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THE ROLE OF BUDGET REFORM IN THE ACCOUNTABILITY OF POLISH AND UKRAINIAN LOCAL GOVERNMENTS

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ABSTRACT: *Are the millions of dollars and thousands of hours of technical assistance to states of the former Soviet Union appropriately focused to deliver the best return on investment? This article examines two prominent concepts in vogue among technical assistance agencies and applies them to the specific area of local government budget reforms in Poland and Ukraine. Clear definitions lead to specific measures that can improve democratic accountability in former Soviet Union states.*

WHAT DO WE WANT FROM CEE BUDGET REFORMS?

What is the purpose of financial management reforms in the states of the former Soviet Union (FSU) and the Central and East European (CEE) nations? Are there multiple goals? Is financial management reform an intermediate objective toward ultimate goals? If so, what are those ultimate goals? The last decade, for example, has spawned a new politics of accountability. The New Public Management (NPM) school has renewed emphasis on demanding that budget documents measure the results of government spending. What matters is the use of the money, not just accounting for the amount. The new politics of accountability is global and pervasive, affecting central, regional, and local governments in many countries. The globalization of the capital markets alone requires a new level of accountability by CEE and FSU governments (Friedman 1999). The new politics of accountability entails high demands from financial management systems, but can CEE and FSU governments meet the expectations, especially at the municipality level?

These important questions seem to be unstated in much of the literature discussing administrative reforms in CEE and FSU nations. Yet there continues to be considerable financial investments by donors and recipient governments to support time and energy

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devoted to financial management reforms. To what end? There are substantial opportunity costs to domestic and external actors for whatever technical assistance (TA) investments are taken. Careful thinking now may better focus scarce assistance resources in the future. After more than ten years of transitions, we should have learned more than is apparent from a hodgepodge of TA activities.

A related question, and no less important, is to what level of government should reform be directed. Intuitively, it seems imperative to have reform at central and subnational levels of government. Unfortunately, the bulk of financial reform investments seems directed at central governments, neglecting financial management reform of local governments. This is troublesome, since municipal budgets are often key instruments for delivering basic public services to citizens, including public safety, public health, public transportation, and public works. Leaving aside the issue of fiscal decentralization and revenue assignments to central and local budgets,[1] a key reform issue is the degree to which local budget reform is both a desirable and achievable goal or objective for the next decade of reform investments in CEE and FSU states.

This article focuses attention on the role of local budget reforms in the new politics of accountability that pervades discussions of government reform in CEE and FSU states. I argue that democratic accountability is the ultimate goal of financial management reforms, and that budgetary transparency is a key objective toward achieving this goal. While accountability and transparency are pervasive terms in the literature, it is worthwhile to assess the relevance of these terms to CEE and FSU reforms, and to provide specific definitions that can guide future reform efforts. Transparency is the umbrella term for a variety of measures that promote democratic participation in governance decisions, with a particular emphasis on openness of the process and clarity regarding responsibilities. Budgetary reforms involve process transparency and document transparency.

Accountability is a multidimensional concept that entails more goals than simply democratic responsiveness. Budgetary reforms that increase transparency of municipal governments can address the multiple dimensions of accountability and ultimately help consolidate democracy in CEE and FSU nations. The arguments are grounded in the U.S. experience of municipal budget reform and are supported with recent field data from interviews of mayors and city treasurers in Poland and Ukraine. The interviews revealed substantial confusion among local leaders about what budget reform entails and to what end.[2] The article concludes with suggestions for more technical assistance targeted at local government budget reforms.

WHAT IS THE ISSUE IN BUDGET REFORM?

When the city council leaders of Polish or Ukrainian municipalities are asked about the most pressing problems facing their city, budget reform is not usually on their agenda. The most important issues are jobs, water and sewer systems, and economic development generally. Nor is budget reform on the top three list of most mayoral agendas. Mayors most frequently cite jobs, roads, and water and sewer infrastructure as their most pressing agenda items.

There is a different result when one asks the municipality's treasurer. The issues pressuring the municipal treasurers are school funding and capital financing. They quickly note that mayoral budget priorities are mostly expensive capital projects, and that forces the treasurers to find ways to reduce operating costs and seek external capital financing. For the most part, they often do not have an idea where the city budget could be cut to reallocate money. Neither the municipal budget document nor the budget process is designed to facilitate a discussion of programmatic expenditure trade-offs. Capital financing is only slightly less problematic.

In their view, there is no possibility of meeting capital financing needs from current revenues, especially when the Polish and Ukrainian central governments perpetually transfer inadequate funds to finance K-12 education. For the treasurer, the solution to meeting capital financing is external credit, either by local, national, or international lending institutions. The catch is that these potential creditors may require substantial financial information to support the ability of the municipality to repay the debt. The need to organize and provide such financial data is the first impetus that the treasurers mention for exploring budget reform. To the extent that budget reform can help the city obtain credit, the treasurer is very interested.

A second impetus for budget reform by municipal treasurers in Poland and Ukraine is a desire to join the ranks of Western professionals. Many of the treasurers we interviewed had taken a site visit to a U.S. or European city to learn new budgeting techniques. Many had a copy of a U.S. or German budget on their shelf, and readily pointed it out to the visitor. These visits resulted in two outcomes. First, the treasurer saw a new world view of budgeting possibilities. Where budgeting had only been an accounting exercise with legal compliance as the top value, they now saw budgeting in the light of policy analysis and political responsiveness. Where budget documents had been only obscure forms to be completed to report allocations to the central government, they now saw documents that communicated policies and priorities to citizens and councilors alike.

Workshops by Western budgeting professionals extolled the virtues of fiscal transparency and performance accountability, new concepts for the CEE and FSU bookkeepers. To have a modern budget requires substantial changes to extant Polish and Ukrainian budget document formats, and they know it. The dilemma for treasurers who desire budget reform is that it is not high on any political agenda, except to the extent that it serves an instrumental role to enhance the municipality's ability to attract credit for capital infrastructure investments. Moreover, from the Ukrainian perspective, external donor pressure for reform has been focused on capital cities and central budgets. Very little attention is paid to municipal budget reform, and consequently there is little technical assistance to help with changes. This is not true in Poland, where USAID funded the Local Government Partnership Program (LGPP) for three years (LGPP 2001).

ACCOUNTABILITY: WHAT IS IT?

The dilemma of the municipal treasurers raises a question of whether local budget reform can be instrumental in serving municipal goals besides enhancing credit opportunities. Moreover, is there a place for budget reform in the goals of democratic

TABLE 1
The Romzek-Dubnick Accountability Framework

		Source of Expectations and/or Control	
		Internal	*External*
Degree of Autonomy	*Low*	Hierarchical	Legal
	High	Professional	Political

Source: Romzek 2000, 24.

accountability and the consolidation of democracy widely espoused by national and multinational donor agencies? Answering this last question requires us to reconcile accountability theory with professional standards of budgeting. The first step is clearly specifying what is meant by accountability. The next step is specifying what constitutes budget reform. One can then synthesize the two literatures to assess the ability of budget reform to meet accountability expectations.

The Romzek-Dubnik Accountability Framework

Accountability, understood as answerability for performance, immediately raises issues of accountability to whom, for what, and how (Romzek 2000, 22). In the public sector, actors face multiple sources of legitimate authority, multiple authority relationships, and competing expectations about their performance. In the language of principal-agent models, multiple authority relationships means that actors may be agents who face multiple principals, or actors may be principals who exert competing claims of accountability on an agent. Romzek and Dubnick (1987) have developed a matrix of four types of accountability to sort through the complexity (table 1). Romzek (2000) stresses the importance of specifying the type of accountability at issue before measuring the efficacy of a particular accountability instrument.

In general, the Romzek and Dubnick (R-D) framework measures the degree to which the agent has a low or high degree of autonomy to act, and the source of control or expectation concerning the legitimacy of the agent’s actions (including decisions). Hierarchical relationships of accountability emphasize supervisory relationships. Legal accountability relationships differ from hierarchical in that oversight comes from an external auditing or monitoring agent. Political accountability relationships emphasize the actor’s anticipation of stakeholder demands. Professional accountability relationships emphasize the actor’s expertise applied with reference to internalized professional standards. The accountability matrix is applicable to budgetary practices in Poland, Ukraine, and other newly democratizing FSU and CEE nations. Each type of accountability affects a different aspect of budgetary practices and relationships.

As table 1 suggests, actors in hierarchical and legal accountability relationships are highly constrained. They have a low degree of autonomy with respect to discretion and actions. Professional and political accountability relationships, in contrast, permit a high degree of discretion by actors. Legal and political accountability expectations have external sources. Hierarchical and professional accountability expectations have internal sources. These dimensions are explicated in a description of each type of accountability in the framework.

Hierarchical accountability is based on close supervision of individuals who have low work autonomy and face internal controls. They are manifest in a reporting chain of command. Ready illustrations include employer-employee relationships, but the supervisory relationship can be a central-local government mandate or the supervision of the bureaucracy by elected officials. For example, the central governments of Poland and Ukraine mandate uniform accounting structures for local budgets. U.S. states also often mandate local government budget reporting forms that must be published in local news media, and require municipalities to hold public hearings before approving the local budget.

Legal accountability involves detailed external oversight for compliance with established mandates, such as legislative and constitutional strictures. The oversight is likely episodic and is manifest, for example, in legislative audit committee reviews. In Poland and Ukraine, the central governments maintain regional audit bureaus which review local budgets for compliance with legal requirements concerning local spending, tax collections, and so forth. In legal accountability the supervisory agent cannot directly dismiss or punish the audited unit, but can provide evidence to the supervisory body that may result in punishment for illegal behavior. Legal accountability may also apply in the context of global capital markets and the ability of investors to punish governments for defaulting on loans (Friedman 1999). Failure to follow Generally Accepted Accounting Procedures (GAAP) may result in implicit sanctions because creditors refuse loan applications from riskier applicants.

Political accountability involves responsiveness to the concerns of key stakeholders such as elected officials, clients, and the general public. Rather than responding to orders from a supervisor, the actor anticipates goals and objectives of key stakeholders including supervisors, clients, citizens, and other actors. Actions are guided by a desire to be responsive to perceived needs and desires, rather than compliance with legal requirements or acting in fear of supervisory punishment. Sometimes the goals and objectives of stakeholders may be ambiguous, or even contradictory. This situation allows the accountable agent to choose among the goals to be satisfied in order to be politically responsive.

Professional accountability is reflected in work arrangements with high degrees of autonomy to individuals who base decision making on internalized norms of appropriate practice. This can be based on professional experience, background, and training, or a code of professional ethics such as the ICMA code for city managers. Principals and other actors reserve judgment and defer to the agents' expertise when programmatic decisions are required. The consequences of a decision are judged with reference to professional conduct standards or consistency with the agent's previous judgments of a similar nature.

The Complex Environment of Multiple Accountabilities

These accountabilities are not neatly divided between actors and different contexts. It is possible both for one principal to invoke multiple accountabilities on one agent, and for one agent to be held accountable to multiple principals. For example, a supervisor can employ hierarchical accountability to require an agent to conduct activity Z, conditioned by the supervisor's reference to professional behavior and objectives with respect to that activity. Moreover, the professional standard for activity Z may have been codified into law, and the supervisor can also invoke legal accountability in pressuring the agent to conduct activity Z.

By the same token, agents must often respond to the needs and requirements of multiple supervisors, colleagues, and other stakeholders. The type of accountability each actor may invoke may vary across accountability types. Thus, a program director can work within legal requirements, respecting a potential legal audit and reprimand for noncompliance; the director also can develop a new program or modify a current program to meet anticipated stakeholder demands. Sometimes the accountability demands are irreconcilable and some principal will be dissatisfied. The successful agent is able to navigate this complex environment, determining which accountability is imperative, or a higher priority, at any given situation.

BUDGET REFORM AND ACCOUNTABILITY

Kahn's (1997) insightful history of budget reform in American municipalities demonstrates that budget reform promotes multiple forms of accountability. Kahn argues that "public budgets are more than simply technical tools for allocating government resources. They are also cultural constructions that shape public life, state institutions, and the relations between the two" (2). He notes that the early budget reformers distinguished the concept of budgeting from that of simple accounting, presenting the budget not merely as an efficiency tool, "but as the key to maintaining responsible democratic government in modern mass society" (29). The reformers believed publicity was the key to budgetary accountability. The budget had to be widely advertised "so that citizens could readily use its information to judge public officials" (93). The budget reformers publicized the budget with elaborate schemes "to educate the people to understand and apply their new political idiom" (93).

As we shall detail below, budget reforms present a complex web of accountability relationships and standards. We are fortunate that there is an acknowledged instrument designed to measure the degree to which a budget document incorporates the accountability standards expected in a reformed budget. The Distinguished Budget Awards Program of the Government Finance Officers Association of the United States and Canada (GFOA) sets the standard for state and local budget documents in the U.S. and Canada. Evaluating the extent to which the GFOA standards correspond to each of the four types of accountability in the R-D framework will provide insights into the ability of budget reforms to foster democratic accountability as envisioned by early budget reformers.

The GFOA Budget Awards Program

The GFOA is almost a century old, founded in 1906. It is rooted in the context of the earliest budget reform efforts of Frederick Cleveland and his compatriot reformers. With about 15,000 members, it is the largest association of financial management professionals in North America, perhaps the world. Among GFOA's more notable programs, the Distinguished Budget Awards Program is part of an ongoing campaign to reform state and local budgets in the U.S. and Canada to acceptable professional standards. First established in 1984, the Budget Awards Program "is designed to encourage governments to prepare budget documents of the highest quality to meet the needs of decision-makers and citizens" (GFOA 2002). Another purpose is to "provide peer recognition for government finance officers preparing budget documents" (Powdar 1999, 1). Although program participation has grown from 113 submissions to more than 900, that is only a small number of the eligible local governments in the U.S. and Canada. The standards are rigorous and the budgets that qualify are among an elite set. There are twenty-six requirements for a budget document and process in four different reform categories. A complete list is provided in the appendix.

The budget as a policy document aims to insure that the document includes a coherent statement of organization-wide financial and programmatic policies and goals that address long-term concerns and issues, as well as short-term financial and operational policies that guide the development of the budget for the next fiscal year (Powdar 1999, 9-37). A majority of the financial information contained in the budget document is evaluated within the category of the budget as a financial plan, and six of the nine criteria are mandatory. Three of the criteria can be satisfied with a single, consolidated, summary schedule that presents three years of comparative financial data. Other criteria require specification of revenue sources, revenue forecasting assumptions, and complete presentation of all funds and fund balances.

The budget is also an operations guide, and the GFOA criteria include requirements that the document specify the organizational structure of the city (or other) government, with a description of the purpose for each unit. The personnel allocations across the organization should be specified and linked to each unit. The nonmandatory criterion represents the renewed effort to link the budget to performance levels of each organizational unit, including qualitative and quantitative measures of results by some objective methodology (Powdar 1999, 213).

Finally, the GFOA standards regard the budget as a communications device. The primary goal is insuring that an entity communicates "with its residents, media, and other parties (such as rating agencies) interested in how the entity is being managed" (Powdar 1999, 267). The document must describe the process for preparing, reviewing, adopting, and amending the budget for the next fiscal year, and highlight financial and statistical information with narratives and graphs "that convey essential information (such as key policies and trends)" to "visually assist the non-technical reader to understand" the presented information (267). The overall emphasis of this category is on "providing information to individuals unfamiliar with the organization" (268).

How Do These Align with Accountability Framework Requirements?

Do these twenty-six criteria of GFOA's exemplary budget practices correlate with the Romzek-Dubnick accountability framework? How well do these criteria fulfill the expectations demanded by the four types of accountability? The analysis of the compatibility is presented in table 2. The GFOA criteria are embedded within each of

TABLE 2
Mapping the Correspondence of the GFOA Budget Awards Criteria and the Romzek-Dubnick Accountability Matrix

	Internal	External
	Hierarchical	**Legal**
Low Discretion	OG1: Organizational Unit Activities OG2: Organizational Unit Performance OG4: Organizational Position Counts and Changes PD3: Organizational Unit Goals and Objectives	FP1: All Funds Description FP2: Revenue Sources: Total Amounts in Each Source FP3: 3 Years: Revenues and Expenditures FP5: Changes in Fund Balance FP6: Capital Projects and Expenditures FP8: Debt Limits and Levels FP9: Basis of Budgeting CD3: Budget Process and Amendment Procedures
	OG3: Organizational Chart and Reporting Relationships	FP4: Major Revenues, Trends and Assumptions
High Discretion	CD2: Impact of Other Planning Processes on Budgeting CD4: Supportive Charts and Graphics CD5: Narrative, Crosswalks among Funds, Comprehensive CD6: Table of Contents CD7: Glossary of Budgeting Terms CD9: Understandable and Attractive Document	PD1: Long-term Policies and Goals PD2: Short-run Policies and Goals PD4: Budget Priorities
	FP7: Impact of Capital Projects on Operating Budget CD1: Overview and Trends CD8: Community Background and Statistics	
	Professional	**Political**

the accountability types presented in the R-D framework. With few exceptions, each of the GFOA criteria fall into one of the R-D accountability types. As seen in table 2, five criteria advance multiple accountability relationships, crossing three of the four boundaries shown. We will begin by examining the hierarchical accounting relationships and proceed clockwise through the framework.

Hierarchical: Supervisory Relationships

The concept of hierarchical accountability relationships is rooted in supervisory relationships. With respect to budgeting, there are two types of supervision. Within agencies, department heads are responsible for insuring that subordinates do not exceed spending constraints and that they follow established procedures for requisitioning supplies, hiring personnel, and so on within the budgetary constraints on the agency. For our purposes, a more salient conception is the supervisory relationship between elected officials and bureaucratic officials in a community. City councilors are delegated policy discretion by citizens through elections. Councilors, in turn, delegate policy and administrative discretion to the municipal employees who must manage the community's public services.

The most striking aspect of the hierarchical quadrant in table 1 is that there is almost an exact correspondence between the criteria of the budget as an operations guide and the hierarchical accountability relationships in the R-D framework. The GFOA operations criteria require the budget document to reveal details about the organizational units, including descriptions of their activities, performance standards and achievements, and position counts and position changes. These requirements reflect a fundamental goal of the early budget reforms. For the early American budget reformers such as Allen, Bruere, and Cleveland, budget accountability was about assigning political responsibility; that is, identifying and situating power to limit the activity of each unit of government. "In one document, the budget would present to the citizens their government in miniature, revealing the responsibilities and expenditures of every department and official" (Kahn 1997, 93). GFOA also requires the budget document to specify reporting relationships viz. an organization chart (OG3). Fixing a unit's place and identity renders it visible both to itself and to other units. Seeing one another clearly, diverse units can appreciate their interrelationships and derive a sense of belonging to a larger bureaucratic structure, another explicit goal of the early reformers (Kahn 1997, 153).

Legal: External Auditing and Monitoring Relationships

The legal accountability relationships in the R-D framework are manifest largely through the GFOA's standards of the budget as a financial plan (FP1-9). All but one of the nine FP criteria are correlated with the legal accountability relationships. This is especially notable since six of the FP criteria are mandatory; that is, a document must sufficiently provide for each standard or the budget cannot receive the award. The focus of these criteria is on presenting a comprehensive account of all municipal funds, including a description of each fund, the revenue sources for each fund, the fund balances, and changes in fund balances. These standards are rooted in the accounting reforms that preceded budget reforms at the dawn of the twentieth century.

One of the more critical GFOA standards (FP3) is the requirement that the budget present three years of data for revenues and expenditures. This enables the citizens and their elected representatives to see that the government as a whole, and each of the organizational units individually, have complied with the limitations placed on their operations by the budget. The three years requirement includes actual data from the previous year, current budgeted funds, and the proposed budget for the ensuing fiscal year. This requirement also gives the reader an ability to see the revenue and expenditure trends across organizational programs and services, permitting the reader to evaluate whether government managers are adhering to the policy preferences expressed through municipal council budget votes.

Kahn suggests that early reformers crafted a distinctively political conception of accounting reform, bent on redrawing the boundaries of political life. "Accounting–and its publicity–were meant to ensure that private corporations operating municipality franchises would not overstep the bounds of their proper authority by recording and reporting to the public the nature and scope of their activities. Accounting would also provide the oversight necessary to convince state legislatures to redefine city-state relations by granting cities greater power" (1997, 28).

As revealed in GFOA's standard CD3, legal accountability relationships include the degree to which the budget process permits–or even encourages–citizen participation in local budget decisions. As the reformers envisioned it, the reformed budget enables "the legislature and the citizenry to hold the executive and his officers accountable for their actions. The budgetary system was to be a means of promoting representative democracy" (Kahn 1997, 60). This dimension can range from no participation whatsoever to mandatory public hearings to citizen appointments on city council study committees with a full voice on budgetary issues. There is relatively low citizen participation in U.S. local government budgeting, with some exceptions. Mandatory public hearings often are held within minutes of the final council vote on a budget. (One recalls the words at a wedding when the officiant asks if anyone objects, or forever hold your peace.) William Allen contended that hearings were important for democracy even when they were not attended by large crowds. He and others argued that citizens were more likely to find hearings useful if they were held before the decisions were already effectively made (Rubin 1993, 18).

Another set of GFOA standards correspond to legal accountability relationships in a different dimension, that of accountability to external municipal creditors. GFOA standards FP8, FP9, and FP4 are of particular concern to potential and actual creditors who may hold municipal debts. Municipal bonds are legal contracts that require the municipality to pay the creditor principal and interest in specified increments of money at specified intervals of time. Creditors who buy government bonds are particularly interested in the soundness of their investments, for example. They want to know that the government did not exceed spending authority in the past (a violation of a legal contract with the citizens that would make the creditors quite nervous), and they also want to know a prospective forecast of how the government expects to maintain commitments for debt service in the foreseeable future (or at least as long as the term of the debt they are holding!).

Municipal debt has a rich and storied history in the U.S., and it figures prominently in the concerns of early budget reformers. To finance World War I, for example, the federal government turned to the new income tax and war bonds, and the government borrowed money on a massive scale not seen since the Civil War. Kahn (1997, 176-77) notes:

> The steeply progressive income tax and massive bond sales to large institutional investors transformed the relationship between financial elites and the federal government. First, major bondholders had a powerful interest in protecting their investment by ensuring that the government remained solvent. Second, all wealthy individuals and corporations had a new incentive to protect their incomes by ensuring that government waste and inefficiency did not precipitate unnecessarily high tax rates. Budget reform, by then well known throughout the country, provided a ready solution to these concerns. The oversight of a budget system would effectively audit bondholders' investments while improved efficiency helped to keep taxes at a minimum.

Political: Anticipating Stakeholder Demands

Elucidating the major revenue trends and assumptions is a GFOA standard (FP4) that bridges the legal and political accountability relationships in the R-D framework. The political accountability relationships correspond almost exclusively to GFOA's perspective on the budget as a policy document. The GFOA standards are intent on providing elected officials and citizens the broader view of the municipality: long-term and short-run policies and goals for the community, budget priorities for the next fiscal year, and how they achieve community policies. Understanding major revenue trends and assumptions for their future (FP4), supported by at least three years of revenue and expenditure data (PD3), provides the budget reader with important evidence to support claims by the municipality's chief executive (or whomever proposes the budget to the governing body) of how the proposed budget will achieve community objectives. Early budget reformers wanted to go beyond simple accounting reforms that encompass the legal and hierarchical notions of accountability. The reformed budget anticipates the set of policy choices, the set of expenditure options, from which the citizens desire to choose. The budget is a critical political accountability instrument because it permits citizens to choose policy options for each of the government units that have been identified in the budget and accounting structure, explicitly situating and circumscribing in each unit the policy power the citizens delegate to the visible government structure presented by the budget. The budget process becomes a vital link between citizens and their representatives, enabling and mediating the flow of information between the two. Bruere (1912, 130) wrote that "public control over government is blind and groping" without a budget because "public information regarding government results is lacking." "Democratic politics thus required that budgets become a part of the common political discourse. Citizens had to be taught to see their government in and through the budget document" (Kahn 1997, 98-99). An open and public budgeting process, one which exhibits the policy choices facing the citizens, is critical to the political accountability of the R-D framework. Reformed budgets act as intermediaries between citizens and government that reach beyond electoral accountability.

Professional: Applied Expertise with Reference to External Group Standards

The category of professional accountability relationships in table 2 most clearly highlights the value of budget transparency for accountability relationships. The GFOA criteria for the budget as a communications device (CD1-9) are almost exclusively mapped to professional accountability standards. These standards require the budget document to make the information understandable to citizen readers, to make the budget information comprehensive and easy to navigate (across funds and organizational units), and to show how the budget links to other community planning processes. The early budget reformers, according to Kahn (1997, 98), sought "a proper budgetary system," where "information, rather than personal contact, would connect constituents and representatives…. Budget reform…would displace the bonds of party by presenting information as a new means of holding distant representatives accountable." For them, the budget would become a new mediator between citizens and government, one that would replace the corruption of machine politics. Reformers provided “a positive rationale for citizens to invest city government with more, not less, power. Middle-class citizens (and certainly state legislators) might be wary of giving the ‘invisible’ government of political machines any but the most basic powers. Budgetary accountability would make it safe to place responsibility for public welfare in the hands of government officials. To succeed, budget reformers emulated the political boss and made citizenship their business. The budget, as a new connection between citizen and government, would take the place of the machine” (98).

The concept of transparency has been noticeably absent from the discussion of budget reform in each of the other quadrants of the R-D framework, yet its presence is ubiquitous. Budget reformers value budgetary transparency because citizens have a right to know what their government has done, what it is doing now, and what it plans to do in the future. Transparency is valued as both an end and a means to an end in budget reforms.

Transparency has been viewed by budget reformers, especially budget reformers at the turn of the twentieth century, as an important means toward another end, democratic accountability. Without knowledge of the explicit assignment of responsibilities and the power (through resource assignments) of specific governmental units to implement policies, it is impossible for citizens to hold political actors responsible for their actions, be they elected officials or bureaucrats. Cleveland believed that budget reform ideas belonged in the canon of democratic literature because the reformed budget was “an unparalleled instrument of representative democracy” (Cleveland and Buck 1920, 40). The budget process provided “citizen ownership of government and citizen determination of the scope of services” (Rubin 1993, 18). The reformers were able to redefine democratic politics to require that budgets become a part of the common political discourse. “Citizens had to be taught to see their government in and through the budget document” (Kahn 1997, 98-99).

TRANSPARENCY AS A PROFESSIONAL REQUIREMENT FOR DEMOCRACY

By definition, transparent means: easily understood, very clear; easily recognized or detected; open, frank, candid. Transparent contrasts with opaque, something one cannot see through; and translucent, something partially transparent, where light is allowed through but diffused so that the object on the other side cannot be distinguished. These concepts apply quite directly to budgeting, both in process and as a document. Process transparency applies to the dynamic aspects of budgeting, most notably whether the decision steps in the budget development process (and the implementation process) are easily recognized and easily understood. We noted GFOA’s criterion CD3 required a description of the budget process and the budget amendment process, a legal accountability standard (table 2). Document transparency is highlighted by GFOA’s focus on the budget as a communications device, as we discussed in the professional accountability standards. It incorporates the economic and political context in which the proposed budget will be decided. This is both the *ex post* assessment of actual (realized) budgets and the *ex ante* estimate of the future situation, including the planned revenues and expenditures, by department and program. Unfortunately, the budgetary system of local governments in Poland, Ukraine, and other FSU nations was designed as an opaque system in the communist era. Local government spending was held to targets assigned by central planners. There was little local discretion, virtually no independent, local revenues, and no inherent citizen accountability mechanisms (Kovriga 2001; Kravchuk 1997).

Discussions with municipal officials in Poland and Ukraine reveal that what is missing in many municipality governments of Poland, Ukraine, and other FSU and CEE nations is a professional obligation for accountability and transparency. The concept of democratic accountability may be gaining a foothold in the FSU and CEE nations, but it is only half the equation. "I have a right to know" is understood by citizens, and probably most politicians at some level. But, "I am a public servant, an official of the government; I have an obligation to democratic accountability" is missing from the other side of the equation. In part, requests for information are so rare that clerks and officials may not even have developed procedures to respond systematically to open government requests. But more broadly, there is a sense that the business of government is either irrelevant or too incomprehensible to ordinary citizens, that routinely providing citizens with information about government is a futile exercise with negligible benefits. Citizen input in local budgets in the U.S. often comes from public hearings on budget proposals. Studies have shown that these hearings are an important source of information for central budget office analysts in state and local governments (Thurmaier 1995b; Thurmaier and Willoughby 2001). This is not a common practice in Polish local governments. Meetings of councils and committees are open to the public, but citizens rarely attend meetings and even more rarely speak on an issue before the council, including the budget.[3]

Adding to the complexity of this issue is the reality that public sector actors are required to exercise discretion at multiple decision points in the delivery of public sector services. This is true in unitary as well as federal states, and it was true before 1990 in FSU states as well as after independence. The nature of the discretion, the decision points, and the salient actors in authority relationships may have been altered, but the requirement and opportunity to exercise discretion remains an important factor in public sector service delivery. It is acknowledgement of bureaucratic decision-making power that feeds the pressure to gain and maintain political control over these unelected governing officials.

APPLICATIONS TO TRANSITIONAL DEMOCRACIES

In general, budgets are forward-looking documents, planning expenditures based on expected revenues and expected service demands. To the extent that budgets are planning documents, they are inexact. Nevertheless, stable revenue structures and the iterative nature of local government services permits a high degree of predictability for most U.S. and West European local governments. Consequently, there is an expectation that budgets will accurately predict revenues and expenditures will not exceed those approved in a budget. There is also an expectation that the budget can report the results of previous budget plans: where was the money spent, and from what revenue sources? Such expectations are not inconsequential in the context of historically artificial and sometimes spurious FSU financial management systems. Comparing previous budgeted amounts with actual revenues and spending allows some assessment of how accurate the current projections may be. Reporting previous results is an indirect and inexact way of reducing the uncertainty of current estimates. This may be especially important to potential creditors who must weigh the consequences of potential losses.

One of the salient issues for the discussion at hand is who is charged with monitoring departmental performance. In the U.S., there are cadres of budget examiners who are oriented toward the policy and management aspects of budgeting, largely disconnected from the daily accounting control functions (Thurmaier and Willoughby 2001; Thurmaier and Gosling 1997). In Poland and Ukraine, the budgeting staff are book-keepers, oriented to central government regulations and legal accountability. The regional auditors also are focused on legal accountability; citizen participation is not on their checklist of concerns. Who watches and reports for the local citizens? To some extent, the local media. It is useful to note, however, that the local media is not always independent of the local government.

This discussion returns us to the notion of multiple accountability relationships. The accountability standards embedded in budget reform are not nearly as neat as table 2 implies. For example, political accountability in the R-D framework is distinguished by the agent anticipating the preferences of the principal(s), the stakeholder(s). In budgeting, at least, this anticipation is conditioned by professional standards that impart an obligation of accountability on the budget professionals (McCue 2001). Legal disclosure requirements can be met without meeting the definitions of transparency referenced above. To provide the information is not equivalent to presenting the information in an easily understood format. Who assumes the obligation to make the information easily understood? Whose discretion must be exercised to make that transparency standard a reality? It is unlikely to happen in municipal governments of CEE and FSU nations unless it is assumed by the budgeting professional. Even if they function more as accountants than budgeters, McCue (2001, 155) notes that the treasurers can "function as managers when they make decisions by exploring different options; plan and execute various actions within agreed-upon professional norms; make use of their knowledge, experience, and professionalism; and provide decision support through intelligence gathering and dissemination. These dimensions of control, management, and planning, and organizational development suggest an evolving role . . ."

This realization has important implications for reforming budgeting in Poland, Ukraine, and other transitional democracies. Most basically, it means that treasurers must shift their accountability relationships from an exclusively legal accountability perspective to incorporate a professional accountability perspective. The latter is understood to incorporate an obligation of accountability that includes the value of transparency in the context of the budget as a communications device. Transparency becomes an imperative in the budget process, not just in the budget document. It also includes assuming responsibility for engaging in political accountability relationships, anticipating the policy choices of elected officials and citizens when formatting and presenting the proposed municipal budget.

The consequence of shifting the accountability perspectives is a much more complicated set of accountability relationships for the Polish and Ukrainian municipal treasurers. Professional and political and legal accountability relationships blend together, as suggested by various GFOA standards in table 2. West (1984, 358) notes that "democratic accountability suffers to the extent that interests are expressed as technical or legal arguments which only specialists can comprehend." By now it should be clear that budgeting, at least as envisioned by the early reformers, is more than technical or legal arguments; its potential is much greater. There is no simple way to designate a singular accountability relationship if the municipal budgeting process is to serve as a vital instrument for democratic accountability.

The impetus for this change must come from the treasurers as budgeting professionals, however, as it is unlikely to come from other actors in the current systems of the transitional democracies. Thompson (1980, 908) prefers a traditional notion of personal responsibility as advantageous for democratic accountability, because it can "accommodate many of the complexities of a political process in which many different officials contribute to policies and decisions." Interview data from the treasurers suggests that most are quite politically savvy, even though they present themselves as politically powerless. One datum, the ability of reform-minded treasurers in Poland to sustain their tenure through changes in city councils and mayors, suggests that treasurers have the ability to push for budget reforms that expand their role in municipal decision making. In one instance, a Polish treasurer was rebuffed by the mayor in an earlier attempt to implement task budgeting. She bided her time until a new mayor was installed, and with his enthusiastic support began to implement the reform she had envisioned a few years earlier.

REQUIREMENTS FOR SUCCESSFUL BUDGET REFORM

If budget reform is desirable in Poland, Ukraine, and other transitional democracies of the FSU and CEE, what is the best approach to insure success? The history of budget reform in the U.S. is replete with failed reform attempts (Joyce 1993). Cleveland and his reform compatriots originally envisioned three stages to budget reform: adopt a budget system; use the new system to improve government administration; and then publicize the information about government operations gained through improved administration to connect the people to their government, thereby revitalizing representative democracy (Kahn 1997, 173). Later, as the budget reform movement shifted from the municipal level to the national government, and especially in the Taft administration, the budget as a means to democracy devolved into an end itself. Budgeting was redefined as a series of technical decisions rather than as a way for citizens to relate to and control the state (Rubin 1993, 17). The Polish and Ukrainian situation is almost the reverse of the U.S. context; municipal budgeting under the communist system was exclusively a technical and legal instrument of the state. The task facing current treasurers is reforming the municipal budget from a hierarchical and legal accountability tool into an instrument for democratic accountability. The task is not easy, but not without hope.

Douglas (2000) provides ten guidelines culled from budget literature in the U.S. that outline what is required for successful budget reform. Budget reform theory is suggestive of three areas of concern. First, reformers should pay attention to the claims made about results of the implemented reform. He contends that proponents of budget reforms should not oversell the benefits and downplay the costs of reform efforts. Policymakers will become disillusioned with the reforms' inability to deliver such claims, even when they provided some benefits.

The best time to introduce a reform is during times of fiscal stress, because it tends to amplify the problems of a budget system. “Without fiscal stress,” Douglas notes, “it is difficult to garner the political strength necessary to change the status quo. The presence of fiscal stress helps induce political actors to make need changes in order to meet budgetary needs” (2000, 1972). The goals of the reform should be clear and should not conflict with one another. Reforms cannot promise to both restrain expenditures and improve agency performance, for example, because as Straussman (1979) points out, successfully accomplishing one objective is likely to prevent the attainment of the other.

A second, related area of concern for reformers should be reform implementation. Potential barriers to the reform need to be identified and dealt with prior to implementation. Reforms can avoid pitfalls that may lead to failure by properly anticipating and working through possible problems before installing an innovation. The reform goal should be set on feasible objectives, cognizant of the municipality’s technical capacity for reform. Reforms must be incorporated into the budget structure.

Important budget actors are likely to disregard information generated by the reform if reform procedures and practices do not penetrate the established system of putting together the budget. Legislators of U.S. reforms preferred traditional budget information and could ignore the reformed information when presented with both types. This does not seem to be a problem in the few cities which have experimented with task budgeting in Poland. Interview evidence from those cities suggests that the city councilors loved the reformed format because they now could understand where the money came from and where it went. The only potential power loser is the mayor, who must divulge information to the council, but they seem to be willing because their council majority will back their priorities and with stronger support since they see the choices and approve the mayor’s decisions.

Reforms should be tested on a relatively small scale before being implemented government wide. This enables reformers to demonstrate the usefulness of the reform in practice, and confront and deal with unanticipated problems. It also gives budget officials an opportunity to get a clear understanding of how the reform works, and better anticipate the impacts that can be expected from it. This strategy was inherent in the LGPP (2001) program to introduce task budgeting and other reforms in Polish municipalities. A set of pilot projects was scattered around the country to test and implement the ideas in different settings. The current step is diffusion of the reform to other communities; presumably, the reform is better able to spread spatially because of so many different innovation points. (The results of the diffusion step remain to be evaluated, as do the results of the reform efforts in general.)

Douglas (2000) finds that budget actors charged with the implementation of a reform should understand it, and have the training and tools necessary to carry it out. He notes the reform is unlikely to have its desired impact upon budgeting practices if those responsible for executing the reform are not equipped to administer it. The implication for donor agencies is clear: the funding of more local budget reform training, such as in LGPP, is an important investment to promote successful reforms.

The third area for potential reformers concerns the ability of the budget reform to garner support from key actors. Key budget actors must believe that something is wrong with the status quo, and that a change needs to be made. Reforms must have the support of key budget actors. Reforms that are not supported by key actors, including chief executives, legislators, agency heads, and budget officials, will have little impact upon budget decision making because unsupportive participants are unlikely to use the information generated by the reform's techniques. If reform techniques are ignored by key actors, then other budget officials will notice and may dismiss them as well. Gaining the support of key actors may require allowing them to participate in the formulation of the reform. Generally, to gain the support of key budget actors, reforms must serve the political interests of those actors (Douglas 2000). Planning programming budgeting systems and zero based budgeting, for example, failed because they raised the level of political conflict present in the budget process, and provided information that was not useful politically to many policymakers. But conflict is not necessarily inherent in a reformed process. Creating a transparent budget process can alter the decision structure in important ways (Thurmaier 1994, 1995a). Lengthening the process to afford citizens and elected officials opportunities to study options and express preferences may introduce new options for addressing enduring community problems.

Douglas also observes that calculations must be manageable. "If a reform is too comprehensive in its analysis and scope, then it will overburden budget officials. Cognitive and time limitations will prevent budget decisionmakers from utilizing reform data that are too broad in its reach and too extensive in its analysis. Previous reform efforts generally required that everything within the budget be examined or analyzed in some way," Douglas argues (2000, 1975). "As a result, a great deal of time and energy was spent producing data which was never used" (1975). In Ukraine and Poland, the task for the treasurers is moving from budgetary norms (formulaic calculations) to an increased level of professionally exercised judgment and discretion. As evidenced by early reform efforts in Lublin and Krakow, key budgeting actors, especially the current budgeting staff, need to revise their roles, expanding their analysis from a technical-legal basis to a broader policy basis. The budgeting staff require retraining to obtain critical analytical skills instead of bookkeeper calculating skills. It may entail hiring newly trained graduates from reformed universities who have been provided policy analysis and management training.

The discussion of reform strategies suggests that municipal budget reformers in Poland, Ukraine, and other FSU nations should begin with a focused strategy that is deliberate and incremental.

CONCLUSION

The analysis of the relationship between municipal budget reform and democratic accountability has important implications for donor agencies that provide technical assistance to transitional democracies. A technical assistance focus on local government will optimize the possibilities for democratic transparency and accountability in a transitional democracy. First, budget reforms should achieve reduced uncertainty about:

- how government is spending what types of money;
- what services local governments are responsible for delivering; and,
- what citizens are getting for their tax dollars.

Second, it promises a more immediate and direct effect of reform efforts. Local governments provide the bulk of direct daily public services to citizens. Instilling municipality budget transparency is a key reform route to consolidating democracy because it is much closer to the people in their ordinary lives than the central government. Increasing political accountability through municipal budget reforms can increase citizen satisfaction with the local democratic government. Democratization has a consistent affect on the quality of life of average citizens. “As demonstrated in Eastern Europe and Latin America, many authoritarian regimes lost legitimacy simply because they failed to solve the economic and other problems that had allowed them to take power in the first place” (Shin 1994, 152).

Finally, democratization has been elite driven in CEE and FSU states, and we might expect consolidation to also be elite driven (Shin 1994, 152). If that is the case, professionalization of the municipal government will be an elite activity to drive the creation of a usable democracy. Donor assistance for professionalization of municipal budgeting is thus an opportunity to infuse professional budget reform values into municipal governance, an important step toward democratic accountability in these fragile democracies.

Romzek (2000) stresses the importance of specifying the type of accountability at issue before measuring the efficacy of a particular accountability instrument. Our evaluation of the GFOA budget awards program suggests it is a suitable instrument for measuring the efficacy of a municipal budget in meeting various accountability standards. While the instrument may require some modification to be adapted to the particular circumstances of the Polish or Ukrainian legal frameworks, for example, nothing immediately comes to mind. The standards are demanding, but broad enough to encompass the accountability objectives inherent in the budget reform movement in a nascent democracy at the beginning of the twentieth century. Perhaps it is time to apply the yardstick to municipal reform in the emerging democracies of the twenty-first century.

APPENDIX. DETAILED CRITERIA OF THE DISTINGUISHED BUDGET PRESENTATION AWARDS PROGRAM

Government Finance Officers Association (used with permission)

The Budget as a Policy Document (PD)

PD1. The document should include a coherent statement of organization-wide financial and programmatic policies and goals that address long-term concerns and issues.

- Are goals or policies stated?
- Are the goals organization-wide?
- Do the policies address both financial and programmatic (service delivery) concerns?
- Do the policies cover a multi-year time frame?

PD2. The document should describe the organization’s short-term financial and operational policies that guide the development of the budget for the upcoming year.

- Are short-term policies stated?
- Are the short-term policies financial and are they operational?
- Do the policies guide the development of the annual budget (*i.e., annual pay increases, fee changes, new positions, equipment replacement, program enhancements, new facilities*)?

PD3. The document should include a coherent statement of goals and objectives of organizational units (e.g., departments, divisions, offices or programs).

- Do most of the entity’s organizational units have long-term goals (descriptions of anticipated accomplishments as opposed to descriptions of functions and activities required by Operations Guide Criterion #1, *e.g., recycle 20% of community’s solid waste stream*)?
- Do most of the entity’s organizational units have quantifiable short-term objectives listed (*e.g., open two new recycling drop-off centers by December 31, xxxx*)?
- Are the units’ goals linked to the overall goals of the organization?

PD4. ***Mandatory:*** The document shall include a budget message that articulates priorities and issues for the budget for the new year. The message should describe significant changes in priorities from the current year and explain the factors that led to those changes. The message may take one of several forms (e.g., transmittal letter, budget summary section).

- Does the message highlight the issues facing the governing body in developing the budget?
- Does the message highlight the priorities set for the budget year and explain how they differ from those in the current year?
- Is the message comprehensive enough to address all major funds and not only the general fund?
- Does the message contain headings emphasizing highlights?

The Budget as a Financial Plan (FP)

FP1. The document should include and describe all funds that are subject to appropriation.

- Are all funds appropriated by the organization included in the document?
- Are all funds appropriated by the organization described in the document?
- Is an overview of your fund structure contained in the document?

FP2. ***Mandatory:*** The document shall present a summary of major revenues and expenditures, as well as other financing sources and uses, to provide an overview of the total resources budgeted by the organization.

- Is a single consolidated overview that presents all resources and expenditures included in the document?
- Does the overview present the major categories of revenues/sources and expenditures/uses (*i.e., revenues by major type and expenditures broken down by organization, category or character of expenditure*) for all funds?

FP3. ***Mandatory:*** The document shall include summaries of revenues and other resources, and of expenditures for the prior year actual, current year budget and/or estimated current year actual, and proposed budget year.

- Are both revenues and expenditures for at least a three-year period (prior year actual, current year budget and/or estimate, and budget year projected) presented?
- If yours is a biennial budget, are revenues and expenditures for at least a four-year period (at least one prior year actual, current year budget and/or estimate, and two budget years projected) presented?

FP4. ***Mandatory:*** The document shall describe major revenue sources, explain the underlying assumptions for the revenue estimates, and discuss significant revenue trends.

- Are the major revenue sources for all funds (usually three to five major revenue sources account for the bulk of an entity's revenues, *e.g., a local option sales tax for a locality or landing fees for an aviation authority*) identified and described?
- Are the assumptions underlying the revenue estimates for the budget year discussed (e.g., what is the basis for each estimate – *i.e., trend analysis, state-provided estimates, changes in the local economy, fee increases, etc.; does percent change information supplement the explanation of why a change is expected*)?
- Are revenue trends discussed (are they also enhanced with graphics)?

FP5. ***Mandatory:*** The document shall include projected changes in fund balances, as defined by the entity in the document, for governmental funds included in the budget presentation, including all balances potentially available for appropriation.

- Are disclosure of changes in fund balances (to include beginning and ending fund balances) for all governmental funds, not just the general fund, provided?
- Are fund balances disclosed even if they are required to be zero?
- Is narrative discussion provided in the budget message or transmittal letter if fund balances are anticipated to decline over the upcoming budget year and are both short-term and long-term consequences addressed? If projected changes are material, the discussion should be mandatory.

FP6. The document should include budgeted capital expenditures and a list of major capital projects for the budget year, whether authorized in the operating budget or in a separate capital budget.

- Are budgeted capital expenditures fully disclosed in the document?
- Is there a specific listing of capital projects for which appropriations are made or required for the budget year?
- Is a brief description provided for each major capital project?

FP7. The document should describe if and to what extent capital improvements or other major capital spending will impact the entity's current and future operating budget. The focus is on reasonably quantifiable additional costs and savings (direct or indirect) or other service impacts that result from capital spending.

- Are current and/or future operating costs such as maintenance and staffing requirements associated with bringing new facilities on line *(e.g., maintaining and staffing recreation programs for new parks, operating new schools, and maintenance and electricity for additional signalization of intersections*) estimated and included?

- Are savings associated with permanent fixes to long-term maintenance problems *(e.g., replacing a roof that has required constant maintenance*) or savings from replacements (*e.g., replacement of street lights with long-life, energy-efficient bulbs*) included?
- Are the operating impacts and savings quantified?

FP8. ***Mandatory:*** The document shall include financial data on current debt obligations, describe the relationship between current debt levels and legal debt limits, and explain the effects of existing debt levels on current and future operations.

- Is financial data on current debt obligations included in the document?
- Is the relationship between current debt levels and legal debt limits described (requirement that a referendum be held before debt may be incurred is a form of legal debt limit)?
- Are legal debt limits described and calculated (or if no legal debt limits exist, is that fact clearly stated)?
- Is a description of your debt policy included?

FP9. ***Mandatory:*** The document shall explain the basis of budgeting for all funds, whether cash, modified accrual, or some other statutory basis.

- Is a definition of the ***basis of budgeting*** for each fund type included?
- Is an explanation of the difference between the ***basis of budgeting*** and ***basis of accounting*** provided (if the ***basis of budgeting*** and ***basis of accounting*** are the same, is this fact clearly stated)?
- For budgets which essentially follow the basis of accounting are exceptions *(e.g., depreciation or compensated absences*) noted?

The Budget as an Operations Guide (OG)

OG1. ***Mandatory:*** The document shall describe activities, services or functions carried out by organizational units.

- Does the document clearly present the organizational units?
- Does the document provide descriptions of each organizational unit (*i.e., descriptions for divisions, departments, programs, etc.)? Note: The size or complexity of the entity dictates how far down in the organizational structure this information is presented*)?

OG2. The document should provide objective methods to measure progress toward accomplishing the government's mission as well as specific unit and program goals and objectives.

- Are performance data directly related to the stated goals and objectives of the organization?
- Do performance measures focus on results and accomplishments (e.g. output measures, efficiency measures) rather than inputs (e.g. dollars spent)?

OG3. ***Mandatory:*** The document shall include an organization chart(s) for the entire organization.

- Is a chart provided which shows the entire organization and its components?

OG4. ***Mandatory:*** A schedule(s) or summary table(s) of personnel or position counts for prior, current and budgeted years shall be provided, including descriptions of significant changes in levels of staffing or reorganizations planned for the budget year.

- Is a summary table of personnel/position counts provided for the entire organization?
- Is information presented for the three year period of prior year actual, current year estimate/budget and budget year projected?
- Are significant changes in staffing levels or reorganizations for the budget year presented?

The Budget as a Communications Device (CD)

CD1. The document should provide summary information, including an overview of significant budgetary issues, trends, and resource choices. Summary information should be presented within the budget document either in a separate section *(e.g., executive summary*) or integrated within the transmittal letter or other overview sections.

- Is summary information contained in the budget message/transmittal letter, overview section, or in a budget-in-brief document?
- Is summary information on significant budgetary issues provided?
- Is summary information on budgetary trends provided?
- Is an overview of your fund structure contained in the document?

CD2. The document should explain the effect, if any, of other planning processes (*e.g., strategic plans, long-range financial plans, capital improvement plans*) upon the budget and budget process.

- Are any other planning processes, *i.e., multi-year capital improvement plans, strategic plans, community "vision" statements, etc.*, identified?
- Are the effects of these planning processes on the budget and the budget process explained?

CD3. ***Mandatory:*** The document shall describe the process for preparing, reviewing and adopting the budget for the coming fiscal year. It also should describe the procedures for amending the budget after adoption. If a separate capital budget process is used, a description of the process and its relationship to the operating budget should be provided.

- Is a description of the process used to develop, review and adopt the budget included in the document?
- Is a budget calendar provided to supplement and not be a substitute for the narrative information on the budget process?
- If a separate capital budget process is identified, is the process and its relationship to the operating budget described?
- Is a discussion of how the budget is amended provided in the budget document distributed to the public?

CD4. ***Mandatory:*** Charts and graphs shall be used, where appropriate, to highlight financial and statistical information. Narrative interpretation should be provided when the messages conveyed by the graphs are not self-evident.

- Are charts and graphs used to convey essential information *(i.e., key policies, trends, choices and impacts*) in the document?
- Are graphics integrated with narratives to illustrate the information contained in the narratives?

CD5. The document should provide narrative, tables, schedules, cross-walks or matrices to show the relationship between different revenue and expenditure classifications (*e.g., funds, programs, organizational units*).

- Is the entity's fund structure explained or illustrated (*i.e., can the reader learn the relationship between functional* units *and the entity's financial structure*)?
- Is revenue and expenditure information cross-classified into other formats such as by major revenue classifications across funds, or by major objects of expenditure across departments, or by funds across departments?

CD6. ***Mandatory:*** The document shall include a table of contents to make it easy to locate information in the document

- Is a comprehensive table of contents provided to help the reader locate information in the document?

CD7. A glossary should be included for any terminology (including abbreviations and acronyms) that is not readily understood by a reasonably informed reader.

- Is a glossary included which defines technical terms related to finance and accounting as well as terms related to organizations?
- Are any acronyms used in the document defined in the glossary?
- Is the glossary written in simple language for the non-technical reader to understand?

CD8. The document should include statistical and supplemental data that describe the organization and the community or population it serves, and provide other pertinent background information related to the services provided.

- Is statistical information that defines the community such as demographics (*e.g., population, composition of* population*, land area, and average household income*) included in the document?
- Is supplemental information such as information on the local economy *(e.g., major industries, agricultural products, transportation methods, employment, and building permits issued*) included the document?
- Is other pertinent information on your community such as its local history, maps, and service information such as number of fire stations, miles of paved and unpaved roads, number of schools by type, etc. included in the document?

CD9. The document should be printed and formatted in such a way to enhance understanding and utility of the document to the lay reader. It should be attractive, consistent and oriented to the reader's needs.

- Is the document laid out where the page formats are consistent (so the reader doesn't need to study each page to understand what is being presented)?
- Is the reader buried under minutia of interest only to the entity's staff?
- Are charts and graphs laid out with sufficient explanation for the casual reader?

- Are changes in type sizes and styles avoided (with the wide availability of clip art, graphics inconsistency in this regard has become more widespread)?
- Does the use of graphics add to (rather than detract from) the overall presentation?

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NOTES

1. The fiscal decentralization issue is clearly related to this topic, but it is discussed extensively elsewhere and cannot be incorporated into this article. This discussion of Poland and Ukraine understands that Poland is much more fiscally decentralized than Ukraine, and that the intergovernmental assignments of revenues and expenditures are much more stable in Poland than Ukraine. That said, the value of municipal budget reform for democratic accountability is pertinent to both countries, and other transitional democracies.

2. The interview team included the author and Pawel Swianiewicz (Institute of Economics, Catholic University, Lublin, Poland). Field interviews were conducted with thirty-seven municipal and two regional officials in ten cities in Poland and Ukraine. Officials included the mayor, treasurer, and leading city council official in each city. We also interviewed two regional finance directors in Ukraine. The interviews were conducted in May and June 2001, and lasted approximately 45 minutes each.

3. Budget officers and councilors interviewed in several cities said that citizens were not interested in budget matters. Yet none of these cities had scheduled a public hearing on budget requests, or the proposed budget. Still, in one city council meeting dedicated to the budget, not one citizen spoke at the point where public comment was invited.

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