

# Fiscal transparency advocacy



El Salvador - March, 2017

# 1. News

# Access to preliminary budget estimations

- A lawsuit in order the preliminary estimations would be published while the national budget is been prepared.
  - Every year the Ministry of Finance had classified as secret that information.
  - The lawsuit is running in the Instituto de Acceso a la Información Pública (access to public information institute).
  - Private agreement seeking is over. The next step is a public hearing.
  - If this information were timely released, public participation in the budget process would grow up.

# Follow up on secret expenses

- We have prepared an analysis with suggestions on the management of secret expenses.
  - Lawsuits against former presidents Saca (2004-2009, civil and criminal causes) and Funes (2009-2014, civil cause) are related with the management of secret expenses.
  - Secret expenses have been used to overpay salaries of public officials.
  - Suggestions point to regulate and constraint the management of secret expenses which should be used only for intelligence operations and witnesses protection.

# How the budget is approved

- We have made some publications on how the legislative approved the national budget every year (political process)
  - Incomes are over-estimated and expenses are under-estimated
  - There are political constraints to make more realistic estimations
  - Floating and short-term debt has been used to avoid the legislative control since it has the faculty to approve long-term debt.
  - To facilitate the budget approval, funds are allocated to non-profit organizations linked to legislators and political parties.

# Fiscal risks: obligations with the pension system

- State obligations with the pension system is one of the main fiscal risks. They will continue growing at least until 2025. They don't have an income source, so debt is acquired to attend payments.
  - We have made a proposal of reform (as the government and other organizations have made too).
  - Dialogue initiatives have been advocated.
  - A few lawsuits to gain access to diagnostics, actuarial forecasts and information on fiscal impact scenarios.

## 2. Learned lessons

- Fiscal openness is gradual, non linear (and sometimes erratic)
- Learn about political constraints (getting support for reforms, agreement building)
- Lack of flexibility sometimes produces incentives to avoid rules (ex. short-term debt, secret expenses)
- There exists fear that fiscal openness become in more social or political pressures hard to manage for decision makers, producing worst results.
- It is important to get light on conflicts of interest of decision makers and legislators



3. What is next?

- To match the macro fiscal analysis and the study of the budget political process.
- To advocate the performance based budget approach, with public participation, mostly in the budget preparation phase.
- To continue advocating dialogue initiatives on fiscal issues, as hosting or participants.