



# Methodological Aspects of Compiling Open Budget Rankings

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## Abstract

Budget transparency is an effective tool in improving the quality of public budget executions. Ranking countries, regions and municipalities based on budget transparency is of interest for scientists and professionals in the whole world, including Russia. Methodologies behind budget transparency are a rather complex tool, the quality of which largely affects the results. This paper analyzes the available and applied ranking methodologies – in particular, the Open Budget Index (OBI) by the International Budget Partnership (IBP), transparency indices of local budgets in Kazakhstan and Croatia, and the ranking of the Russian Federation's constituent territories by the level of budget data openness. During the analysis we identified the methodological principles of each of the considered approaches, their differences and similarities. Special attention was paid to problematic issues of the International Budget Partnership's methodology. It is especially important to specify these problems, as the IBP methodology is a model in measuring the level of budget transparency. By using the ranking of Russian regions in terms of budget transparency levels, we demonstrate how to use special techniques and methods targeted at improving the quality of managing public fiscal performance.

**Keywords:** public finance, regional finance, budget, open (transparent) budget, open budget data, open budget index, budget transparency ranking

**JEL:** H61, H87, R50

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## INTRODUCTION

Rankings of various facilities, processes and other social and economic phenomena are becoming increasingly popular. They introduce an element of competitiveness, which has always attracted people. The world of economics offers several authorized rankings with various scores for countries according to certain indicators. A new survey called the Open Budget Index (OBI) appeared at the beginning of the 21st century. This Index was first released in 2006. Since that time it has, as a rule, been calculated once or twice a year.

The International Budget Partnership (IBP), a non-commercial organization, is responsible for this survey. The list of ranked countries has been increased from 59<sup>1</sup> in 2006 to 117<sup>2</sup> in 2019.

IBP compares budget transparency in the countries of the world at the national levels. Budget transparency is an important feature of state budgets, both regional and municipal ones. In this context, we would like to focus on the regional budget transparency ranking annually calculated and released in the Russian Federation<sup>3</sup>.

The first regional transparency ranking was created in 2013 as an initiative of a private company called Center for Applied Economics. Since 2014 it has been calculated by the Financial Research Institute at the request of the Russian Ministry of Finance. All 85 Russian regions are covered by the ranking. Today, it is one of the few budget transparency rankings at the subnational level.

Since 2011, the Republic of Kazakhstan<sup>4</sup> has been releasing the Open Local Budget Index. The ranking is done for all 17 regions of Kazakhstan once in two years. Since 2013, the Institute of Public Finance has been measuring Local Budget Transparency in Croatia [Ott K., 2020].

All the mentioned rankings have a common overall target: they all aim at stimulating budget data transparency. However, the ranking methodologies and technologies have significant differences. In fact, IBP is a pioneer in compiling budget transparency rankings. Therefore the Open Budget Index by IBP was used as a basis for the national ranking in the Republic of Kazakhstan, or rearranged for the assessment of the transparency ranking in the Russian Federation.

This paper concerns the methodology of assigning such rankings. The first part considers the methodology of the Open Budget Index by IBP. We mostly pay attention to problems of this index. The short second part of the paper deals with some experience of budget transparency ranking in Kazakhstan and Croatia. The third part describes the methodology of budget transparency ranking calculation in Russia. In the latter part we focus on how it may be possible to solve problems associated with the Open Budget Index.

### OPEN BUDGET INDEX BY IBP

The theoretical background for the Open Budget Index was formed with documents prepared in the early 20th century by such organizations as the International Monetary Fund (IMF)<sup>5</sup> [IMF, 2014], the Global Initiative for Fiscal Transparency (GIFT)<sup>6</sup>, the Organization for Economic Co-operation and Development (OECD)<sup>7</sup> and others [PEMPAL, 2020], as well as

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<sup>1</sup> *Open Budget Initiative 2006. More Public Information Needed to Hold Governments to Account. International Budget Partnership, 2006.* URL: [https://www.internationalbudget.org/sites/default/files/2020-04/2006\\_Report\\_EN.pdf](https://www.internationalbudget.org/sites/default/files/2020-04/2006_Report_EN.pdf).

<sup>2</sup> *Open Budget Survey 2019. International Budget Partnership, 2019.* URL: [https://www.internationalbudget.org/sites/default/files/2020-04/2019\\_Report\\_EN.pdf](https://www.internationalbudget.org/sites/default/files/2020-04/2019_Report_EN.pdf).

<sup>3</sup> *Rating of the constituent entities of the Russian Federation by the level of openness of budget data (In Russ.).* URL: <https://www.nifi.ru/ru/rating>.

<sup>4</sup> *Open Local Budget Index 2019 (In Kaz.)* URL: <https://www.soros.kz/kk/transparency-index-of-local-budgets-2019/>.

<sup>5</sup> *The Fiscal Transparency Code. International Monetary Fund, 2019.* URL: <https://www.imf.org/external/np/fad/trans/Code2019.pdf>; *Manual on Fiscal Transparency. Washington, D.C.: International Monetary Fund, 2007.* URL: <https://www.imf.org/external/np/pp/2007/eng/051507m.pdf>.

<sup>6</sup> *High-Level Principles on Fiscal Transparency, Participation and Accountability. GIFT.* URL: <https://www.fiscaltransparency.net/gift-principles/>; *Detailed explanation of the High-Level Principles. GIFT.* URL: <https://www.fiscaltransparency.net/detailed-explanation-of-the-high-level-principles/>; *Principles of Public Participation in Fiscal Policies. GIFT.* URL: [https://www.fiscaltransparency.net/wp-content/uploads/2020/07/PPP\\_infographic-ENGLISH.pdf](https://www.fiscaltransparency.net/wp-content/uploads/2020/07/PPP_infographic-ENGLISH.pdf).

<sup>7</sup> *OECD Principles of Budgetary Governance. OECD Publishing, Paris, 2014.* URL: <https://www.oecd.org/gov/budgeting/Draft-Principles-Budgetary-Governance.pdf>.

by the International Budget Partnership<sup>8</sup>. The theoretical issues of these documents were transformed by IBP specialists into a methodology of budget transparency ranking. The first ranking was issued in 2006. Later IBP released the rankings in 2008, 2010, 2012, 2015, 2017 and 2019.

In order to monitor budget transparency, IBP prepared a questionnaire with questions and answers to them. Each of the surveyed country has an expert who selects the necessary answers to all these questions. A country gets certain scores depending on the selected answers. The IBP ranking for 2019 consists of three parts:

1. Level of budget transparency. This part contains 109 questions of the questionnaire. This is the Open Budget Index itself to be discussed in this paper.

2. Public involvement in the fiscal process. This part includes 18 questions. This is the most problematic part of the IBP survey. Firstly, the average score among all the countries in 2019 was only 14 out of 100. Secondly, it is the most doubtful area of IBP's work. There have been a lot of claims regarding not only the methodology and technology of ranking assignment, but also the purpose of the survey. This part is not considered in this paper as it requires another thorough study.

3. The state of budget supervision. This part has 18 questions. Their analysis is also not included in the present study.

The main purpose of the analysis of the Open Budget Index in this article is to identify problems and inaccuracies in order to avoid them when developing a regional ranking. This applies primarily to the issues of methodology and technology of the ranking, although there are questions about the ideology of the Open Budget Index as well.

In IBP's survey, the role of executive authorities is assumed to be doubtful when it comes to providing budget transparency. In the Open Budget Index this role is assumed to be crucial and even dominant. This is most clearly manifested in the citizen budget monitoring. The roots of this lie in IBP's constitutive documents on open budgets. For example, the tenth high-level principle of fiscal transparency, developed by GIFT, reads, "Citizens should have the right and they, and all non-state actors, should have effective opportunities to participate directly in public debate and discussion over the design and implementation of fiscal policies."<sup>9</sup> It clearly states that citizens have the right to participate in the debates; however, nothing is said about participation in public financial management in the GIFT document. It is also not mentioned that the opinion of citizens expressed in the process of discussing the budget should at least somehow be taken into account.

The priority of executive authorities is most evident in the part of the Open Budget Index that deals with citizen budgets. The release of citizen budgets is considered by IBP<sup>10</sup> as good practice in public financial management. This is presumably because people interested in budget issues are confronted with a complex budget concept and unfamiliar terms. The first point is quite controversial. There is nothing complicated about the budget. Everything is based on four arithmetic operations. There are no integrals or differential equations. The real problem with the budget is the great amount of information. As for the second point regarding terms, everything is correct. The budget often uses terms that are unknown to citizens. What does IBP offer? It is recommended to replace incomprehensible but precise terms with simple and imprecise ones. Nothing bad will happen. However, this will not help solve the main problem associated with the amount of budget documents. Sometimes the

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<sup>8</sup> A detailed analysis of principal documents in budget transparency was made in the *OECD Budget Transparency Toolkit* [OECD, 2017]. Also, an extensive analysis of theoretical and applied approaches to budget transparency is done by Paolo de Renzio and Joachim Wehner [de Renzio P., 2017].

<sup>9</sup> *High-Level Principles on Fiscal Transparency, Participation and Accountability*. GIFT. URL: <https://www.fiscaltransparency.net/gift-principles/>.

<sup>10</sup> IBP's idea about the citizen budget is described in detail in *The Power of Making It Simple* [IBP, 2012].

annual budget has thousands of pages. For an ordinary citizen, this is too much. How can budget information be cut so that an unprepared person can understand it? IBP does not provide an answer to this question.

For citizen budget developers, IBP offers a different solution. One needs to ask the citizens themselves what they want to know about the budget, and present this information to them<sup>11</sup>. This solution works well when all citizens want to get the same information. But it may turn out that one person wants to receive information about school education, the second one wants health care data, the third one is interested in road constructions, and so on. It will take hundreds or thousands of pages of citizen budget to satisfy all the needs of citizens. That is, the problem of filling the citizen budget with specific information remains unsolved.

Despite this, IBP insists that the government develop and release the citizen budget as often as possible<sup>12</sup>. It is believed that the citizens need it very much. It is the citizen budget that lets the society learn that the government is doing everything it can to improve the lives of the population. In fact, it is of great importance for the government, as the government shows its accountability to the public by releasing citizen budgets. This should be taken without any proof. If the citizen budget is there, then the government is accountable to the society. IBP considers this to be an axiom<sup>13</sup>.

The consequence of the above is the recommendation by IBP to prepare as many citizen budgets as possible. At the very least, they are to be published at every phase of the budget cycle — or even for every important budget document. For some reason, IBP does not stop to consider what citizens themselves think of citizen budgets. This could be found out through information about the traffic of the sites that host citizen budgets. However, almost no authorities use independent traffic counters on their Internet portals. A large amount of information about budget attendance for citizens in the regions of the Russian Federation is all there is; this was achieved with the help of the regional budget openness ranking. The questionnaire for ranking assignment includes a question about the availability of an independent hit counter for documents titled “civil budget.” The analysis of the national information indicates extremely low traffic for citizen budgets [Belousov Yu., 2019]. This is despite the fact that, in Russia, the authorities at all levels pay great attention to citizen budgets, and significant funds are spent on the development of interactive models for the presentation of budget information.

IBP emphasizes an important tendency. In recent years, the citizen consciousness regarding budget issues has increased significantly. But the merit in this belongs not only to executive authorities, but primarily to all the media, research institutions and civil society organizations. However, IBP does not consider this to be a positive factor. The reason is that, according to IBP, only the executive authorities have real and reliable information about the budget. It is the executive authorities that know the priorities of fiscal policies, so they have to prepare citizen budgets by themselves<sup>14</sup>.

IBP's understanding of this issue is absolutely surprising. Suppose that some executive authorities in a country commit significant violations in budgetary matters, for example, by participating in corruption schemes. Will the authority representatives write about this fact in

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<sup>11</sup> A similar solution is often described in economic research [PEMPAL, 2017].

<sup>12</sup> Over the past two decades, many guidelines have been published on Citizens Budgeting at different stages of the budget cycle [Petrie M., 2010; Ramkumar V. (ed.), 2010].

<sup>13</sup> At the same time, some researchers show that the link between budget transparency and accountability is not direct and obvious [Zuniga N., 2018; Khagram S. (ed.), 2013].

<sup>14</sup> Similar views are expressed by other organizations that are involved in the development of documents about open budgets. For example, the OECD believes that “Publication of a citizens’ guide allows a government to explain in plain language the objectives of its budget” [OECD, 2017, p. 3]. Consequently, the budget for citizens should be issued by executive authorities [OECD, 2017, p. 5].

a citizen budget? The purpose of the citizen budget is to build trust between the authorities and society, and reliable information about corruption would destroy such trust. Therefore, it would be advisable to provide false information in the citizen budget. This applies to all problematic issues. Are there any documents proving that a country's executive authority criticizes itself in citizen budgets for increasing the state debt? This will never happen while citizen budgets are prepared by state authorities.

It feels like the developers of the citizen budget recommendations to governments have never done such work themselves. From the recommendations it can be concluded that it is not difficult to establish a citizen budget. However, this is completely false. What is a citizen budget? It is a model of a real budget<sup>15</sup>. Any complex objects are studied using models. There is, for instance, such an object as the Earth. It is studied using models. The globe is a model. Maps are models, too. Moreover, maps are very diverse: geographical, political, population- or soil-related, and so on. Maps have different scales. They can be printed on paper or released on the Internet. A person studying the Earth chooses the maps or models that they need. There is not and cannot be a single model of the Earth with the help of which it could be studied. Likewise, there cannot be one citizen budget that suits everyone.

The development of a budget model, in any case, is about reducing the amount of information. But, firstly, it is impossible to do it mechanically. It is required to leave only the essential, most important information in the citizen budget, neglecting secondary information. Information needs to be aggregated according to certain understandable rules. In this case, the grouping may not coincide with the budget classification. At the same time, the presentation of the material should also have an emotional impact on a person. A citizen budget does not have to be boring and problem-free. In general, work on a citizen budget should combine science and art. Citizen budget makers have to be highly qualified, which is a trait difficult to find among public authorities.

Secondly, some information peripheral to certain citizens can be highly important to others. Therefore, there cannot be one universally recognized citizen budget. They should be different, and they are advised to be drawn up not by governments, but by scientists and representatives of the civil society<sup>16</sup>. The government, according to IBP, by drawing up the citizen budget, should pursue one goal – to increase the level of mutual understanding between government and society. At the same time, mutual understanding is focused on stimulating public confidence in executive authorities. Citizen budget is a proof of the government's accountability to its society. IBP does not report any practical value of the citizen budget. However, the relevance of citizen budgets could be greatly increased if they were used during public discussions of draft budgets. Then this document would have some practical significance. Currently, executive authorities use citizen budgets in order to create an illusion of accountability to the public in budget matters. As long as there is no information from independent counter registers of how often citizen budgets are addressed by citizens, it is impossible to say whether they are in demand by the society at all.

Another comment concerns the proposal to include a lot of information in citizen budgets that is not in the budget itself. That includes macroeconomic indicators serving as the basis for the budget, information about the budget process, descriptions of fiscal policies and their implications, government programs, performance targets, and much more. This is

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<sup>15</sup> Some citizen budgeting guidelines suggest increasing – rather than reducing – the amount of information relative to the budget. For example, it is proposed to supplement citizen budgets with macroeconomic indicators that underlie the budget, information about the budget process, or a description of the fiscal policy measures and their implications [OECD, 2017; IBP, 2012].

<sup>16</sup> This is precisely what many open budget makers are actively opposed to. Their sentiment is understandable, as citizen budgets prepared by scientists or other representatives of civil society may contain estimates that the executive authorities would not appreciate at all.

important and interesting information. But then a document titled “Citizen Budget” or “Budget Guidelines” would not correspond to the budget’s contents. For example, such a document might be titled “Budget Policy Proposals for 2022 by Executive Authorities” and it might be discussed with the public.

The idea of IBP, OECD and many other organizations dealing with open budget issues regarding the role and importance of executive authorities seems to be adequate to the practice of public financial management in the 20th century [OECD, 2014; OECD, 2015]. In the 21st century, the financial sector is undergoing rapid changes under the influence of digitalization. Indeed, in the previous century only executive authorities had the information needed to formulate citizen budgets. Now everything has changed. In many countries, huge amounts of information are available in the public domain. They are sufficient not only for the development of a citizen budget, but also for budget planning in general.

Why are draft budgets usually developed by executive authorities? Today, they do not have a monopoly on the information needed to plan a budget. It is simply a decision of the representative authorities. However, the representative authorities have the right to make another decision — for example, to change it and propose a discussion of several alternative budget options. Those can be developed, for instance, by political parties. Why should there be only one draft budget? Why not start a competition between budget projects? Competition can lead to better budget planning. It all depends on the will of the deputies acting as representatives of citizens in the state authorities<sup>17</sup>.

Apart from the ideology issues in the Open Budget Index, there are some methodology- and technology-related problems. Some of them are simply unavoidable. One of them is the territorial principle of the distribution of work among experts. Of course, it would be much more efficient to distribute experts according to the sector principle, that is, one expert evaluating one issue for all countries. In this case, a unified approach to assessing indicators in different countries would be maintained. However, the diversity of national languages does not allow this. As a result, it is noticeable that different experts do not always give the same, and objective, assessment of countries. This is perfectly logical, as the human factor intervenes here. This situation affects the ranking quality, but it is almost impossible to change anything in this respect.

It is extremely difficult to influence another serious methodological problem. The Open Budget Index is based on a quantitative approach to analyzing budget transparency. That is, if a document with the correct name exists in a country, then the maximum number of points is given, even if the content does not match the title at all. Thus, the quality of the documents is not examined. As a result, some countries may be able to merely create an illusion of transparent budgets and, at the same time, achieve high ranks. There are some examples from the questionnaire: 39. “Does the Executive’s Budget Proposal or any supporting budget documentation present information on financial assets held by the government for at least the budget year?” and 40. “Does the Executive’s Budget Proposal or any supporting budget documentation present information on nonfinancial assets held by the government for at least the budget year?”<sup>18</sup>. Often the meanings of the answers to them do not comply with the questions themselves, and despite this, countries are awarded positive points.

This is largely explained by the vagueness of certain questions in the questionnaire. For example, consider question 36. “Does the Executive’s Budget Proposal or any supporting

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<sup>17</sup> Some researchers note that, in budgetary matters, a consequence of representative democracy is often a situation when deputies neglect ideas of their voters [de Renzio P., 2019, p. 6; Duri J., 2021].

<sup>18</sup> Guide to the Open Budget Questionnaire: An Explanation of the Questions and the Response Options. International Budget Partnership, 2019. URL: [https://www.internationalbudget.org/sites/default/files/2020-04/2019\\_Guide\\_and\\_Questionnaire\\_EN.pdf](https://www.internationalbudget.org/sites/default/files/2020-04/2019_Guide_and_Questionnaire_EN.pdf).

budget documentation present alternative displays of expenditures (such as by gender, by age, by income, or by region) to illustrate the financial impact of policies on different groups of citizens, for at least the budget year?”. In the Russian Federation, one can give any answer to this question, from *a* to *f*, and justify it. Unsurprisingly, option *d* was first considered, Russia did not agree and offered answer *a*, but eventually answer *b* was chosen<sup>19</sup>. There is no objectivity here, only an agreement between the parties.

There are even more peculiar questions in the questionnaire. For example, question 41 reads, “Does the Executive’s Budget Proposal or any supporting budget documentation present estimates of expenditure arrears for at least the budget year?” Perhaps there are countries having such a problem, so for them this issue is relevant. But in many countries, there is no such problem. When answering this question, subjective opinion of experts arises again. For the Russian Federation, the expert had given answer *d*. Russia did not agree and offered *f*; however, the expert’s answer was approved.

The structure of the Open Budget Index Questionnaire itself is assumed to be problematic. 109 questions of the questionnaire are divided into groups, with excessive attention being paid to the draft budget. This block consists of 54 questions, which makes up 50% of the entire questionnaire. Only six questions are related to such an important document as Enacted Budget (this is less than 6%). The same number of questions is included in the Pre-Budget Statement section. This section of the questionnaire contains another important problem. A Pre-Budget Statement is considered publicly available if it is published no later than one month before the submission of the draft budget to the legislative authorities. This can lead to such an important document not being discussed with the public. It is impossible to study it, discuss it, and send comments and proposals to the executive authorities within one month. The executive authorities, if they agree with the proposed amendments, need time to adjust the draft budget. For this, the Pre-Budget Statement must be published at least two, and preferably three, months prior to the submission of the draft budget to the legislative body. This is important, since this document sets out the budget priorities for the planning period, i.e., they need to be coordinated with the public, first of all.

## **OPEN BUDGET INDEX IN KAZAKHSTAN AND CROATIA**

In the Republic of Kazakhstan, local budget transparency has been monitored since 2011. The Open Local Budget Index is calculated every two years. The ranking is organized by the National Budgetary Network of Kazakhstan, a group of non-governmental organizations specializing in budget issues. Rankings for 2011, 2013, 2015, 2017 and 2019 have already been published.

The ranking is fully based on the methodology of the International Budget Partnership, somewhat adapted to the conditions of Kazakhstan and the aspects of subnational monitoring. To assess the level of budget transparency, a questionnaire is used, which includes 58 questions grouped into the following four sections:

- 1) transparency of Planning and Formulating the Draft Budget (16 questions);
- 2) transparency of Considering and Approving the Draft Budget (13 questions);
- 3) transparency of the Budget Execution Process (16 questions);
- 4) annual Budget Execution Report (13 questions).

In contrast to the questionnaire of the International Budgetary Partnership, in Kazakhstan there is a much more even distribution of questions across sections. However, there are also negative features. For instance, the IBP questionnaire contains recommendations on the

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<sup>19</sup> *Open Budget Survey 2019. Questionnaire. Russian Federation. International Budget Partnership, 2020.* URL: <https://www.internationalbudget.org/sites/default/files/2020-05/russian-federation-202002150030.pdf>.

criteria for answering each question in the questionnaire. The questionnaire of the Republic of Kazakhstan contains universal recommendations for all questions. For example, answer A (100 points) is given if the answer is complete, describes good practice and is fully consistent with the standard; answer B (67 points) is an answer that is incomplete and insufficiently detailed, but indicates the fulfillment of the main provisions of the standard; and so on. For most questions, this can lead to different answers from different experts in similar situations.

Let us consider item 44. “The public is informed about the meetings of the Audit Committee”<sup>20</sup>. Suppose that the experts have found information about four meetings of the Audit Committee. Does this mean that there have been four meetings? No, it does not. Perhaps, twelve meetings of the Audit Committee took place in a year. Which answer should the expert choose? To answer this question, it is required to verify the information about the meetings with the work plan of the Audit Committee. But the work plan is not mentioned in the questionnaire. If there is no plan, then it is impossible to give a qualitative assessment of this question in the questionnaire. There are other complications as well. How many points should be assigned if information is found about eleven meetings out of twelve, or six, or one? In addition, the information can be very brief, for example, “On this date a meeting of the Audit Committee took place.” Will it be considered “information” or not? This uncertainty damages the overall credibility of the ranking among financial authorities. Note that we have analyzed a rather simple but typical question.

The most important problem of the open budget ranking of the Republic of Kazakhstan is the lack of growth of indicators. In 2013, the average level of transparency of Kazakhstan’s regional budgets was 35 points out of the 100 possible, in 2015 it was 37 points, in 2017 it was 40 points, and in 2019 it was 33 points<sup>21</sup>. It is a low score in itself. The lack of positive dynamics indicates that the ranking does not meet its stimulating target.

In Croatia, Local Budget Transparency has been published since 2013. It is compiled by the Institute of Public Finance. The study covers 20 regions of Croatia, 128 cities and 428 municipalities [Ott K., 2020]. The monitoring methodology is very simple and implies that the publication of five documents is checked:

- budget proposal,
- enacted budget,
- citizen budget,
- mid-year report,
- year-end report.

Due releases, availability of machine-readable formats et cetera are irrelevant. If such a document is published, 1 point is given, and if it is not published, then it returns 0 points. In total, one can score 5. That is all we can mention about the Croatian ranking. At the same time, the law obliges all public legislative entities to release three of these five documents. Nevertheless, 23% of the municipalities have not complied with the requirements of the legislation. It is even worse when it comes to releasing two other documents recommended by the Ministry of Finance.

The main advantage of the reviewed rankings lies in the fact that they focus on the problem of budget transparency. This topic is often undesirable for the executive authorities; and it is important and implies a positive effect as the state of things is revealed in the process of assigning rankings and reported to the public.

Another positive aspect of the rankings is their low labor intensity. According to our calculations, it takes no more than 100 man-hours for an average public finance specialist

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<sup>20</sup> *Open Local Budget Index 2019 (In Kaz.)*. URL: <https://www.soros.kz/kk/transparency-index-of-local-budgets-2019/>.

<sup>21</sup> *The ranking methodology has not changed significantly over the years.*

to complete IBP's Questionnaire for one country. Taking into account the fact that the questionnaire is filled out once every two years, it results in 50 man-hours per year. It is not that much. It is worth noting that there are no requirements to qualifications of experts. To work on IBP questionnaires, some average qualifications are enough for the Republic of Kazakhstan, while no qualifications are required to monitor Croatia.

## **OPEN BUDGET RANKING OF THE RUSSIAN FEDERATION'S CONSTITUENT ENTITIES**

The ranking of the Russian Federation's constituent entities, or federal subjects, in terms of the level of open budget data (hereinafter referred to in the section as "the ranking" and "the open budget ranking") is compiled annually<sup>22</sup>. All 85 constituent entities of Russia are assessed in it. Every year the methodology for open budget rankings is updated in order to set new benchmarks for the regions taking into account the results they have achieved.

The methodology for 2021 will be used by us to describe it, as a reference. The methodology<sup>23</sup> includes 76 indicators, which are grouped into ten sections:

- 1) the Initially Approved Budget (five questions, the maximum score is 12);
- 2) amendments to the Budget Law (five questions, the maximum score is 10);
- 3) interim Reporting of the Budget Execution (11 questions, the maximum score is 22);
- 4) annual Budget Execution Report (14 questions, the maximum score is 28);
- 5) draft Budget and Materials to It (13 questions, the maximum score is 28);
- 6) budget for Citizens (13 questions, the maximum score is 21);
- 7) financial Control (four questions, the maximum score is 10);
- 8) public Information About the Activities of State Institutions (five questions, the maximum score is 15);
- 9) work Organization of the Public Council (four questions, the maximum score is 6);
- 10) stimulation for Local Authorities to Increase the Transparency of Budget Data (two questions, the maximum score is 4).

The first five sections of the open budget ranking correspond to the stages of the budget cycle; their sequence is synchronized in time according to the budget process. The budget year in Russia begins on January 1, by which point the budget law is usually passed. Therefore, the budget originally approved by the law is the one first assessed in the ranking.

Further, in the process of budget execution, changes are made to the budget. Unfortunately, this is standard practice in the Russian Federation: on average, a regional budget law is amended 4–5 times during a financial year<sup>24</sup>. This is a problem for the management of regional finance, which has a strong impact on budget data openness<sup>25</sup>. A special section is devoted to this issue in the ranking.

In addition, in the process of budget execution, in accordance with the budget legislation of the Russian Federation, monthly and quarterly interim reports are drawn up on budget execution. The open budget ranking evaluates quarterly reports. Two factors allow monthly reporting to be neglected. Firstly, monthly reporting is regarded to a greater extent as information for the operational management of finances necessary for experts. Secondly,

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<sup>22</sup> Most of the open budget ranking materials for the Russian Federation are published in Russian. The main materials of the ranking for 2017–2019 are published in English, including the methodologies for 2018 and 2019. URL: <https://www.nifi.ru/en/rating>.

<sup>23</sup> Methodology for the Russian Federation Open Budget Ranking of Constituent Entities for 2021 (In Russ.). URL: [https://www.nifi.ru/images/FILES/Ratings/2021/metodika\\_2021.pdf](https://www.nifi.ru/images/FILES/Ratings/2021/metodika_2021.pdf).

<sup>24</sup> Within the recent five years, from 2016 to 2020, the situation has improved. In 2016, 495 laws were adopted on amending the laws on the budgets of the Russian Federation's constituent entities, i.e., on average, 5.8 laws per region. In 2020, 370 respective laws were adopted — an average of 4.3 per region.

<sup>25</sup> For more details, read the article by Olga Timofeeva [Timofeeva O., 2017].

monthly reports on the execution of regional budgets are systematically and promptly released on the official website of the Federal Treasury.

The budget cycle in Russia ends when the annual budget execution report is made and approved by the legislative authorities. In the regions, this process usually takes place in May–July of the year following the reporting year. The deadline is due to the requirement of the budgetary legislation on the need to submit a draft law on budget execution of a federal subject to the legislative authorities before June 1 of the year following the reporting year. For the open budget ranking, this is important, since it sets a benchmark for when information will appear in the public domain.

The fifth section of the open budget ranking is “Draft Budget and Materials to It.” The regional budgeting process usually begins in March and lasts approximately six months. According to the budget legislation, by November 1, the draft regional budget is to be submitted to the legislative body, and by January 1 (the beginning of the financial year) it is to be adopted.

The next five sections of the open budget ranking focus on special mechanisms used in regional finance management in Russia.

Budget for citizens has become widespread in Russia since 2014. At the initial stage of its assessment, the ranking assessed a special information resource about the budget developed by the state authorities of the Russian Federation’s constituent entities in a form understandable for people without financial expertise. However, over time, the interpretation of the budget for citizens has expanded. Currently, the ranking also evaluates budget materials that are published in the media or promoted on radio and television. In some cases, these materials are prepared by journalists with no participation of state authority representatives. As a result, information about the budget for citizens has become more objective. Three stages of the budget cycle are assessed in the open budget ranking for citizens: the budget law, the annual report on the budget execution, and the draft budget. When assessing the budget for citizens developed by public authorities, special attention is paid to determining its relevance. One of the ranking indicators evaluates the presence of an independent counter of visits to a corresponding information resource on the Internet.

In the budget sector, independent financial control plays an important role. Russian legislation provides for the activities of special bodies of external state financial control, i.e., regional control and accounting bodies created by legislative authorities. Due to the special status of these bodies in the field of regional finance management, information about their activities has been confidential. To improve the situation, the ranking assesses the state of affairs in this area. Moreover, the importance of this section in the ranking has been growing. If in 2020 the maximum score for the section was 6, then in 2021 one can score 10 points, implying that its role has increased.

A special block of indicators in the ranking concerns the availability of information about the activities of regional government agencies. This has become possible thanks to the Russian Federation’s new official website for disclosing information about state (municipal) institutions. To stimulate the disclosure of data by state institutions of Russia’s federal subjects, the open budget ranking assesses the availability of several documents in the public domain, such as the state assignment for the provision of public services or the financial statements of the institution.

The interaction of authorities with the public is regarded as a more advanced stage in the methodology for assessing budget transparency, following the stage of informing citizens about the budget. Therefore, the open budget ranking pays special attention to the mechanisms that ensure such interactions. At this stage, there are two such mechanisms provided by the federal legislation and implemented at the regional level. The first one is public hearings of the draft budget and the annual budget execution report. This mechanism is assessed in

the ranking as part of the sections “Draft Budget and Materials to It” and “Annual Budget Execution Report.” The second mechanism is the creation and organization of activities of Public Councils under the financial bodies of the Russian Federation’s constituent entities. To assess the performance of this mechanism, a special section is provided in the ranking.

Another section appeared in the ranking in 2021, after two years of testing. It is designed to assess the work of state authorities of the constituent entities in stimulating local governments to improve budget transparency. This practice is widespread in the regions of Russia, and it helps increase budget transparency at the municipal level.

When comparing the methodology of the Russian ranking with the methodology of the Open Budget Index by the International Budget Partnership, one can notice certain coincidences. However, there are still more differences. In part, they are related to some features of the fiscal legislation in Russia. For example, there is no section related to semi-annual reviews. Such a document in Russia would have no applied value. There are also no questions about the existence of a departmental classification of the budget, since it is mandatory in accordance with the law.

The methodology- and technology-oriented features of the ranking of the Russian Federation’s constituent entities in terms of the level of budget openness are not limited to the choice of areas and indicators for assessment. Other approaches have been used for a number of issues. Let us discuss them in more detail.

#### 1) Evaluating and Monitoring Indicators

For the ranking, the distribution of experts is carried out according to the sector principle rather than the territorial one. The assessment of indicators in each section of the ranking is carried out by one expert in relation to all regions of the Russian Federation. This approach ensures that all the objects are evaluated in a unified way. Moreover, based on the comprehensive view of the situation in all the regions, it is possible to identify advanced (best) practices.

#### 2) Data Sources for Monitoring and Evaluation

Since the very beginning of assigning open budget rankings, websites of the state authorities of the Russian Federation’s constituent entities have been the main sources of information. A specialist who monitors and evaluates indicators independently searches for information on a specific website, just like any other interested user would do. Requests to the state authorities of the constituent territories aiming to obtain extra information are made in exceptional cases. For example, at present, when it comes to data provided by the regions, part of the indicators of the “Budget for Citizens” section are evaluated based on the release of information about the budget through the mass media, radio or TV programs. At the same time, all information sources reported by the Russian federal subjects are analyzed by an expert in terms of whether they comply with the methodology requirements.

The ranking results are not coordinated with the Russian Federation’s constituent entities<sup>26</sup>.

#### 3) Time Factor

When assessing the open budget indicators, great importance is given to the time factor. For all the indicators where the time factor is of importance, the ranking methodology sets terms for disclosing the relevant data in the public domain. For example, for a budget law, it is

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<sup>26</sup> It should be noted that, at the initial stage of ranking, preliminary results were communicated to the regions, during a certain period of time complaints about disagreement with the assessments were considered, and some estimates were adjusted. However, this practice led to the regions adding about 30 percent of the information to be assessed. Later, a way was found to resolve issues with undue placements of data (video recording of monitoring). At the current stage, the idea of communicating the preliminary ranking results to the regions is being discussed in order to make the process of specifying individual estimates more formal. On the other hand, this increases the efforts of assigning rankings. It is worth noting that the ranking is prepared and assigned by a group of six specialists.

good practice to release it within ten business days since the date when the law was signed. If information is released outside the deadlines, it is not evaluated.

One of the innovations in the open budget ranking is that the methodology makes it possible to monitor and evaluate in real time when documents appear in the public domain. For example, the indicators of the section “Interim Reporting of the Budget Execution” are evaluated three times, three months after the end of each reporting period (first quarter, six months and nine months of the current year). The indicators of the section “Amendments to the Budget Law” are estimated three times as well. In this case, it is impossible to predict exactly when changes will be made to the budget of a particular region. But in case of regular monitoring, the fact of failure by the Russian Federation’s constituent entities to meet the deadlines will still be recorded.

At a certain stage of open budget creation there came a problem of taking the time factor into account: at the time of monitoring and assessing the indicator, this information would not be available, but later, outside the timeframe for good practice, it would be released. Meanwhile the date of data release is often unavailable, and sometimes it is indicated inaccurately, since the constituent entities of the Russian Federation aim to improve their open budget ranks. Video recording can prove that the information was not available in due time, as all the information from the computer screen of an expert working on the ranking is recorded and stored in a special database. This eliminates controversial issues after the ranking release.

#### 4) Application of Reduction Factors

When assigning the ranking, technical parameters are also taken into account, namely the availability of information and ease of its use. For these purposes, two reduction factors have been introduced, by which the estimate is adjusted; their value is 0.5. For example, if a link to a document does not reflect its content, a reduction factor will be applied to the indicator score, explained by the problematic budget data retrieval. If budget statements or other digital data on budget revenues or expenditures are publicly available in image format only, a reduction factor will be applied to the assessment of the corresponding indicator, used when it comes to the presentation of data in an unstructured format and/or in formats that make it difficult to find and/or use them. The rules for applying the reduction factors are contained in the methodology of the ranking.

#### 5) Weight of an Issue

The maximum score of indicators outlined by the ranking methodology is in the range from 1 to 4. The use of differentiated assessments allows one to focus on the most significant or problematic issues. For example, there is the maximum of 3 points for each indicator in the section “Public Information About the Activities of State Institutions.” This has made it possible to significantly improve the state of affairs with the placement of information on the activities of regional government institutions within several years. In 2021, the value of indicators that assess the availability of information related to results of the external state financial control has been raised. This solution is going to serve as an additional incentive for audit authorities to disclose relevant information.

#### 6) Data Quality

In assessing most of the ranking indicators, it is not only the fact of information availability on the website that matters – data quality is also evaluated. This is done through the monitoring and ranking methodology. Almost every indicator involves the assessment of several parameters. Let us consider the technology for assessing one simple question: “Has the Public Council been created under the financial body of a constituent entity of the Russian Federation, are its members regularly changed and is information about it publicly available?”. The maximum score for this issue can be 1. The expert is to check that several requirements are met:

a) the Council members: in accordance with the federal legislation, there should be no officials in the Council. The availability of information about the place of work of each member of the Public Council is checked;

b) availability of documents regulating their activities, such as the procedure for the formation and regulations of their work;

c) compliance with the terms of appointment of the Council established by the Council and adopted in the constituent entity of the Russian Federation: such a period may not exceed five years from the date of the Council's first meeting;

d) the Council membership changed by at least one third once in five years from the date of the first meeting of the newly formed Council.

If at least one indicator is not met, the score will be 0. If all the requirements are met, the score is 1. In addition, within this issue, it is possible to apply the reduction factor for the unavailability of said information.

This simple example shows that, although there are fewer questions in the Russian ranking than in the Open Budget Index, the number of analyzed parameters is several times greater.

To assess some indicators, a scale is used that takes into account quantitative parameters. For example, when evaluating information about the results of control measures implemented by the external state financial control body, the maximum score is assigned if information on all control measures provided for in the annual plan is publicly available. Regions also receive a score if they release information on 50% or more of the monitoring activities provided for in the annual plan. If information is released for less than half of the events, the region receives 0 points. Different regions have different numbers of control activities. There is no criterion that could determine their optimal number. Therefore, to estimate the indicator in this case, a link to the annual plan of control activities is used. In addition, the time factor and the content of the information are taken into account.

For a number of indicators, a certain value is set which is considered acceptable for the purpose of compiling the open budget ranking. For example, in assessing the organization of activities of a Public Council created under a financial body, it is considered acceptable to hold at least two meetings twice a year.

To assess the data quality, it is important to include all the necessary criteria in the methodology. This is what allows experts to objectively evaluate information by applying a unified approach to all the regions. This matter is important for Russia's constituent entities, too. To them, the methodology for establishing the open budget ranking is a kind of methodological tool for understanding what to do and how to do it. This toolkit is complemented by the ranking transparency itself. Not only its results alone are published, but so are the initial data for each indicator, including information about all assessed parameters, links to the location of the assessed information on the Internet, and a comment explaining why the score is lowered or indicating the existing disadvantages or features. This detailed information makes it clear for the regions what they should work on.

#### 7) Focus on Development

We have now approached the main goal of the open budget ranking, which is to increase the level of budget data transparency as well as to improve the processes and mechanisms of public financial management. Focus on development is the main reason why the ranking methodology is adjusted annually. Every year the regions set a new higher level of achievements, which they then try to reach. Better results are also achieved through the fact that, in Russia, the open budget ranking has become a real mechanism aimed at stimulating regions to increase the level of budget data transparency as well as the quality of public financial management. In the context of changes to the methodology, it is difficult to compare the results, but nevertheless, progress is clearly visible through relative indicators (Table 1) and the distribution of regions by groups depending on the number of points in the ranking (Table 2).

Table 1

**Average, maximum and minimum score of the constituent entities of the Russian Federation in the ranking, % of the maximum possible score that can be obtained in the ranking in the corresponding year**

Reported year	Average value	Maximum value	Minimum value
2014	38.6	83.7	9.0
2015	37.1	88.1	4.5
2016	45.2	89.2	14.5
2017	61.4	91.5	13.6
2018	61.7	95.7	15.6
2019	62.0	100.0	16.4
2020	62.7	95.7	14.7

Source: compiled by the authors.

Table 2

**Distribution of regions into groups depending on the score in the open budget ranking**

Group of regions in the ranking	2014*	2015*	2016*	2017	2018	2019	2020
Group A: a very high level of budget data openness (80% and more from the maximum score)	1	4	4	16	16	21	22
Group B: a high level of budget data openness (60–79.9% from the maximum score)	11	8	19	34	31	29	30
Group C: an average level of budget data openness (40–59.9% from the maximum score)	17	19	28	17	22	21	17
Group D: a low level of budget data openness (20–39.9% from the maximum score)	44	36	22	17	14	10	13
Group E: a very low level of budget data openness (less than 20% from the maximum score)	10	18	12	1	2	4	3

\* Values calculated, as the use of groups in the ranking has been applied since 2017.

Source: compiled by the authors.

The above data show that the average scores by regions in the ranking is steadily increasing, calculated as a percentage of the maximum score for comparability. The ranking leaders are getting closer to the maximum value. In 2019 they even reached it. The outsiders have managed to maintain approximately the same level of budget transparency since 2016. In the groups with a very high and high level of budget data transparency, the number of regions has more than tripled throughout the ranking period. At the same time, the number of regions in the groups with low and very low levels of budget transparency decreased by more than a factor of 3. Let us emphasize that the constituent entities of the Russian Federation have been demonstrating these results under the conditions of annual changes in the methodology toward increased requirements to transparency.

8) Identification and Dissemination of Best Practices

Let us pay attention to one more component of the openness ranking. In addition to estimating the methodology indicators, the ranking also takes into account best practices of the Russian Federation’s constituent entities. Such practices can demonstrate a good, more complete disclosure of budget data than usual, or innovative ways of organizing work that are aimed at ensuring an open budget or involving citizens in budget planning and control processes. Examples of this kind are selected in the process of monitoring and evaluating the ranking indicators. They are released together with the ranking results (in the so-called Handbook of Best Practices). For each case included in the Handbook of Best Practices, the respective region receives an additional point, which is taken into account when summarizing the ranking results. At the same time, a scenario is possible in which a region can score more

than 100 out of 100 possible points according to the ranking results, but there has never been such a case in reality so far.

The mechanism for creating the Handbook of Best Practices encourages resourcefulness and creative approaches in the regions, and also contributes to the dissemination of advanced technologies for budget-related activities.

### 9) Step-by-Step Publication of the Ranking Results

In terms of time, the open budget ranking is formulated for more than a year, from January of the current year till March of the following one. Moreover, its results are published in stages as they are prepared. In June and October, the results of several sections are published, the work on which has been completed by that time. This solves several problems. Firstly, there is a constant interest in the issue. Secondly, it is easier for regions to analyze results in stages. And, finally, based on the analysis results, conclusions can be drawn and taken into account in the work, the results of which will already affect the ranking of the current year.

### 10) Interaction With the Russian Federation's Constituent Territories

The ranking's compilation is accompanied by interactions with the state authorities of the constituent entities of the Russian Federation. Traditionally, changes in the ranking methodology are discussed every year, and regions take an active part in the process. For example, 130 people participated in the discussion of the draft ranking methodology for 2021, and 215 comments and suggestions from 38 regions were submitted. Based on the results of the discussion, comments and suggestions are analyzed; many of them are taken into account when finalizing the methodology, and for others arguments are given on why they were not taken into account. All information is available in the public domain<sup>27</sup>.

Interactions with the regions are also carried out on their initiative. Usually there are two reasons for appeals: questions about the ranking methodology or disagreement with the ranking results. An appeal by a constituent entity of the Russian Federation is to be answered, as a rule, in the same form in which the appeal was received: via phone, e-mail or official correspondence.

Such interaction involves the federal subjects of Russia in the process. The specialists dealing with budget openness feel their involvement in a big state affair – they are excited about successes and concerned about failures. In general, a large team of specialists across the country work for the final result.

## CONCLUSIONS

Budget transparency has been of great importance in the 21st century. Nowadays, it is not only a way to enforce citizens' confidence in their government. First of all, it is the most promising mechanism aimed at increasing the efficiency of public financial management. It is open budget data that make it possible to widely use present digital technologies in public administration [Segal G., 2002; Khagram S. et al. (eds.), 2013].

Budget transparency rankings, both at national and regional levels, stimulate and enhance the transparency of budget data and the accountability of the authorities to the society. This goal is not always fully achieved. In particular, the average score for 77 comparable countries in the Open Budget Index increased from 41 to 49 during the period of 2008–2019, and if all the countries participating in the ranking are considered, it increased from 41 to 45. This is an insignificant growth, but it is still a positive change. Such research analysis of features of similar open budget rankings in various countries should help improve their quality and effectiveness.

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<sup>27</sup> A set of proposals and comments to the draft methodology for compiling a ranking of the constituent entities of the Russian Federation by the level of openness of budget data for 2021 (as of May 2, 2021). (In Russ.). URL: [https://www.nifi.ru/images/FILES/Ratings/2021/predlozheniya\\_2021.pdf](https://www.nifi.ru/images/FILES/Ratings/2021/predlozheniya_2021.pdf).

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## Методологические вопросы составления рейтинга открытости бюджетов

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### Аннотация

Открытость бюджета является перспективным механизмом повышения качества управления общественными финансами. Ранжирование стран, регионов и муниципалитетов по уровню открытости бюджета привлекает внимание ученых и практиков в мире и, в частности, в России. Методология измерения открытости бюджета является достаточно сложным инструментом, от качества которого зависит результат. В статье анализируются известные и применяемые на практике методики такого измерения, а именно: расчет индекса открытости бюджета Международным бюджетным партнерством (IBP), определение индексов прозрачности местных бюджетов в Казахстане и Хорватии, а также составление рейтинга субъектов Российской Федерации по уровню открытости бюджетных данных в России. В ходе такого анализа выявлены методические особенности каждого из рассматриваемых подходов, их сходства и различия. Внимание акцентируется на проблемных моментах методологии Международного бюджетного партнерства. Обозначить эти проблемы особенно важно, так как методология IBP является образцом для подражания в вопросе измерения открытости бюджета. На примере опыта ранжирования регионов России по уровню открытости бюджета демонстрируется возможность использования специальных приемов и способов, которые работают на конечную цель, — повышение качества управления общественными финансами.

**Ключевые слова:** государственные финансы, региональные финансы, бюджет, открытый (прозрачный) бюджет, открытые бюджетные данные, индекс открытости бюджета, рейтинг открытости бюджета

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