level impact on the public that manifests both on economic and social plans.”²

A participatory budget process offers better opportunities to allocate resources, to prioritize broad social policies, and to monitor public spending.³ In Moldova, the law on transparency of the decision making process aims to ensure citizen participation and a larger accountability of public authorities to citizens.⁴

In order to build a transparent budget process as a key element of a democratic society, it is essential that interested stakeholders are offered participation opportunities at every stage of the budget process.

In Moldova, the budget process is composed out of four successive stages:

1. Formulation of the State Budget: the Ministry of Finance is responsible for this stage and its key elements: to identify the goals of the State Budget; revenue sources and expenditure destinations; to establish the macroeconomic framework of the strategy on the budget policies priorities. In addition, the Ministry of Finance is responsible for the detailed budget forecast (Medium Term Expenditure Framework). The Executive’s Budget Proposal should be presented by the Government to the Parliament by October 1st of each year.

2. Examination and enactment of the annual Budget Law by the Parliament: Commissions of the Parliament review the Executive’s Budget Proposal, the amounts of revenue and expenditure and enact the annual Budget Law by December 5th of each year.

3. State Budget execution: revenue collection, expenditure execution and developing reports (monthly, quarterly and yearly) on state budget execution. Overall responsibility for this stage belongs to the Government.

4. External Audit: realised by the Court of Accounts.

Stages of the budget process in Moldova largely correspond with stages accepted at the international level: budget formulation, enactment, execution (implementation, monitoring and control), audit and legislative assessment.

For a more efficient budget process in Moldova, it is necessary to ensure access to key documents at all stages, preferably in a timeframe established by law.

The civil society can play a fundamental role in the budget process by involvement at every stage of the budget cycle, in order to bring the important information about citizens’ needs to the attention of the decision makers and to establish priorities in the budget debates. As the International Budget Partnership (IBP) highlights, participation of the civil society can bring the interests of the poor and marginalized ones to the discussion.\(^5\) Thus, an efficient management of the budget can contribute to promoting economic growth and poverty reduction, which are key imperatives for Moldova.

\(^{5}\) Why Are Budgets Important?, http://internationalbudget.org/getting-started/why-are-budgets-important/
THE ROLE OF TRANSPARENCY FOR GOOD GOVERNANCE AND POVERTY REDUCTION

Transparency of the budget process is a key element of ensuring quality governance. A study conducted by the World Bank reveals a strong correlation between transparency and the quality of the governing.  

Modern Governments promote transparency with the hope to decrease corruption and bureaucratic inefficiency. Transparency is essential because:

- It leads to participation;
- In turn, participation offers to citizens the possibility to better understand their rights and responsibilities, also, to better understand the responsibilities of the Government;
- Citizens can lead more efficient discussions with the Government about the allocation of limited resources and public policy priorities;
- Last, but not least, transparency is the premise that leads to other principles of good governance, such as accountability, trust and efficiency.

A better understanding of the role of transparency implies a clear definition of this principle. Thus, in research papers transparency is defined as the “accessibility and availability of relevant information about the way polities and political organizations work.”

Transparency should not be seen as a “one way street.” It is important to highlight that, per se, accessibility of information does not create transparency. According to some scholars in this field, transparency implies claim for this information and active participation of society in the budget process.

Thus, transparency generates social value if and only if the public creates actions with the help of information about policies and decisions. Transparency is much more than a simple opening starting the point when available information becomes usable and interpretable.

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In this reference system, transparency can be seen as a three role tool, namely:

- **Monitor** – when policy actions and decisions are placed under public control, it is easier to identify wrongdoings or even to prevent them (because of the wrongdoers’ fears of being caught);

- **Mediator** – transparency can increase the level of trust and public satisfaction with Government and politics. Information about inequality and irregularities can motivate citizens to participate more actively in decision making process and policy implementation;

- **Moderator** – by various means transparency influences individual and group behaviour. With more transparency, public officials and politicians will avoid situations that could result in corrupt activities.

In the case of Moldova, discussions on the subject of transparency began more intensely since the enactment of Law no.239-XVI of November 13, 2008 on transparency in decision making. The Law ensures informing citizens at any stage of the decision making process and equal participation of interested stakeholders.

Thus, the transparency principle in Moldova is enforced by law and takes place through:

- public debates on budget proposals;
- public debates of budget execution reports;
- release of normative acts on budget enactment and of budget execution reports.

Greater transparency of the budget process in Moldova would lead to another vital effect. A large share of citizens has unrealistic or exaggerated expectations from country “rulers.” Many of the times the public does not have a clear understanding about which institution is responsible of what policies, or what is the source of the public money which finance these policies.

A better informing and implication of citizens in the budget process could lead to a better understanding of these subjects. Finally, more informed citizens become more responsible not only in relation to the rulers, but to themselves. Inevitably, engagement of citizens in the budget process makes it more difficult to manipulate them. Consequently, this contributes to political stability and accountability of the political class.
ASSessment Methodology

For the purpose of this research we used the methodology developed by the International Budget Partnership (IBP)\(^4\), which is used by the IBP for the biannual „Open Budget Survey”\(^5\) research. The idea of this research it is to assess the level of budget transparency using a questionnaire which allows an estimation of transparency level through the lens of the best internationally accepted practices.

Largely, the research took place in two stages. In the first stage, we completed the questionnaire on the “open budget” developed and offered by the IBP for 2012. After EXPERT-GRUP completed the questionnaire, relevant questions were addressed for the Ministry of Finance, the Court of Accounts and the Committee on Budget and Finance of the Parliament, in order to take into account their opinion. After taking into account the institutions’ opinions, EXPERT-GRUP finalized the completion of the questionnaire.

At the second stage we analysed the result of the questionnaire. In addition, we calculated the Budget Transparency Index (BTI) and formulated the main conclusions and recommendations. An important remark to be made is that for calculating the Budget Transparency Index we took into account IBP’s methodology used for the Open Budget research in 2010.\(^6\) After the release of the computation methodology for the 2012 Open Budget Index (OBI) (in October – November 2012), EXPERT-GRUP will readjust the results of this research in order to ensure a maximal comparability with the OBI for 2012, which is used in the compilation of the global level rating regarding budget transparency. Moreover, it is important to mention the fact that a full comparability with the global OBI rating could be possible only if under IBP’s supervision. We hope the research we conducted will help to have Moldova included it in the next global rating conducted in 2014.

The questionnaire is divided into five sections. The first section contains a list of publicly available documents analysed and the whether or not these are accessible to the public. The next four sessions contain 125 questions. Answers to 96 of these questions allow an assessment of public access to information and its comprehensiveness, and lay at the foundation of Budget Transparency computation. The rest of the questions allow the assessment of citizens’ involvement in the budget process, arrangements of public institutions in this process, and the assessment of the role of the Legislative and the Court of Accounts.

Most of the questions create a better understanding of de facto used practices, rather than of those provided by the legislative acts. However, we did not aim to conduct an assessment of performance and quality of processes and documents provided by the Government, but only of the aspects related to the information disclosure and of public participation in

\(^4\) The International Buget Partnership is an organization which collaborates with civil society from the entire world and uses the analysis of budget transparency and advocacy tools to improve the efficiency of governance and decrease poverty.
\(^5\) http://internationalbudget.org/what-we-do/major-ibp-initiatives/open-budget-initiative/.
\(^6\) http://internationalbudget.org/what-we-do/open-budget-survey/.
the entire budget process. For example, the questions do not assess if the revenue or debt of the Government is incomplete or incorrect. Also, there is not assessment of the credibility and correctness of the macro-economic forecasts and economic premises used for the state budget estimates.

The questionnaire focuses on the content of eight budget documents which must be released by Governments in the budget process according to best practices. These criteria are similar to those developed by international organizations and are reflected in the “Code Of Good Practices On Fiscal Transparency” developed by the IMF, “Best Practices On Fiscal Transparency” of OECD and Lima Declaration which targets the Audit Practices developed by the International Organization of the Supreme Audit Institutions.

Documents are considered “publicly available” if they comply with the requirements stated in Table 1. Also, it is important to mention that the definition “publicly available” implies that the way the Government distributes the documents does not have any impact on the BTI.

<table>
<thead>
<tr>
<th>Document</th>
<th>Requirements for documents to be considered “publicly available”</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pre-Budget Statement</td>
<td>Must be released at least one month before the Executive’s Budget Proposal is submitted to the Parliament for consideration.</td>
</tr>
<tr>
<td>Executive’s budget proposal</td>
<td>Must be released at the same time or before its enactment, so that the public has the possibility to influence the decision of the final budget version.</td>
</tr>
<tr>
<td>Citizens Budget</td>
<td>If it is a simplified version of the Executive’s Budget Proposal, it must be released at the same time as a “publicly available” Executive’s Budget Proposal. If it is a simplified version of the Enacted Budget, it must be released at the same time as a “publicly available” the Enacted Budget.</td>
</tr>
<tr>
<td>Enacted Budget</td>
<td>Must be released no later than three months after the budget is approved by the Parliament.</td>
</tr>
<tr>
<td>In-Year Reports</td>
<td>Must be released no later than three months after the reporting period ends.</td>
</tr>
<tr>
<td>Mid-Year Review (Report)</td>
<td>Must be released no later than three months after the reporting period ends.</td>
</tr>
<tr>
<td>Year-End Report on Budget Execution</td>
<td>Must be released no later than two years after the reporting period ends.</td>
</tr>
<tr>
<td>Audit Report</td>
<td>Must be released no later than two years after the end of the fiscal year (the reporting period).</td>
</tr>
</tbody>
</table>

Source: Guide to the Open Budget Questionnaire: An explanation of the Questionnaire and the response options, pg.14.

**Budget Transparency Index (BTI)** was computed as average of 96 questions from the questionnaire, which refer to information availability regarding
budget documents. This score reflects the quantity of available information in those eight basic budget documents.

The availability of documents for the public and the comprehensiveness of the Executive’s Budget Proposal are decisive elements of the BTI. A proof in this regard is that 58 out of 96 questions used for computing the BTI score relate to Executive’s Budget Proposal.

Most of the questions out of the Open Budget Questionnaire have five answer options. “A” or “b” answers reflect the situation/condition when the analysed aspect corresponds with relevant best practices. “C” or “d” options reflect the situation when the Government does not respect the best practices. “A” response points out the complete standards compliance, while “d” reflects a situation when the standard was not respected at all. Researchers offered proof in order to argument the selected answer and present detailed explanation in the corresponding section.

It order to aggregate the answers, the numeric score of 100 percent is equal to an “a” evaluation, 67 percent is equal to “b” evaluation, 33 percent with “c” and zero percent by “d”. If the question is evaluated with “e” the answer for this question is not taken into account in the computation of the aggregated score for the respective category. Some questions have three answer options. If so, “a” corresponds to a numeric score of 100 percent, “b” to zero percent. The “c” response is equivalent to “e” as previously explained.
THE LEVEL OF BUDGET TRANSPARENCY INDEX IN MOLDOVA

As mentioned above, Budget Transparency Index (BTI) was computed according to a methodology developed by the International Budget Partnership (IBP). This institution conducts a global level assessment of the budget process transparency every two years. The 2010 assessment comprised 94 countries, and in 2008 and 2006 by 85 and 59 countries, respectively. The research herein regarding transparency of the budget process in the Republic of Moldova had the aim to compute a Budget Transparency Index similar to the OBI computed by the IBP, in order to make possible to compare Moldova’s position with other states.

Also, it is important to mention the fact that a total comparability of the Budget Transparency Index with the OBI is possible only by plenary participation of the country in the assessment conducted at the global level. Or, ensuring a uniform understanding of questions and answers it possible only if with the IBP participation, which is responsible of ensuring a full comparability of the assessments.

Another subject on the matter of comparability with other countries is that the results of the global research for 2012 are not yet finished. This is another obstacle to the full comparison to other countries because of two reasons. First of all, there is an overall progress trend regarding transparency: while in 2008 the average score for all participant countries was 39 points, in 2010 this score increased to 42. Secondly, the research herein is based on the methodology for 2012, which contains some changes to the 2010 one.

However, this does not make the comparison of results obtained by conducting this research impossible or useless. Staying within the limits of a 5% approximation we can roughly understand where does Moldova stay in regards to budget transparency. An update of our position in the global ranking will be conducted after the IBP will publish its results. This will most probably happen in October – November 2012.

There is a score of 60 points for the Budget Transparency Index in the Republic of Moldova. This can be interpreted as Moldova has a relatively open budget process to the public, as it is closely placed to “good practices”, however, far from “the best practices.” Annex 1 to the present study includes the entire questionnaire and the assessments to each question answered by EXPERT-GRUP.

If we suppose that the methodology applied by EXPERT-GRUP is totally compatible to the one applied by the IBP in order to compute the OBI in 2010, then globally Moldova would be ranked next to the neighbours presented in Table 2. We can notice Moldova has a similar score as the region countries.

17 See http://internationalbudget.org/what-we-do/open-budget-survey/research-resources/methodology/
Table 2. Moldova’s placement to the countries is the same score category

<table>
<thead>
<tr>
<th>Country</th>
<th>Score</th>
<th>Index</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ukraine</td>
<td>62</td>
<td>OBI</td>
</tr>
<tr>
<td>Columbia</td>
<td>61</td>
<td>OBI</td>
</tr>
<tr>
<td>Russia</td>
<td>60</td>
<td>OBI</td>
</tr>
<tr>
<td>Mongolia</td>
<td>60</td>
<td>OBI</td>
</tr>
<tr>
<td>Republic of Moldova</td>
<td>60</td>
<td>BTI</td>
</tr>
<tr>
<td>Romania</td>
<td>59</td>
<td>OBI</td>
</tr>
<tr>
<td>Italy</td>
<td>58</td>
<td>OBI</td>
</tr>
<tr>
<td>Portugal</td>
<td>58</td>
<td>OBI</td>
</tr>
</tbody>
</table>

Source: IBP for all countries except Moldova, EXPERT-GRUP for the Republic of Moldova

In its reports on Open Budgets, the IBP divides countries included in the rating in five categories according to the obtained score: (i) providing extensive information (81-100), (ii) providing significant information (61-80), (iii) providing some information (41-60), (iv) minimal information, (v) scant or no information (0-20 points). As we can see, Moldova is placed in between countries providing some information (category iii) and providing significant information (category iv).

Countries which implemented the best practices and are placed in the extensive information category are: South Africa (a score of 92), New Zealand (90), Great Britain and France (each by 87), Sweden and Norway (by 83) and the United States (82). Moldova could learn a lot from these countries. This learning does not suppose an automatic take in of the practices related to the budget process itself, but about finding the most efficient forms of increasing budget transparency and public engagement in this process.
AVAILABILITY OF THE BUDGET CYCLE DOCUMENTS

According to the methodology we used and best international practices, a complete budget process is defined by the release of eight documents (types of documents):

i. pre-budget statement;
ii. executive’s budget proposal;
iii. citizens budget;
iv. enacted budget;
v. in-year reports;
vi. mid-year review;
vii. year-end report;
viii. audit report.

There is no release of a Citizens Budget in Moldova, a document that could be developed and released to the public at every stage of the budget process. Also, we do not have an explicit document named pre-budget statement; however, the MTEF contains all defining elements of such a document. In the regulatory acts there is no document that would be expressly entitled a pre-budget statement and we do not see it is a major issue; however, an explicit definition would contribute to a greater coherence of documents serving the budget cycle.

Moreover, according to methodology’s requirements (see chapter on Reference source not found.) we can state that only six documents (or document categories) were publicly available. In 2011, the mid-year review was not publicly available. The cause was a late release of the document by the Ministry of Finance. Thus, even the Ministry of Finance published this document, because of the limited time for it to be discussed in the society, it cannot be considered publicly available, as the methodology requires.

Table 3 presents the level of information provided by type of documents mentioned.

In the case we consider a complete comparability of the herein research with the one conducted by the IBP, then Moldova has a score above average for all documents of the budget cycle. The enacted budget is an exception. Moreover, for the “pre-budget statement” and the in-year reports, Moldova could be place next to the countries providing extensive information.

Moldova is on a weak position at the “Year-End Report for Budget Execution,” a report which would be in the country category which provide only some information. At large, this fact reflects a general problem regarding the budget process – the problem of a low accountability level of the Government to society.

19 The report was published in November. In order to be considered publicly available, it should be published no later than 6 months term after the end of the reporting period.
## Table 3. Level of provided information for each document of the budget process

<table>
<thead>
<tr>
<th>Documents of the budget process</th>
<th>BTI for each document, Moldova, 2012</th>
<th>OBI 2010 average by document, for countries which had such documents</th>
<th>Share of countries which do not publish these documents, %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pre-budget statement</td>
<td>87</td>
<td>81</td>
<td>65</td>
</tr>
<tr>
<td>Executive’s Budget Proposal</td>
<td>64</td>
<td>58</td>
<td>23</td>
</tr>
<tr>
<td>Citizens Budget</td>
<td>-</td>
<td>86</td>
<td>83</td>
</tr>
<tr>
<td>Enacted Budget</td>
<td>66</td>
<td>80</td>
<td>13</td>
</tr>
<tr>
<td>In-Year Reports</td>
<td>92</td>
<td>76</td>
<td>25</td>
</tr>
<tr>
<td>Mid-Year Review (Report)</td>
<td>-</td>
<td>63</td>
<td>70</td>
</tr>
<tr>
<td>Year-End Report</td>
<td>44</td>
<td>42</td>
<td>22</td>
</tr>
<tr>
<td>Audit Report</td>
<td>61</td>
<td>52</td>
<td>35</td>
</tr>
</tbody>
</table>

*Source: Budget Transparency Index (BTI) computed by EXPERT – GRUP; information on OBI from “Open Budgets Transform Lives”, Open Budget Survey, 2010, IBP.*

Moreover, it is important to mention that in 2011 the mid-year review (late publishing) was rather an exception. Thus, when the budget process will return to its order, the Executive should only define a clearer policy on the Citizens Budget. However, there is a strong connection between the ways the Executive sees its role in communication with the public (see the chapter on Citizens engagement in the budget process).
INFORMATIONAL CONSISTENCY OF DOCUMENTS

The budget process is a cyclic and complex process which implies a continuous effort of all administrative authorities. For a more detailed image of the transparency level of this process, we present the results divided by stages of the budgetary process.

EXECUTIVE’S BUDGET PROPOSAL

The Medium Term Expenditure framework (MTEF, CBTM) was considered to be the preliminary budget statement for 2012 – 2014 timeframe, as it is the result of the first stage of the budgetary process – formulation of the budget. According to the IBP guide, this document should be released to the public not later than a month before the Government presents the Budget Proposal to the Parliament.

The Ministry of Finance respects the best international practices of the pre-budget statement release. In 2011, the MTEF was published June 29th, 6 months before the start of the budget year 2012. The pre-budget statement is a highly detailed at program level. The regulatory frame of the budget process does not explicitly stipulate what are the stages of the budget process and relevant documents. That is why a considerable part of the information presented in the MTEF is not presented in the Budget Proposal, as it is supposedly enough of them to be presented in the MTEF. The MTEF presents important details on macroeconomic previsions; however, it does not comprise the macroeconomic previsions important for citizens, such as the unemployment and employment rates, which have budget implications.

BUDGET PROPOSAL PRESENTATION AND ENACTMENT

Further we present main conclusions on the consistency of the Executive’s Budget Proposal, which reflects the disclosure of information about revenues and expenses estimates, Government’s debt, the state of Government’s assets, risks, policies and other topics.

Expenditures and revenues

Budget proposal expenditures are presented in a detailed manner by functional, economic and administrative classification. Multiannual previsions do not reflect expenditures by administrative units and the classification is not compatible with the international one. Moreover, the level of expenditure by program comprises only around 70% of expenditures.

Fiscal revenues are presented by individual sources, while non-fiscal revenues are very close to comprising all sources. Moreover, these are presented in a multiannual form. The situation on identifying ear-marked revenues is worse, mostly because a large share of revenues out of the road fund are not explicitly reflected in regard to ear-marked revenues, next to special revenues and funds.

Moreover, taking into account the essential weight of external funding, it is important that the information is reflected explicitly and comprehensively. The analysis of the budget proposal highlights the lack of such information.
There is aggregated information regarding foreign assistance, however it is not detailed by source and destination of funding.

Another subject affecting the structuring of a clearer image of revenues and expenditures is the reflection of fiscal expenditures. The Budget Proposal discusses the matter only occasionally and mostly indirectly. Therefore, the image of revenues and expenses is affected, and the amplitude of these small distortions is not estimated adequately.

It is generally accepted as good for the Budget Proposals and budget documents to present actual revenues and expenditures for 6 months of the current year. Support documents present the evolution of budget execution, but this does not explicitly contain the point in time these should be presented.

**Government debt**

It is essential to have a clear image of the Government debt in the budget proposal for an adequate reflection of the budget. The Informative Note (a supporting document) for the draft Budget Law presents data on the evolution of the Government debt and its servicing. Moreover, this information is not presented well enough; the evolution of debt is presented only as a share of GDP. Also, there is not detailed information on the structure and characteristics of debt (maturity profile, interest rates, etc.)

**Reflecting new policies**

It is important that policies implemented by the Government be explicitly reflected in the budget proposal, and that there is a clear description of the anticipated impact of policies. In this regard, the budget proposal of the Government presents in detail only the new policies affecting expenditure. New policies affecting expenditure were not presented. This is probably, because the policies affecting revenues were presented in MTEF in more detail and are approved by the changed in the Fiscal Code, Customs Union Code and other laws affecting the fiscal-budgetary policy for 2012.

**Reflecting macroeconomic premises**

The macroeconomic reasoning of the new budget proposal is developed scantily. The relation between the macroeconomic forecast and the budget proposal in developed insufficiently. Moreover, the Government does not present information on how different macroeconomic scenarios impact the budget.

**Assessment of public assets and risks**

In order to adequately reflect the situation on the resource framework and potential risks, it is important to have veridical information on the state of the Government assets (financial and non-financial). A classification of assets according to their nature, current state and evolution would be appropriate. The evaluation of financial assets and a presentation of their updated value would be as well, useful.

More extensive information on transfers of public enterprises is as well important. The current budget proposal and supporting documents do not
contain comprehensive information on this matter. This information is essential, as it can reflect anti-competitive measures undertaken, it can mask the inefficiency of management or it can hide poor policies promoted in a certain sector.

A subject which is poorly reflected in the budget documents is the state of contingent liabilities. These liabilities can intervene, with a certain amount of probability, as a result of liabilities undertaken by Government in different transactions (guarantees offered by state enterprise or of public private partnership as a result of commercial risks).

**Monitoring budget performance**

The budget is the main tool of public policy implementation for accomplishing development objectives of countries. That is why it is extremely important that the budget proposal reveals as expressive as possible the relation between general objectives of the Government and the proposed budget. This implies a narrative and quantitative description on how the general objectives are accomplished by the smaller objectives grouped in functional and administrative categories. Even the budget proposal mentions the main general and sector objectives; the relation between these two elements is poorly revealed. The main cause is probably that the given task is not explicitly set for the documents development.

It is markedly that the Government increases the share of expenditures made on a program basis, in 2012 their share reached 70% of expenditures (without the Government debt and transfers from other budgets). This is a preferred form of planning as it comprises a complete image of expenditures (goal, objective, timeframe, implementing institutions, financing sources, key-monitoring indicators), which allow a clear connection with planned resources and results.

A fair share of the presented programs is well formulated, containing relevant non-financial data and indicators. Moreover, for some programs, objectives were too generally formulated, comprising concise narrative description, which is not enough for a univocal conclusion of their necessity and how do they contribute to the accomplishment of global objectives. Also, there is no information on how last year’s targets were accomplished.

Poverty elimination is a primary task for Moldova. In order to be successful in this task, there should be an analysis of what is the contribution of all policies implemented by Government towards poverty elimination. In this regard, the budget proposal or the support documents should contain complete information on the measures (included in the budget) for poverty reduction. There is some information presented in the documents used for analysis, especially on the support given by allocations, aid and social services. However, the information presented is not comprehensive.

**Budget Execution**

**In-Year Reports**

The Ministry of Finance presents monthly information on the state budget execution and quarterly reports of Government debt. Reports on Government debt are poorly detailed, while the monthly reports are
(laconic), they do not contain narrative explanations and do not explicitly reveals all revenue sources. Actual expenditures on each authority are not presented.

**Mid-Year Review**

The draft law on budget changes for 2011 was released to the public later than three months after the reporting period; thus, this document is not considered publicly available.

**Year-End execution report**

Best practices recommend that the Year-End Report should be published 6 months after the end of the reporting period. In Moldova this report is published towards the end of the next year (the report for 2010 was published December 2, 2011). There is certain misunderstanding on the way of publishing, which is not regulated in the legislation.

The Year-End Report reveals the differences between approved and actual amounts for expenditures and revenues in functional, economic and organizational classification, however, only at observation level. There is not comprehensive explanation on the cause of differences and their impact through the lens of non-financial indicators. Moreover, there are no conclusions on the differences obtained as a result of changes in macroeconomic evolutions by the initial forecast.

Another subject which is not explicitly developed and does not offer a complete image is the expenditure of funds for the poorest categories of population and of the explanations on the changes applied.

**Audit of budget execution**

In Moldova, the Court of Accounts audits the responsible institutions for budget executions. In its audit reports, the Court of Accounts examines if the Executive has put in application the means allocation by the state budget, according to law provisions and evaluates the performance of its activity, thereafter it formulates appropriate recommendations. These reports are published and include the audit of all expenses. By March 15, the Courts of Accounts should present a financial report on the implementation of its own budget during the expired budget year; and by July 15, the Report on the Management and Use of Financial Resources and Public Property.  

In 2011, the final reports were published more than six months after the end of the fiscal year.

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20 [http://www.ccrm.md/file/Acte_leg/lege%20RO.pdf](http://www.ccrm.md/file/Acte_leg/lege%20RO.pdf)

21 Best practices recommend a 6 months or less time frame for the release of the Audit Reports of the Supreme Audit Institution.
Citizens engagement in the budget process

Public consultation in the drafting and budget execution stages

According to national legislation, including Law No.847 of April 24, 1996 on the budget system and the budget process\textsuperscript{22}, the Executive is responsible to engage the citizens in the budget process. Despite provisions which foresee citizens’ involvement, the Executive did not prove to be pro-active in this regard. Thus, regarding the budget process, the Government does not inform the social stakeholders about the release dates of documents and does not formulate clear objectives for the consultation process.

Mechanisms used to identify budget priorities are limited to including representatives of civil society in work groups on different matters. Other mechanisms, such as surveys or focus groups are not used.

There is a similar situation on the development of tools to consult the public’s opinion on the budget execution. The Executive limited its tools to offering citizens the possibility to address a message (for example, through web pages of public institutions).

As a conclusion, the Executive does not see an active role of citizens in the budget process, and therefore it is not motivated to undertake a proactive approach on citizens’ engagement. Most central public authorities choose to have a formal attitude, without formulating clear objectives for public consultations or presenting reports on their results. Authorities do not compass the value of the public’s engagement and do not seek to encourage implication. The form in which the data is presented invites to participation only a small share of people who understand and can interpret de information provided.

Public consultation in the enactment stage

The Parliament should ensure public consultations in the enactment stage. The Parliament ensures the public’s participation mainly through the public hearings of the Commissions of the Parliament. Moreover, since the hearings are not organized with the goal to debate on budget related matters, these take place inside the Parliament’s headquarters, which has an invite only access. There were some instances of consultations with the representatives of the civil society, especially on subjects related to taxation. However, these were not organized at venues that would allow participation of many persons. Moreover, the Parliamentary Commissions, even they had consultations with certain representatives of the public, do not publish reports on the results of these meetings.

\textsuperscript{22} Law no.847 of April 24, 1996 on the budget system and the budget process (republished in 2005), \url{http://lex.justice.md/index.php?action=view&view=doc&lang=1&id=328230}, Article 13\textsuperscript{6}, Title I, states that the budget process is open and transparency, taking place through public debates on budget proposals and of budget execution reports.
PUBLIC CONSULTATION AT THE AUDIT STAGE

The Court of Accounts has several channels of communication and information with the public. First of all, the Court of Accounts has a web page which is updated regularly. There is a hotline for suggestions and complaints and the Court’s meetings are public. However, there are no mechanisms to involve the public in the audit investigations, except situations when it is required by the audit methodology.

In its activity, the Court of Accounts takes into account some information received from the public. However, the involvement of citizens has not yet become a subject undertaken in an official act of the Court, such as the communication and citizen involvement policy. We can state that currently the Court of Accounts sees the information of the public as its main activity, with little accent on the public’s involvement in accomplishing the institution’s objectives. The Court of Accounts does not publish a report on the achieved results out of communication and public’s implication.
Main recommendations on increasing the level of budget transparency

The State Budget is a financial plan of the Government to obtain objectives reached by its development policies. In order to ensure an efficient use of available resources, it is absolutely necessary that in its budget proposal the Government provides clarity on the general objectives of policies. From this point of view, the budget proposal should be essentially improved, so that it elucidates the links between the sector and overall objectives.

While the budget documents provide relatively good disclosure of financial indicators, things are worse in the disclosure of non-financial indicators. In this regards, it is necessary to increase the share of program covered expenses and improve their quality.

The annual report on budget execution is the weakest link in regards to disclosure of budget process information. Even it provides financial information in detail, the report does not contain enough narrative explanation on the causes of differences to the enacted budget. In this regard, we recommend that the annual report on the execution of the budget presents more consistent analytical information on the causes of differences. It is also recommended to have a more comprehensive analysis of macroeconomic developments compared to the expected ones, on the evolution of non-financial indicators and the performance indicators.

Currently, public authorities are more focused on informing rather than on communicating with the public. To fully benefit out of the citizens participation it is necessary that institutions involved in the budget process formulate policy on public consultations, determine the exact agenda and objectives for public consultations and publish reports on the public contribution to this process. In order to improve transparency in the budget proposal, it is necessary that the document:

• Presents macroeconomic scenarios and a sensibility analysis of the budget to these scenarios;
• Clearly presents new policies and their impact on revenues and expenditures in financial and non-financial terms with a narrative description;
• Provides better information on the state of Government assets, including of enterprises which have Government owned shares, or where the Government is a founder/co-founder;
• Contains explicit and comprehensive mentions on: future and contingent liabilities, transfers to public enterprises, quasi-fiscal activities, fiscal expenditures and a synthesis on ear-marked sources;
- Presents a quantitative and qualitative analysis of budget risks;
- Takes into account the importance of external assistance for Moldova, it is recommended that the budget proposal and the budget execution report would develop this subject in detail and comprehensively.

In order to increase accountability of the Executive towards citizens, it is necessary that the Executive presents an Annual report on the implementation of the recommendations stipulated by the Court of Accounts in their audit reports of ministries and agencies. In turn, the Parliament and/or the Court of Accounts should publish a report on the Executive’s actions in order to implement audit recommendations. As mandated by the citizens, the Parliament is responsible to analyse in detail the reports of the Court of Accounts and act towards eliminating the drawbacks mentioned in the Courts’ reports.

In order to increase the visibility of the results of the Court of Accounts and of the audit programs effectiveness, the Court of Accounts should set clearer goals and objectives which apply to public engagement. Also, it is recommended to release a report on the outputs obtained as a result of the public’s implication.

Poverty reduction is one of the most important objectives of the Government. In order to have a fuller reflection on the way this objective is accomplished, it is necessary to have a more complete approach on this objective. This equally refers to the budget proposal and to report of the budget execution. These documents should reflect in an articulate manner how financing of these policies out of the budget contributes to poverty reduction.

Currently, the Reserve Fund is used without any control from the Parliament. Moreover, large shares of expenses that do not require a special urgency are financed out of the Reserve Fund. This makes it impossible for the Parliament to discuss an opportunity of its use. In this regard, we recommend the change of the administrative means of the Reserve Fund, so that in exceptional situations the Government could spend funds without the Parliament’s approval.

For enhancing the quality of the budget process by improving the process of ensuring transparency we recommend (through legislative or normative acts):

- A clear stipulation of all stages of the budget process and of documents released to the public at any of the stages;
- The first stage of the budget process should finalize with the publishing of the MTEF and that it is presented as a preliminary budget proposal;
- The Executive’s Budget Proposal should draw off all the relevant information out of the MTEF in order to formulate a comprehensive Budget Proposal, according to the best international practices.
• Engaging in a practice of publishing sector report on budget execution by the relevant public authorities.
• Mandatory release/publication of a Mid-Year review (report).

In the real practices of budget process, the Government does not release a simplified document for citizens – the Citizens Budget. It is recommended to develop such a budget, at least one that would reflect the contents of the Executive’s Budget Proposal. The Citizens Budget would be the first step in establishing communication with the public in an accessible way for them.

However, taking into account the importance of citizens’ participation in the budget process in strengthening democracy in the Republic of Moldova and in enhancing the efficiency and effectiveness of the use of public resources we recommend the introduction of a study program of the main public budget notions in Moldova in secondary schools. These should include a revealed role of the state budget, revenue sources and expenditure types, enactment ways and tools to influence the decisions.