



# Breaking Challenges in Constructing Citizens Budgets for PEMPAL Countries

Knowledge Product prepared by the Budget Community of Practice (BCOP) Working  
Group on Budget Literacy and Transparency

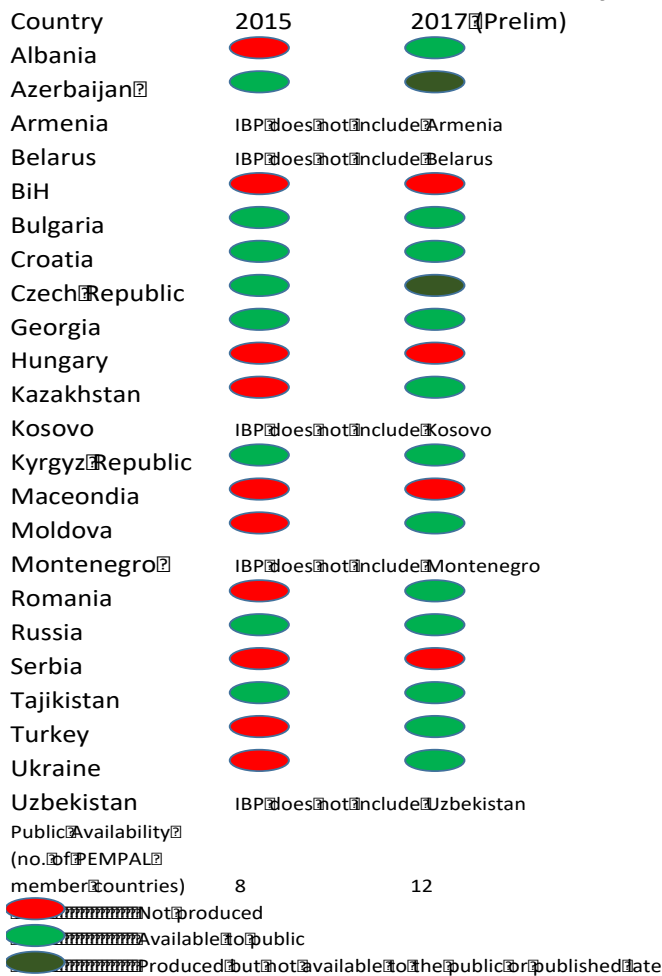
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## Foreword

As the leader of the Budget Literacy and Transparency Working Group, I am pleased to present to you the results of collaboration of up to 15 of our member Ministries of Finance (MOFs) across the Europe and Central Asia region, who are members of Budget Community of Practice of PEMPAL.

### Changes in Public Availability of Citizens Budgets: PEMPAL member countries (from IBPS survey results)



We also circulated the draft document to key international stakeholders during April 2017, who provided input to assist in the finalization of the document and who also provided the following positive feedback on our work:

*Congratulations for a very complete, straightforward and practical manual about creating Citizens Budgets in the PEMPAL network. The document absolutely draws from the up to date literature and practices on the matter and, very interestingly, it points out challenges that one can find in other regions. Once the final version is ready and published, your effort will be useful globally. Thank you for that! Comments from Network Director Juan Pablo Guerrero, from the Global Initiative for Fiscal Transparency (GIFT).*

*Thank you for the opportunity to comment on this document, which obviously reflects a lot of thought and careful reflection among the experts in the Budget Literacy and Transparency Working Group. My congratulations to you and to your colleagues on the Working Group for putting together such a comprehensive and useful document on these issues. Ronnie Downes, Deputy Head – Budgeting & Public Expenditures Division, Public Governance & Territorial Development Directorate, OECD*

*"I have attended several meetings of the BCOP Working Group, and I am impressed with how the group has been using Open Budget Survey results as an incentive to improve budget transparency. Their collaborations have*

*facilitated significant improvements in budget transparency in some of their member countries and also in the availability of Citizens Budgets in the region."* Elena Mondo, Senior Technical Adviser, International Budget Partnership

I would like to take this opportunity to thank our member countries for their work, especially those who paid much attention to this document on a regular basis (Kanat Asangulov and Nurida Balzakova from the MoF of the Kyrgyz Republic, Mladenka Karacic from the MoF of Croatia, Mikhail Prokhorik from the MoF of Belarus, Virginia Comsa from the MoF of Romania, Nataliia Tolopylo from the MoF of Ukraine, Armen Manukyan from the MoF of Armenia, and Vasile Botica from the MoF of Moldova) and to the international organizations who have assisted us along the way. Special thanks to the resource team of the PEMPAL project, and especially to Deanna Aubrey, who helped us during all this time. Preliminary results from the International Budget Partnership's Open Budget Survey released in April 2017, indicate a significant increase in the number of countries reported having a Citizens Budget, which has been facilitated by our work, in several cases.

I wish our member MOFs all the best in their ongoing reforms in improving budget transparency and I look forward to our future collaboration to build on this work to support further reforms in engaging citizens in the budget process.

Best regards,  
Anna Belenchuk  
Chair of PEMPAL Budget Community of Practice, Ministry of Finance of the Russian Federation



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## Introduction

1. **Public Expenditure Management Peer Assisted Learning (PEMPAL) provides a public finance network platform to connect member governments in Europe and Central Asia (ECA) countries.** The network is organized in three Communities of Practice (COPs) of budget (BCOP), treasury (TCOP) and internal audit (IACOP). Technical content is facilitated through donor supported resource teams from the World Bank and other donors. The latest international standards and approaches are examined and experiences in reform implementation shared in the official network languages of English, Russian and Bosnian-Croatian-Serbian (BCS). During the PEMPAL Strategy 2012-17, the key donors to the program were the Ministry of Finance of the Russian Federation, the Swiss State Secretariat for Economic Affairs (SECO), and the World Bank.<sup>1</sup>
2. **The BCOP comprises 21 member countries and aims to strengthen budget methodology, planning and transparency.** It has also established several working groups, which comprise a sub-set of members who meet more regularly to discuss and address common challenges. The Budget Literacy and Transparency Working Group, which is led by Ms. Anna Belenchuk from the Ministry of Finance (MOF) of the Russian Federation, aims to learn from international experience with raising budget literacy among citizens, budget openness and accessibility. From these learnings, the Working Group will develop recommendations for PEMPAL countries incorporating them into “knowledge products” to enable dissemination across the ECA region.<sup>2</sup>
3. **The Working Group on Budget Literacy and Transparency comprises 15 member countries,** which includes Albania, Armenia, Belarus, Bosnia and Herzegovina, Croatia, Kazakhstan, Kosovo, Kyrgyz Republic, Moldova, Romania, Russian Federation, Tajikistan, Turkey, Ukraine, Uzbekistan.

## Rationale

4. **At the start of the Group’s work, Citizens Budgets were not common in the PEMPAL region** with only eight countries having them as reported in the 2015 Open Budget Survey results prepared by the International Budget Partnership (IBP)<sup>3</sup> i.e. Azerbaijan, Bulgaria, Croatia, Czech Republic,<sup>4</sup> Georgia, Kyrgyz Republic, Russian Federation, and Tajikistan. Thus, the group decided to make this reform their focus and to identify challenges they were currently facing and to share solutions on how to address them. Croatia, Kyrgyz Republic and Russian Federation have also prepared detailed information on their approaches which are included in the **Attachment**.
5. **A Citizens Budget is a simpler, less technical version of a Government’s budget specifically designed to present key information to the public** according to IBP. The Government production of a Citizens Budget serves to institutionalize the Government’s commitment to presenting its policies in a manner that is understandable and accessible to the public. It can also be an invaluable tool to help to initiate and sustain a dialogue between Government and citizens. Citizens Budgets can vary widely in focus, content, and length and be presented in a number of ways, ranging from a simple brochure to a comprehensive report.<sup>5</sup> The Organization for

<sup>1</sup> Refer [www.pempal.org](http://www.pempal.org) for more information. This knowledge product was prepared by Deanna Aubrey, member of the BCOP Resource Team, World Bank, in close consultation with BCOP Working Group members, and in accordance with scope and approach provided by Anna Belenchuk, Ministry of Finance of the Russian Federation, and the BCOP Resource Team.

<sup>2</sup> Anna Belenchuk, 2015, *Budget Literacy Working Group Concept Paper*, page 1.

<sup>3</sup> IBP, 2015, *The Open Budget Survey 2015*, drawn from availability of budget documentation provided in Annex C. Analysis of PEMPAL countries also provided in World Bank 2016, *Status of Budget Transparency in PEMPAL*, presentation by Deanna Aubrey at Minsk, Belarus workshop.

<sup>4</sup> Czech Republic is a member of PEMPAL, but only of the Internal Audit Community of Practice (IACOP).

<sup>5</sup> IBP, 2016, *Lessons from the Open Budget Survey Research* presentation by Elena Mondo at Minsk, Belarus workshop.



Economic Cooperation and Development (OECD) recommends that budget documents and data are open, transparent and accessible through the clear presentation and explanation of the impact of budget measures, whether to do with tax or expenditure, noting that a ‘citizens budget’ or budget summary, in a standard and user-friendly format, is one way of achieving this objective.<sup>6</sup>

6. **The Working Group on Budget Literacy and Transparency met towards the end of 2015 and in 2016** during which time it held roundtable discussions on impediments to developing Citizens Budgets. This included discussions with the IBP, which focused on good practices as identified in the IBP’s 2015 Open Budget Survey results.
7. **From discussions, the Working Group identified ten implementation challenges experienced by PEMPAL countries:**
  - Challenge 1: Determining responsibility for preparation and distribution of Citizens Budgets
  - Challenge 2: Lack of Government resources
  - Challenge 3: Lack of political will
  - Challenge 4: Lack of motivation and incentives within central and municipal Governments
  - Challenge 5: Determining optimum timeline for production of Citizens Budgets
  - Challenge 6: Determining optimal formats for Citizens Budgets
  - Challenge 7: Determining optimum approach for citizen consultation on the Citizens Budget
  - Challenge 8: Lack of budget skills and understanding by citizens and some civil servants
  - Challenge 9: Low public interest in the budget
  - Challenge 10: Lack of access to reliable media and/or communication technologies.
8. **This document serves as a knowledge product that provides a menu of options to address these challenges, drawing on peer experience and international advice.** It is not meant to replace existing international guidelines or principles. It draws primarily on peer advice from Working Group members shared in 2015 and 2016 and international advice from the IBP provided in February 2016 and from within IBP’s guidelines and reports. Principles, guidelines and tools were also reviewed from the OECD, the Global Initiative on Fiscal Transparency (GIFT), the Public Expenditure and Financial Accountability (PEFA) Secretariat and the International Monetary Fund (IMF) with references provided where advice relevant to the ten challenges was found.

## TEN CHALLENGES AND HOW TO BREAK THEM

### Challenge 1: Determining responsibility for preparation and distribution of Citizens Budgets

9. **The owner of the documents should be responsible for presenting the information in a simplified format for citizens** e.g. local authorities for the subnational level, or the MOF for the national level. The Working Group agreed this after discussions on the benefits and costs of each option, ranging from the Budget Department within the MOF, or a specific unit or persons responsible elsewhere within the MOF, to an independent agency, journalists and/or other stakeholders such as civil society organizations (CSOs) or academia. The group’s decision that responsibility should rest with the owner of the documents was based on the need to manage the risks that facts may be misrepresented, or incentives not strong enough for the document to be consistently produced. It was also agreed that the process needs to be institutionalized to ensure its sustainability.

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<sup>6</sup> OECD, 2015, Principles of Budgetary Governance, Principle 4d, page 7, found in *Recommendation of the Council on Budgetary Governance*, OECD, Paris. <https://www.oecd.org/gov/budgeting/Recommendation-of-the-Council-on-Budgetary-Governance.pdf>



10. **IBP advises that the Citizens Budget should be produced first and foremost by the Government.**<sup>7</sup> Citizens Budgets produced by civil society groups cannot serve as a substitute for a government-produced Citizens Budget. The Government has knowledge about the insights in for example macroeconomic assumptions, and reasons why allocations were prioritized in the way they were, that civil society does not. Further, the Government has an obligation to account for itself to the broader public, and a Citizens Budget is an important means of doing so. The Communications people within the MOF can also help out in the process.<sup>8</sup> OECD advises that the design and use of budget data should facilitate and support other important government objectives such as open government, integrity, program evaluation, and policy coordination across national and subnational levels of Government.<sup>9</sup>
11. **The Government could facilitate dissemination by using the media and relevant civil society groups,** as such stakeholders can play an important public education role as intermediaries, and maximize a Citizens Budget's exposure and impact, particularly when first released. Media are key players in dissemination of information according to the Institute of Public Finance. Most citizens tend to follow some form of media, and are more likely to be exposed to information that way, than through visiting government websites or taking brochures.<sup>10</sup> Multiple channels of dissemination, for example radio, and public meetings should also be considered.<sup>11</sup>
12. **IBP advises that a Citizens Budget must be disseminated widely through a combination of at least three different appropriate tools and media** (such as the Internet, billboards, radio programs, newspapers, printed brochure etc.) to reach the largest possible share of the population, including those who otherwise would not normally have access to budget documents or information.<sup>12</sup> The most appropriate formats and the most effective media will depend upon the particular audiences the government is trying to reach. Within the 2015 Open Budget Survey guidelines, to achieve the highest score in the relevant Open Budget Index (OBI) question, dissemination would also need to be pursued at the very local level, so that the coverage is targeted both by geographic area and population group (e.g., women, elderly, low income, urban, rural, etc.).<sup>13</sup>
13. **GIFT advises that there are international practices evident that point to new trends in the process of preparing these types of documents. The first trend refers to the practice of putting together a Citizens Budget as a result of an active dialogue between finance authorities and CSOs** that work on budget and public policy independent analysis e.g. South Africa. CSOs are basically in charge of defining the contents and the format, and the Treasury provides the information that is needed and requested. As such, the Citizens Budget becomes a result of citizen choices and designs, with MOF contents. The Institute of Public Finance also agrees, and advises that although citizens budgets should be produced by Governments, there is a space for outsourcing trainings and sometimes even Citizens Budgets but in very close cooperation with Governments.

<sup>7</sup> IBP, 2012, *The Power of Making it Simple: A Government Guide to Developing Citizens Budgets*, page 12.

<sup>8</sup> Ibid; IBP, 2016, Mondo advice provided in discussions.

<sup>9</sup> OECD, 2015, Principles of Budgetary Governance found in *Recommendation of the Council on Budgetary Governance*, Principle 4e, page 7.

<sup>10</sup> Email comments provided April 2017 by Katarina Ott, IPF. The IPF is a member of the GIFT network, and is an independent Institute which plays an important role in the development of budget transparency (monitoring, analysis, advice on budget transparency, innovative practices) in Croatia.

<sup>11</sup> Murray Petrie and Jon Shields, 2010, *Producing a Citizens Guide to the Budget: Why, What and How?* Page 8.

<sup>12</sup> IBP, 2012, *The Power of Making it Simple: A Government Guide to Developing Citizens Budgets*, Chapter 4.

<sup>13</sup> IBP, 2015, *Open Budget Survey 2015 Questionnaire and Guidelines*, page 72.



14. **The second trend identified by GIFT refers to the design, redesign or construction of fiscal transparency portals, as websites designed to concentrate, in one internet place, the majority of the information that citizens usually consult** about fiscal policies and budgets, including the friendly version of the budget. Portals are collections of freely available data and tools that also provide visualizations, data dashboards, tables, charts, and maps, and access to all the underlying data, in friendly formats. An interactive portal facilitates access by citizens to the additional fiscal data that is published as a result of the continuous efforts of Governments to advance fiscal transparency in dialogue with the users of that information. In recent years, a number of countries have introduced fiscal transparency portals (Brazil, Mexico, Peru, France, and upcoming in South Africa, Uruguay, Indonesia, for example). GIFT has been actively supporting peer networking in relation to these reforms and would be happy to engage with interested countries from the PEMPAL network.<sup>14</sup>
15. **The Government should also use the Citizens Budget to encourage or seek public comments and debate on budget issues.** In fact, from IBP's perspective, this is the core reason a Government should produce a Citizens Budgets and it is line with GIFT's principles of public participation on 'Openness' and 'Depth.'<sup>15</sup> Further, the IMF's Fiscal Transparency Code identifies basic, good and advanced practices on public participation under its Principle 2.3.3 with 'basic practice' as providing the information only whereas 'good' and 'advanced practices' include providing citizens with a formal voice in budget deliberations with Philippines being assessed as advanced under this principle.<sup>16</sup> Research on the benefits of such public participation is also available. A GIFT review of available studies on the impact of fiscal transparency, found citizen participation in budget processes can lead to improved allocation of resources with respect to some social sectors, and increased efficiency of spending.<sup>17</sup> More information is provided on possible approaches to consultation, in the context of Citizens Budget development, under Challenge 7: Determining optimum approach for citizen consultation on the Citizens Budget.

#### Challenge 2: Lack of Government resources

16. **The Working Group discussed how to source funding for additional expenditures needed to publish and disseminate Citizens Budgets,** given resources would need to be prioritized and approved by Government and the legislature.
17. **Support to share the costs could be sought from donors, the private sector, or CSOs.** However, it was noted by the Working Group that strong political will is required as a prerequisite and being dependent on external funding for such reforms, carries the risk of the reforms not being sustainable once funding ceases. According to the Institute of Public Finance, funding for Citizens Budgets should be planned and provided in the budget as costs are negligible in comparison with the benefits, plus they should be constant instead of dependant on some external sources.<sup>18</sup>

<sup>14</sup> Written comments provided by the Network Director of GIFT, Juan Pablo Guerrero in April 2017 on draft version.

<sup>15</sup> Gift principle 2 on Openness: 'Provide full information on and be responsive with respect to the purpose of each engagement, its scope, constraints, intended outcomes, process and timelines, as well as the expected and actual results of public participation.' Gift principle 6 on Depth: 'Support each public engagement by providing all relevant information, highlighting and informing key policy objectives, options, choices and trade-offs, identifying potential social, economic, and environmental impacts, and incorporating a diversity of perspectives; provide timely and specific feedback on public inputs and how they have been incorporated or not in official policy or advice. [http://www.fiscaltransparency.net/pp\\_principles/](http://www.fiscaltransparency.net/pp_principles/)

<sup>16</sup> IMF, 2015, *Fiscal Transparency Evaluation, Philippines*, page 44. Principle 2.3.3: The government provides citizens with an accessible summary of the implications of budget policies and an opportunity to participate in budget deliberations. IMF, 2014, *Fiscal Transparency Code*, page 11

<sup>17</sup> GIFT and IBP, 2015, *The Impacts of Fiscal Openness: a Review of the Evidence*, by de Renzio and Wehner, pages 14-17.

<sup>18</sup> Email comments provided April 2017 by Katarina Ott, Director of the Institute of Public Finance (Croatia)



18. **Developments in information and communication technologies (ICT) have greatly lowered the costs of compiling and disseminating information**, and can facilitate new forms of citizen-government interactions as recognized in the GIFT High Level Principles on Fiscal Transparency, Participation and Accountability.<sup>19</sup>
19. **IBP advises that the costs of a Citizens Budget can also be minimized through developing a template for the document**, which could be a one-off exercise. Once the template and structure is agreed, it should be easier to replicate the document every year, and update it with new information,<sup>20</sup> keeping in mind, however, that such a template should be routinely revised to keep it relevant in the information that citizens would like to see and in the format in which it should be presented. To further minimize costs, the Citizens Budget of the Executive Budget's Proposal could form the basis of the Citizens Budget for the Enacted Budget, and amended for any changes made to the budget by the legislature (if the two reference documents are compatible/comparable, as they should be). CSOs can also be used to disseminate the document, and the document posted on the Government's website (and only limited copies printed where IT access is an issue).<sup>21</sup> According to the Institute of Public Finance, development of templates, particularly by the national for the sub-national governments is essential, as many sub-national governments lack capacity for this task. Further, good templates for national government are important, as documents are repeated from year to year and once established they could make the preparation of the Citizens Budget easier.<sup>22</sup>
20. **However, before starting, IBP advises that the MOF should reflect on the structure, resources, and capacities it will need to properly develop and disseminate a Citizens Budgets.** For example, those responsible will need to have the authority to readily access the necessary information from the MOF or various line ministries. Adequate resources will be required for staffing, consultation meetings, publication and dissemination with those resources requiring the appropriate interpersonal, communication, facilitation and organizational skills.<sup>23</sup>
21. **OECD suggests that a general question arises for Governments, as to whether preparing Citizens Budgets should be viewed as an additional, separate expenditure, rather than an intrinsic cost of good budgeting.** "Challenge 2" could be addressed by encouraging Governments to regard a Citizens Budget as one element of the normal budget communication strategy. From this perspective, the streamlining and integration of budget communication processes – whether the full state budget, official budget summary or Citizens Budget – should allow for efficiencies and savings, to keep "additional" costs to a minimum. In support of this, OECD *Recommendation on Budgetary Governance* makes the general point that "as well as having access to budget data documents and data, parliament and citizens should be able to engage with and influence the discussion about budgetary policy options"<sup>24</sup> and the Citizens Budget is one key tool for facilitating such engagement.<sup>25</sup>

<sup>19</sup> GIFT was formed in 2010 as a multi-stakeholder network with IBP as one of the founding members. Refer <http://www.fiscaltransparency.net/>. The High-Level Principles were translated for the 2014 Moscow Cross-COP meeting. A link to access the translations on the PEMPAL website is provided under 'References.'

<sup>20</sup> IBP, 2016, Mondo, advice provided in discussions.

<sup>21</sup> IBP, 2016, Mondo, ibid

<sup>22</sup> Email comments provided April 2017 by Katarina Ott, Director of the Institute of Public Finance (Croatia).

<sup>23</sup> IBP, 2012, *The Power of Making it Simple: A Government Guide to Developing Citizens Budgets*, page 19.

<sup>24</sup> OECD, 2015, *Recommendation of the Council on Budgetary Governance*, page 1, seventh paragraph. <https://www.oecd.org/gov/budgeting/Recommendation-of-the-Council-on-Budgetary-Governance.pdf>

<sup>25</sup> OECD, 2015, Principle 4d, page 7. OECD's suggestions provided in email comments by Ronnie Downes (Deputy Head – Budgeting & Public Expenditures Division) on April 2017, draft version.





### Challenge 3: Lack of political will

22. **The Working Group agreed that for those countries which lacked political will to undertake reforms, clearly demonstrating how the benefits outweigh the costs is needed,** noting significant benefits flow from strengthened trust of citizens in Government. Pressure from CSOs, academia, donors and the international community could also change political motivation over time.
23. **IBP advises that whether a country faces this issue would depend on who is in charge of the power to publish the Citizens Budget.** In some countries, it is the Director of the Budget Department, so s/he doesn't need higher-level approval (assuming the task can be absorbed within existing resources). In other countries, on the other hand, higher-level approval is necessary and therefore political will is essential.<sup>26</sup>
24. **Sharing international guidelines, principles and research may help.**<sup>27</sup> For example the endorsement of GIFT's *High-Level Principles on Fiscal Transparency* by the United Nations General Assembly established direct public participation in Government fiscal policy and budget making as a right under Principle 10.<sup>28</sup> This resolution also encouraged United Nations member states, of which all PEMPAL member countries belong, to "intensify efforts to enhance transparency, participation and accountability in fiscal policies, including through the consideration of the principles set out by GIFT." To provide more guidance on principle 10, a work program was conducted which resulted in the 2016, '*Principles of Public Participation in Fiscal Policy*,' to reflect recent knowledge about country practices and innovations in citizen engagement including how to present budget information in a more accessible and engaging way.<sup>29</sup>
25. **Peer pressure and peer learning is very important.** According to IBP, such pressure can be a significant lever that can be used to influence political will. For example, the Institute of Public Finance, in Croatia, has seen it from year to year in relation to its measures of local governments' budget transparency (<http://www.ijf.hr/upload/files/file/ENG/newsletter/107.pdf>). The media press clippings after the announcement of the results is usually full of heads of local governments promoting their scores and media like to report on regional comparisons.
26. **Encouraging country membership to the Open Government Partnership (OGP) may provide the formal commitment to broader transparency initiatives** to ensure political will is secured. OGP was launched in 2011 to provide an international platform for participating countries committed to making their governments more open, accountable, and responsive to citizens and it currently has 75 member countries including 14 BCOP member countries. Becoming members of the OGP requires minimum fiscal transparency eligibility criteria to be met,<sup>30</sup> OGP National Action Plans to be developed, and independent progress reports on Action Plan implementation to be prepared and assessed. The OGP-Fiscal Openness Working Group, which is coordinated by GIFT, was created in 2015 with the aim of supporting and promoting the implementation of budget and fiscal transparency commitments made by OGP Governments.<sup>31</sup> The following Working Group members are already members in the OGP joining April 2012:

<sup>26</sup> IBP, 2016, Mondo, advice provided in discussions.

<sup>27</sup> Links to research were provided in IBP's presentation by Elena Mondo at 2016 Minsk meeting and can be translated on request.

<sup>28</sup> High-Level Principle 10: '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>29</sup> Refer <http://www.fiscaltransparency.net/giftprinciples/>

<sup>30</sup> Eligibility criteria for membership is outlined <http://www.opengovpartnership.org/how-it-works/eligibility-criteria> and includes for example, the timely production of both the Executive Budget's Proposal and the Audit Report, within IBP's OBI timeframes. Number of countries in OGP as at February 2017 taken from <http://www.opengovpartnership.org/countries>

<sup>31</sup> Refer <http://www.fiscaltransparency.net/fowg/>



Albania, Armenia, Croatia, Moldova, Romania, Turkey and Ukraine.<sup>32</sup> Bosnia and Herzegovina, also a Working Group member, joined more recently in September 2014.<sup>33</sup>

#### Challenge 4: Lack of motivation and incentives within central and municipal governments

27. **To overcome this challenge, it was agreed by the Working Group that a legislative and regulatory framework is required** to ensure compliance of different government levels. This is also reflected in the first GIFT High-Level Principle that states changes to national legal systems are required to help guarantee the right of citizens to seek, receive and impart information on fiscal policies and ‘to establish a clear presumption in favor of the public availability of fiscal information without discrimination. Exemptions should be limited in nature, clearly set out in the legal framework, and subject to challenge through low-cost, independent and timely review mechanisms.’ IBP also advises that good transparency practices should be institutionalized by, for example, embedding transparency practices into laws, rules and procedures. Clear guidelines and a strong authority responsible for establishing and managing the process can also be useful (for example for the first time a Citizens Budget is produced).<sup>34</sup> According to the Institute of Public Finance, it is important to make legally binding requirements for producing Citizens Budgets as once established by the law it cannot be changed with the change of Government. In that case, political will becomes less important. However, it still remains essential in the context of support for introducing initiatives to encourage citizen interest and demand for budget transparency, which may not always be present.<sup>35</sup>
28. **Methodological guidelines can be a useful tool to define scope, structure, and procedures for drafting and disseminating Citizen Budgets.** If poor motivation/incentives result from lack of clarity on “how to produce/publish a Citizens Budget”, this is particularly useful because it eliminates one of the possible impediments used to justify lack of action. The Russian Federation, Moldova and Kyrgyz Republic shared their methodological guidelines, which were translated and distributed to the Working Group.<sup>36</sup> The Russian Federation guidelines were developed by the Government and approved by Executive Order in September 2015, and cover presentation of budgets and budget execution reports of Russian regions and municipalities in a format accessible to citizens. The Russian Federation also advised that information on open budget rankings could be maintained by the central Government to encourage regions and municipalities to develop, publish and benchmark their budgets for citizens. The guidelines shared by Moldova were prepared by a CSO with donor support, aimed at assisting the MOF achieve its fiscal transparency goals, and outlining a way forward based on international advice. The methodology shared by the Kyrgyz Republic is a MOF Order, aimed at improving transparency and ensuring accessibility of budget information. It defines the structure of the Citizens Budget, the content of its main sections, and timelines and formats.
29. **OGP identifies Kazakhstan as an interesting example given the scope of the Government’s Citizens Budget Law,** which covers the development of Citizens Budgets at both the central and local levels.<sup>37</sup> What is unique about the Kazakh legislation, according to OGP, is that Citizens

<sup>32</sup> Refer <http://www.fiscaltransparency.net/resourcesfiles/files/20151028136.pdf> page 33.

<sup>33</sup> Refer <http://www.opengovpartnership.org/country/bosnia-and-herzegovina>

<sup>34</sup> Mondo, IBP, 2016, advice provided in discussions.

<sup>35</sup> The Institute of Public Finance referred to evidence in the form of survey results conducted among employees in Croatian local government units. Results found that local government units were more satisfied with their levels of budget transparency than they should be, in light of results. This was based in the perception that neither the public nor legislation required that they should publish more budget information. <http://www.ijf.hr/upload/files/file/ENG/newsletter/111.pdf>

<sup>36</sup> Available at <https://www.pempal.org/events/plenary-meeting-budget-community-and-meeting-budget-literacy-and-transparency-working-group> under folder ‘Materials’.

<sup>37</sup> Refer <http://www.opengovguide.com/country-examples/kazakhstans-citizens-budget-is-mandated-by-legislation/> Also OGP’s online resource <http://www.opengovguide.com> which is an online repository of information designed to support OGP members.



Budgets are published after the formulation, approval, implementation, and evaluation stages of the budget process. Relevant chapters of the Law are available on official websites of state agencies, including that of the MOF, as well as local governments.<sup>38</sup>

### Challenge 5: Determining optimum timeline for production of Citizen Budgets

30. **The optimum timelines for producing and publishing Citizens Budgets were reviewed and clarified by the Working Group.** To address concerns that some international guidelines recommend producing a Citizens Budget up to four times a year, it was noted that it may be useful to distinguish between *basic* vs. *advanced* practice. The former speaks to most definitions of Citizens Budgets, which focus on only two documents being Citizens Budgets of the draft and final budgets as submitted to, and then approved, by the legislature (i.e. the Executive Budget Proposal and Enacted Budget).
31. **The revised 2016 PEFA framework, identifies the types of budget documents that a Government should produce and within what timeframes.**<sup>39</sup> The framework identifies five budget documents that are considered critical to be made accessible to the public,<sup>40</sup> however indicating that higher scores can be achieved if additional elements are provided, which includes a ‘summary of the budget proposal’ or ‘Citizens Budget.’ This is defined as a clear, simple summary of the Executive Budget Proposal or the Enacted Budget accessible to the non-budget experts, and where appropriate translated into the most commonly spoken local language. However, the PEFA framework does not suggest that there should be two documents, and it does not mandate which one would be more appropriate, i.e. producing a Citizens Budget of the Executive Budget Proposal or the Enacted Budget.
32. **However, in the narrative of their evaluation, PEFA assessors are encouraged to highlight the significance of the timing in the publication of such documents, in particular where it affects the usefulness of the document for participation.** For example, if there is opportunity for participation in the budget process after the budget proposal is submitted to the legislature, then having a summary in time for citizens to use to prepare their input would be useful. If there is no opportunity for public participation, then it would be more useful for the public to have access to a summary of the approved budget.<sup>41</sup> According to the PEFA framework, such documents are to be publically available within two weeks of the Executive Budget Proposal’s submission to the legislature and within one month of the budget’s approval, respectively. As applied to all budget documents, a narrative assessment is also undertaken on the accessibility of language and structure; the appropriateness of the layout; and the means used to facilitate public access, such as websites, the press, and notice boards for locally relevant information. Public access to the budget documents is also defined as availability without restriction, within a reasonable time, without a requirement to register, and free of charge, unless otherwise justified in relation to specific country circumstances.
33. **IBP advises that for a Citizens Budget to be useful, it is essential that it is published in a timely manner, i.e. at the same time of the document that it refers to.** It should be produced in a timeframe that enables people to participate in discussions around the budget, given that this is one of the important purposes of a Citizens Budget. Thus, a Citizens Budget version of the

<sup>38</sup> Refer to website of Ministry of Finance of Kazakhstan <http://www.minfin.gov.kz>

<sup>39</sup> PEFA Secretariat, 2016, *Framework for assessing public financial management*, PI-9 Public access to fiscal information page 30-31.

<sup>40</sup> These include the annual executive budget proposal documentation; the enacted budget; in-year budget execution reports, annual budget execution report, and audited annual financial report incorporating or accompanied by the external auditor’s report.

<sup>41</sup> As clarified by the PEFA Secretariat.



Executive's Budget Proposal should be made available at the same time that the proposal is published (i.e., ideally at least three months before the start of the budget year).<sup>42</sup> Similarly, a Citizens Budget for the Enacted Budget should be produced as soon as possible after the budget has been approved by the legislature. IMF also recommends a clear and simple summary guide to the budget should be widely distributed at the same time as the annual budget in its 2007 Manual on Fiscal Transparency.<sup>43</sup> IBP also advises that sustained citizen involvement requires sustained flow of information so production of a Citizens Budget should not be a one-off event, but be part of the normal government's annual budget process, so that when a particular budget document is released, the related Citizens Budget is also ready for dissemination.<sup>44</sup>

34. **If moving towards more advanced practices, IBP advises four citizen versions of budget documents a year should be published** for each of the four stages of the budget process (budget formulation, enactment, execution, and audit) to achieve the top score related to the relevant question in the Open Budget Survey (OBS). The 2015 OBS guidelines state that this is based on evolving good practice that citizens should be informed of the state of public financial management throughout the entire budget cycle.<sup>45</sup> Although the IBP acknowledges that the initial focus should be on a Citizens Budget for the Executive's Budget Proposal and/or the Enacted Budget, it notes that ensuring budget literacy in the long term and throughout the budget cycle will require that a Government produce accessible information on more than just these documents, such as the Year-End Report and Audit Report.<sup>46</sup> This is also reflected in GIFT's 2016 principle related to timeliness that requires sufficient time to be allowed in the budget and policy cycles for the public to provide inputs in each phase.<sup>47</sup> Similarly, the OECD identifies best practice as citizen's documents being produced on all publications linked to the budget cycle (e.g. year-end reports, audit reports, mid-term budget reports).<sup>48</sup>
35. **A useful first step to move towards a more advanced practice, is to complement any Citizens Budget of the Executive Budget Proposal and/or of the Enacted Budget with a guide for the end-of-year financial statements.**<sup>49</sup> For example in a 2014 Fiscal Transparency Evaluation Report assessing compliance with the IMF Fiscal Transparency Code, the IMF has advised that a Citizens Budget of the audit report of the Supreme Audit Institution (SAI) should be systematically published at the same time as the SAI releases the report, commending one SAI for producing a document that presented the summarized audit findings, including non-technical explanations, and a summary of the 600 pages of annual financial statements.<sup>50</sup>

#### Challenge 6: Determining optimal format and content for Citizens Budgets

36. **Presenting too much information in a Citizens Budget remains a key challenge for many countries<sup>51</sup> but resources were shared that can assist in making this document accessible and understandable.** According to GIFT 2016 principles, accessibility can be facilitated by

<sup>42</sup> According to the IMF, the (general) budget should be made available to citizens at least two months (good practice) or at least three months (advanced practice) before the start of the financial year (Section 2.2.2, *IMF Fiscal Transparency Code*, 2014).

<sup>43</sup> IMF, 2007, *Manual on Fiscal Transparency*, Principle 3.2.1, pages xi, 81.

<sup>44</sup> IBP, 2012, *The Power of Making it Simple: A Government Guide to Developing Citizens Budgets*, page 15.

<sup>45</sup> IBP, 2015, *Open Budget Survey 2015 Questionnaire and Guidelines*, page 73.

<sup>46</sup> IBP, 2012, *The Power of Making it Simple: A Government Guide to Developing Citizens Budgets*, page 14.

<sup>47</sup> GIFT, 2016, *Principles of Public Participation in Fiscal Policy*, Principle 4.

<sup>48</sup> OECD, 2017, *Budget Transparency Toolkit*, page 67.

<sup>49</sup> Murray Petrie and Jon Shields, 2010, pages 4-6.

<sup>50</sup> IMF, 2014, *Fiscal Transparency Evaluation Mozambique* pages 39-40.

<sup>51</sup> A 2015 World Bank survey found 6 of the 14 participating PEMPAL countries identified an impediment to improving budget literacy was confusion caused from presenting too much information. This represented the second biggest challenge in the region. Refer World Bank, 2015, *Budget Literacy and Accessibility of Budget Documents to Citizens in PEMPAL Countries*, by Deanna Aubrey,



disseminating information ‘in formats and using mechanisms that are easy for all to access, understand, and to use, re-use and transform, namely in open budget formats.’<sup>52</sup> The OECD advises that using graphical presentations can make the budget information more understandable and recommends possible approaches such as graphics and charts that put abstract numbers into perspective; and using clear, simple language and illustrations, to engage people of different ages, interests and levels of literacy. The OECD also advises that open budget data portals should use common metadata and vocabularies, allowing for international comparisons, and be published directly from the financial management information system (FMIS), with a description of the underlying data available on the open data portal.<sup>53</sup> The Institute of Public Finance also warns that additional information should be provided in support of any visualizations, such as sources of data, exact categorizations of expenditures, and links to more detailed information (provided in machine-readable formats for further analysis, if desired).

37. **IBP collated good practice examples of comprehensive yet accessible documents**, given countries were struggling with providing too much information. IBP also advised that graphics and data visualizations as well as comics and illustrations are very useful to make the data more accessible, depending on cultural norms.<sup>54</sup>

- **Ghana:** <http://www.internationalbudget.org/wp-content/uploads/ghana-citizens-budget-2015.pdf>
- **Philippines:** <http://www.internationalbudget.org/wp-content/uploads/philippines-citizens-budget-2015.pdf>
- **Peru:** <http://www.internationalbudget.org/wp-content/uploads/peru-citizens-budget-2015.pdf>
- **Tanzania:** <http://www.internationalbudget.org/wp-content/uploads/tanzania-citizens-budget-2014-2015.pdf>

38. **Different types of formats were acknowledged to be useful by the Working Group** such as website portal approaches used by the Russian Federation compared to printed brochures used by the Kyrgyz Republic; as long as each approach transformed technical budget documents and financial jargon into language that is accessible to ordinary people.<sup>55</sup> Approaches to Citizens Budgets at the state and local levels by Croatia were also shared with the Working Group through a 2015 study visit and by Croatia’s Institute of Public Finance.<sup>56</sup>

39. **The IBP also identified different formats that could be used** ranging from brochure, to powerpoint presentations:

- **Brochure:** Mali, <http://www.internationalbudget.org/wp-content/uploads/mali-citizens-budget-2015.pdf>
- **Comic format:** Dominican Republic, <http://www.internationalbudget.org/wp-content/uploads/dominican-republic-citizens-budget-2015.pdf>
- **Newsletter:** South Africa, <http://www.internationalbudget.org/wp-content/uploads/south-africa-citizens-budget-2014.pdf>

<sup>52</sup> GIFT, 2016, *Principles of Public Participation in Fiscal Policy*, Principle 5: Accessibility.

<sup>53</sup> OECD, 2017, *Budget Transparency Toolkit*, pages 66-67, 70

<sup>54</sup> See IBP, 2016, presentation at Minsk meeting by Elena Mondo, *Lessons from the Open Budget research*. Although these resources were not translated due to cost reasons, they still provide good examples for ideas on graphical format and approach. Examples of printed brochure type Citizens Budgets have been translated from South Africa and Ukraine for 2014 PEMPAL Moscow meeting.

<sup>55</sup> The *Citizens Budget of Kyrgyz Republic* was translated and circulated to the Working Group and Russian Federation presented its approach in meetings of the group in Poland 2015, and Minsk 2016. Links to materials provided in ‘References’ under country name.

<sup>56</sup> For study visit materials see <https://www.pempal.org/events/study-visit-budget-literacy-and-transparency>. For Institute of Public Finance guides see <http://www.ijf.hr/eng/publications/guides/1087/> and <http://www.ijf.hr/eng/research/current-research/113/2013/guides-to-the-budget-for-the-citizens-of-the-city-of-zagreb/942/>



- **Poster:** Indonesia, <http://www.internationalbudget.org/wp-content/uploads/indonesia-citizens-budget-2014.pdf>
- **PowerPoint:** New Zealand, <http://www.internationalbudget.org/wp-content/uploads/new-zealand-citizens-budget-2014.pdf>

40. **In regards to optimum content of a Citizens Budget, IBP noted that there is no ‘formula’** for deciding what information should be prioritized for inclusion. However, within the guidelines for the 2015 Open Budget Survey,<sup>57</sup> top scores were attributed to Citizens Budgets that contained core information on expenditure and revenue totals; the main policy initiatives in the budget; the macroeconomic forecast upon which the budget is based; and contact information for follow-up by citizens in addition to evidence of additional information above this identified core information. The IBP also provided the following further guidance on optimum content:<sup>58</sup>
- a. **Economic assumptions and trade-offs underlying the budget:** expectations on economic growth and inflation, and predictions about whether the budget will run a surplus or deficit.
  - b. **Revenue collection:** amounts and explanation of where the government’s money comes from.
  - c. **Spending allocations:** amounts and explanation of how/why the money is being spent.
  - d. **Significant policy initiatives:** an explanation of sizable increases or decreases in revenue or spending.
  - e. **Contact information:** details of who to contact for further information.
  - f. **Budget process:** details on how the budget is formulated and executed and who is responsible at each stage.
  - g. **Sector policies:** government policies in specific sectors (health, education...), and clarify which level of government (national, state, local) is responsible for providing them.
41. **IMF advises that ‘advanced practice’ is publishing an accessible description of the implications of the budget for different demographic groups.**<sup>59</sup> It has also advised in Fiscal Evaluation Reports of specific countries, that information on the financial impact of major policies on different income population groups would also contribute to better inform the public.<sup>60</sup> However, basic and good practice is identified as publishing this accessible description with a summary of the implications of the budget for a typical citizen only.
42. **OECD advises that citizens need to understand not just what is being spent, but what is being bought on their behalf** i.e. what public services are actually being delivered, to what standards of quality and with what levels of efficiency. OECD also advises that performance information should therefore be i) limited to a small number of relevant indicators for each policy program or area, ii) be clear and easily understood, iii) allows for tracking of results against targets and for comparison with international and other benchmarks, and iv) makes clear the link with government-wide strategic objectives.<sup>61</sup> According to recent advice from OECD, there are particular issues to be considered for countries using program budgeting, i.e. where budget allocations are grouped into programmatic / strategic areas which are designed to correspond with the broader medium-term planning / developmental priorities of government. OECD budget principle 8 calls on governments routinely to present performance information “in a way which informs, and provides useful context for, the financial allocations in the budget report,” including through using performance information which “makes clear the link with

<sup>57</sup>IBP, 2015, *Open Budget Survey 2015 Questionnaire and Guidelines*, page 71.

<sup>58</sup>IBP, 2016, presentation at Minsk meeting by Elena Mondo, *Lessons from the Open Budget research* and IBP, 2012, *The Power of Making it Simple: A Government Guide to Developing Citizens Budgets*, Chapter 3.

<sup>59</sup> IMF, 2014, *Fiscal Transparency Code*, principle dimension 2.3.3 on Public Participation, page 11.

<sup>60</sup> IMF, 2014, *Fiscal Transparency Evaluation of Mozambique*, page 39.

<sup>61</sup>OECD, 2015, budget principle 8: Ensure that performance, evaluation and value for money are integral to the budget process.



government-wide strategic objectives.” Since an important objective of performance budgeting and program budgeting is to clarify the policy implications of the budget, it may be useful for the Citizens Budget to build upon this approach. This may well have implications for the format and structure of the Citizens Budget, depending upon the target audience. Further, OECD budget principle 4d calls for “the clear presentation of the impact of budget measures, whether to do with tax or expenditure” and this point is also picked up in the ‘Budget Transparency Toolkit’ in section J.2, which notes that “realistic and informed public participation” can be supported by outlining “multi-dimensional impacts of policy options, including e.g. economic, social and environmental impacts, as well as effects on gender equality.”<sup>62</sup>

### Challenge 7: Determining optimum approach for citizen consultation on the Citizens Budget

43. **IBP advises that understanding what the public wants to know is a crucial first step in drafting a Citizens Budget.**<sup>63</sup> OECD also advises the process should consist of consultations with citizens in advance, to design it around their needs and information gaps.<sup>64</sup>
44. **Consulting civil society and the public can also help governments to better appreciate the aim and audience of a Citizens Budget,** and foster trust between the Government and the public, according to IBP. Potential users of a Citizens Budget can be quite diverse; and their needs will vary and therefore the content of the Citizens Budget will vary accordingly.<sup>65</sup> The IBP discusses the advantages and disadvantages of consulting more broadly as opposed to more targeted consultations and conclude that there is ‘typically no obvious and easy answer.’ When in doubt, the IBP advise that a Government should be more inclusive rather than less, as limiting the number of people involved in a consultation from the start could negatively jeopardize the perception of the government’s commitment to participation.<sup>66</sup> GIFT also warns that it is important that a narrow perspective of voices do not dominate and that marginalized but affected voices are included. A clearly articulated framework will also help to manage expectations of participants and help Government to understand and execute the process.<sup>67</sup> If the Government chooses not to narrow the group of users down, the budget information provided would need to be quite broad to ensure that it is relevant to most users, and links to additional information and ministry or agency contacts should be provided for more information.<sup>68</sup>
45. **Any consultations need to be planned strategically and with care.** Planning will include decisions on: what the government wants to achieve through the consultations; whom the government wants to consult; the scope of the consultations; how the consultations will occur (the formats); and when (timing).<sup>69</sup> IBP recommends the *OECD’s Handbook on Information, Consultation and Public Participation in Policy-Making* (which is available in Russian and BCS languages), which identifies three forms of interaction between citizens and the Government: firstly providing information; secondly consulting to receive feedback; and thirdly providing

<sup>62</sup> OECD’s suggestions provided in email comments by Ronnie Downes (Deputy Head – Budgeting & Public Expenditures Division)

<sup>63</sup> IBP, 2012, *The Power of Making it Simple: A Government Guide to Developing Citizens Budgets*, Chapter 2.

<sup>64</sup> OECD, 2017, *Budget Transparency Toolkit*, page 67.

<sup>65</sup> IBP, 2012, *ibid*, page 34.

<sup>66</sup> IBP, 2012, *ibid*, page 21.

<sup>67</sup> GIFT, 2015, *Public Participation and the Budget Cycle, Lessons from Country Examples*, by Lindsey Marchessault, pages 18-19. This research paper informed the development of the 2016 GIFT principles. Principle 3 in the final principles on respect for self-expression states to allow and support individuals and communities, including those directly affected, to articulate their interests in their own ways, and to choose means of engagement that they prefer, while recognizing that there may be groups that have standing to speak on behalf of others.

<sup>68</sup> IBP, 2012, *ibid*, page 13.

<sup>69</sup> IBP, 2012, *ibid*, page 20. References related to OECD Handbook, page 11 with original source from Marc Gramberger, 2002 *Citizens as Partners: OECD Handbook on Information, Consultation and Public Participation in Policy-Making*.



mechanisms for citizens to be actively involved in Government decision-making. IBP advises that most Governments operate in the first mode (i.e., they release a Citizens Budget), while some go beyond that and consult with civil society groups on and beyond drafting a Citizens Budget. A budget literacy policy or strategy would aim to include the third approach with active engagement with the budget on a regular basis. OECD advises that it is helpful if the legal framework allows for, and supports, an orderly and transparent approach to public participation.<sup>70</sup>

46. **ICT tools including websites and social media are useful** to share the necessary background information with the public, and can also enable submissions to be received from a wider segment of society, noting it is important to report back on how any input was used, to build up trust and incentives for further input. This should be a key part of an overall communication strategy to ensure that affected stakeholders know about and understand the process. This is the result of recent GIFT research drawn from country practices,<sup>71</sup> and although its scope is broader covering public engagement across the entire budget process, it provides some useful information to consider. Brazil also identified success factors of consultation including ensuring the process incorporates a broad spectrum of society by targeting every region and municipality and using ICT to reach previously unengaged citizens through online voting surveys.<sup>72</sup>
47. **Consultation with CSOs and budget related legislative committees on outlines or early drafts of Citizens Budgets may be one approach to consider.** For example, Mali consulted CSOs on an outline for a Citizens Budget, and the MOF then presented drafts of two versions, one being 13 pages and the other a two-page brochure. Further feedback was then gained through separate workshops with representatives from both the CSOs and the Public Finance Commission of the National Assembly. These two documents effectively distilled the information from 16 kg of budget documentation, with the assistance of IBP. The same step-by-step process was conducted the following year with the two-page brochure version then translated into the 10 national languages for dissemination.
48. **Another approach is from Honduras who held similar consultation workshops targeting three different groups.** The invitation to the workshop explained the objective was to present the proposed content and formats for the 2012 Citizens Budget and receive feedback. Participants were asked to review the 2011 Citizens Budget as preparation (which was attached to the invitation). The workshop was divided into three separate sessions. The first was for donors and CSOs; the second for academics, students and consultants; and the third was for targeted journalists and representatives of the media. The first two sessions focused on the content of the Citizens Budget while the third focused on formats and dissemination strategies. At the end, participants were asked to fill out a brief survey and the MOF created an email account at which it would receive comments on the Citizens Budget. This process resulted in productive dialogue and constructive suggestions.<sup>73</sup>
49. **IBP advise that any consultation mechanisms chosen must be both accessible and widely used by the public.** Within the 2015 Open Budget Survey guidelines, lower scores were attributed if citizens did not use the established consultation mechanisms, or they were poorly designed. Such mechanisms can include focus groups, social networks, surveys, hotlines, and meetings in universities or other locations where people gather to discuss public issues. The IBP

<sup>70</sup> OECD, 2017, *Budget Transparency Toolkit*, page 73.

<sup>71</sup> GIFT, 2015, by Lindsey Marchessault, November 16, pages 2-3.

<sup>72</sup> GIFT, 2015, *ibid* page 7.

<sup>73</sup> IBP, 2012, *The Power of Making it Simple: A Government Guide to Developing Citizens Budgets*, pages 23 (Mali) and 26 (Honduras).





advises that in countries where Citizens Budgets are consistently produced and released, it may be sufficient for the Government to provide the public with contact information and feedback opportunities, and subsequently use the feedback to improve the information in the Citizens Budget, to allow for a continuing process of refinement and improvement over time.<sup>74</sup> For example, the Russian Federation plans to implement an electronic survey on its Open budget portal and can share the survey questions with the Working Group. IBP also proposes a series of detailed questions that a Government may find useful to ask regarding its process of developing and disseminating the Citizens Budget as part of its evaluation and planning for the future.<sup>75</sup>

50. **Optimum mechanisms for consulting citizens on their needs falls within the reforms associated with citizen engagement in budgeting and is still a developing area of public governance.** The GIFT's 2016 Principles of Public Participation in Fiscal Policy provides more information on how Government should engage with citizens to fill the gap in this area. GIFT has also developed a guide on how to integrate public participation into fiscal policy and the associated benefits. This includes international cases from Philippines, India, Republic of Korea, Mexico, Kenya, Croatia, Canada and Brazil with plans for more case studies to be added.<sup>76</sup>

#### Challenge 8: Lack of budget skills and understanding by citizens and some civil servants

51. **The following examples were identified by the Working Group that could be implemented to increase knowledge of citizens about the budget,** with the group acknowledging that one of the biggest challenges faced is the misunderstanding of economic and technical concepts and terminology:<sup>77</sup>

- **Preparing a Citizens Budget which is, in and of itself, a key component to improving budget literacy,** as it puts the information in a simplified and engaging format. A glossary of budget terminology could also be included. The Citizens Budget can also be shared with other budget stakeholders, such as parliamentarians, who have demanded budget information in a simplified format to facilitate their understanding. While it is true that a well-designed Citizens Budget can promote budget literacy among all stakeholders, OECD has cautioned against promoting this tool as the answer to parliamentarians' demands for budget clarity. Parliamentarians are the primary users of the full budget documents, and they should be facilitated in engaging directly with this material. If they are relying on the Citizens Budget (which is designed for a different, broader audience) it is a sign that the budget documents need to be improved or re-designed. In OECD's view, the budget document should include an official policy summary for reference by parliamentarians/policy makers. This point is also picked up in section H.1 of the Budget Transparency Toolkit (when presenting budget information, "include a high-level summary of all budget policy measures and their impact"); whereas Citizens Budgets are dealt with separately in section H.2. This point is consistent with the more general point raised by OECD above (under "Challenge 2") that governments should ideally have a well-defined budget communication strategy, including budget summaries and Citizens Budgets, with the nature of each document tailored to the needs (and responsibilities) of each target audience. Such a comprehensive approach could go a long way to address the challenge of "lack of budget skills and understanding".<sup>78</sup>

<sup>74</sup> IBP, 2015, *Open Budget Survey 2015 Questionnaire and Guidelines*, pages 72-73, IBP, 2012, *ibid* page 25.

<sup>75</sup> IBP, 2012, *The Power of Making it Simple: A Government Guide to Developing Citizens Budgets*, Chapter 5, pages 43-44.

<sup>76</sup> See <http://guide.fiscaltransparency.net>

<sup>77</sup> A 2015 World Bank survey, found 11 of the 14 participating PEMPAL countries indicated that an impediment to improving budget literacy was misunderstanding of economic and technical concepts and terminology. This represented the biggest challenge in the region. Lack of understanding of budget concepts was also identified as an impediment to budget accessibility identified by 6 of the 14 countries.

<sup>78</sup> OECD's suggestions as provided in email comments by Ronnie Downes (Deputy Head – Budgeting & Public Expenditures Division) in April 2017.



- **IBP advises that if specific skills to produce a Citizens Budget are not within Government, they can be sourced externally in the short term.** Producing a Citizens Budget can potentially require resources that may not yet be fully developed within the Government, such as outreach, communication and facilitation skills to manage large meetings of citizens.<sup>79</sup> However, these skills will need to be developed internally if the processes and outputs are to be sustainable.
- **Conducting joint initiatives with donors and other international organizations.** For example, the Russian Federation jointly with the World Bank is aiming to increase budget literacy. This project develops methodologies to increase budget literacy among targeted population groups and the MOF plans to include information for target population groups, as well as information on the most important public projects, within the Citizens Budgets.
- **Providing key stakeholders with training in budget terminology, concepts and processes.** According to OECD,<sup>80</sup> MOFs should actively promote an understanding of the budget process by individual citizens and non-governmental organizations. OECD budget principle 10a calls upon countries to “invest continually in the skills and capacity of staff to perform their roles effectively – whether in the Central Budget Agency, line ministries or other institutions”. In addition, current thinking on how to improve the budget-related skills/capacities of parliamentarians is reflected in section D of the Transparency Toolkit (“Supporting Parliamentary Capacity”).<sup>81</sup>
- **For training for Government staff, developing induction and Budget Manuals may assist.** The Working Group noted that it could draw on the experience of other countries such as South Africa who have identified core competencies supported by induction manuals which outline key responsibilities, accountabilities, processes, etc. to ensure Government staff can effectively undertake their positions, including explaining main budgetary processes, definitions, and trade-offs.<sup>82</sup> This could be used for both Government staff, as well as in part, for the education of citizens. MOF could also arrange training to ensure core competencies in staff are met, including for budget and financial literacy.

### Challenge 9: Low public interest in the budget

52. **The Working Group agreed that when a society does not see accountability, citizens can become negative towards the Government,** and can develop a lack of trust and sometimes apathy towards its activities. Possible strategies were discussed:
- **Media campaigns encouraging citizens to ask where their tax dollars go may facilitate more interest,** along with policies to strengthen accountability.
  - **Changes to information portals could be done to provide innovative ways to engage citizens** to increase usage of information. Examples identified by the Working Group included developing online games (like in use by Croatia and USA) and on-line brochures and booklets for citizens in user-friendly formats.
  - **Target CSOs, media and schools with awareness campaigns on the importance of the budget.** IBP advise that to demonstrate a sustained demand for budget information, civil society should use available information to analyze and influence government

<sup>79</sup> IBP, 2012, *The Power of Making it Simple: A Government Guide to Developing Citizens Budgets*, pages 26-27.

<sup>80</sup> OECD, 2002, *Best Practices for Budget Transparency*, page 14, under 3.4 Public and parliamentary scrutiny.

<sup>81</sup> OECD's suggestions as provided in email comments by Ronnie Downes (Deputy Head – Budgeting & Public Expenditures Division) in April 2017.

<sup>82</sup> A study visit to South Africa was conducted in 2015, and the event summary report is available at <https://www.pempal.org/events/bcop-executive-committee-study-tour-national-treasury>



budgets.<sup>83</sup> Approaches from Canada by a CSO and UK by the Government shared with the Working Group in 2015 were acknowledged as good examples.<sup>84</sup>

53. **According to OECD, a challenge for governments is to “open up” the budget process across the entire budget cycle, so that it seen less as a technical exercise for bureaucrats and politicians,** and more as a societal event which should be supported by strong, informed engagement by parliament, citizens and civil society. Such an “inclusive, participative and realistic” approach would encourage active interest in the budget process; and in this context, Citizens Budgets (relevant to the various stages of the cycle) would support public understanding, discussion and debate. OECD budget principle 5 addresses this general point, along with various other relevant documents from across the GIFT Network, and the topic is also dealt with under sections J.1 to J.3 of the Budget Transparency Toolkit.<sup>85</sup>

#### Challenge 10: Lack of access to reliable media and/or communication technologies

54. **Some countries face the challenge of lack of access to technologies particularly at local government levels,** for example no or limited access to the Internet, thus different approaches to distributing Citizens Budgets is required.
55. **The Working Group noted that other methods such as print media and other marketing initiatives could be used** such as town hall information sessions. If illiteracy or access to ICT is an issue for some citizens, IBP advises that radio programs can be used but would need to be designed through a talk show, call in format to enable clarification of input to be requested if needed, if the Government is seeking input to the design and content of the Citizens Budget.<sup>86</sup> IBP also advises that for printed Citizens Budgets, they should be made available in locations where users frequent such as community centers, local government offices, community events, universities and libraries. Line ministries could also assist to make it available in schools, health clinics and publically funded facilities.<sup>87</sup>

#### Next steps

56. **The process of identifying these implementation challenges and discussing options to address them was very beneficial to the participating PEMPAL countries.** Identification of good practices and approaches are still developing in some cases, particular with international advice in the area of public consultation and participation. The ongoing work of GIFT and IBP will also provide further guidance. For transparency initiatives, more broadly, the OECD’s new 2017 ‘Budget Transparency Toolkit’ provides practical steps for supporting openness, integrity and accountability in public financial management and presents a shared synthesis of insights gained from the complementary work of the different bodies active in this field. This toolkit also enables countries to undertake a self-assessment of their own level of budget transparency, though providing a useful checklist of common lessons from international experience.
57. **The overall usefulness of this PEMPAL BCOP knowledge product will be assessed to improve the development of such products in the future.** It is also hoped that this work will result in an increase in the number of countries in the region reporting that they have a Citizens Budget over the coming years, which has already been evident in the preliminary results from

<sup>83</sup> IBP, 2015, *The Open Budget Survey 2015 report*, page 57.

<sup>84</sup> Refer under ‘References’ to links to presentations from UK (HM Treasury) and Canada (CIVIX) delivered at 2015 Poland meeting.

<sup>85</sup> OECD’s suggestions as provided in email comments by Ronnie Downes (Deputy Head – Budgeting & Public Expenditures Division) in April 2017. Also see OECD, 2015 for budget principles and OECD 2017 for the Budget Transparency Toolkit.

<sup>86</sup> IBP, 2012, *The Power of Making it Simple: A Government Guide to Developing Citizens Budgets*, page 22.

<sup>87</sup> IBP, 2012, *ibid*, page 38.



parts of the Open Budget Survey, released in April 2017.<sup>88</sup> The Working Group intends to move its focus from 2017 to strengthening public participation initiatives, which is an area of weakness in the region, and around the world.

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<sup>88</sup> Results from the assessment of the accessibility of key budget documents as released by IBP in April 2017.



## Attachment: PEMPAL COUNTRY CASE STUDIES

### Croatia – Improving Budget Transparency at the National and Local Level

Croatia introduced budget transparency at the national (state) and local level in 2003 by way of adopting the Budget Act. The key success factors of the Croatian approach include the following:

*The Ministry of Finance is responsible for the production of a citizen's guide at the state level and it designed a single guide format for the local level in order to ensure consistency and compatibility on all government levels.* These guides include simplified brochures for every important budget document – the annual adopted budget with projections for the next two years<sup>89</sup>; reports on the annual and semi-annual budget execution; decisions on temporary financing; as well as simplified information on the budget. State budget brochures can be accessed at <http://www.mfin.hr/hr/proracun-za-gradane>. To further increase transparency and citizens access to budget-related information, the MOF has also started publishing a calendar of the main payments to citizens made from the general state budget (e.g. pensions, social transfers, unemployment benefits, maternity allowance, child allowance, and agricultural subsidies) which can be accessed at <http://www.mfin.hr/hr/izvrsenje-proracuna> (archives <http://www.mfin.hr/hr/PIPKarhiva>) and it also created a searchable online database of all suppliers who are paid from the budget (refer <http://www.mfin.hr/hr/upit-po-dobavljacima>).

*Political support for reforms is also strong and the Government is an active member of the Open Government Partnership (OGP).* The State Government develops and implements reforms to strengthen budget transparency through its annual OGP Action Plans. One of these reforms has been the adoption of State Level Instructions whereby it issues recommendations and a template for the Citizens Budget meant for local government units (*Single format for the Citizens Budget along with the budget of local and regional self-government units* published on the Ministry's website and available at <http://www.mfin.hr/hr/lokalni-proracuni>).

*Strong leadership and innovation exists at the local government level.* Innovative approaches have also been adopted by local and regional self-government representatives, most notably the example of an online budget game developed by the City of Rijeka which serves both for educating citizens about the budgeting process and format, as well as for gathering citizens' concrete inputs and priorities for financing. Refer to <http://www.vojko-obersnel.com/hr/proracunaj-me/2016>. In addition, plans for budget literacy reforms in the City of Pazin (for school children, within broader education reforms), as well as lessons learnt and recommendations of both the City of Pazin and City of Crikvenica in terms of creative and less restricted ways of including citizens in budget hearings, are all very good examples of reforms. Refer to <http://www.crikvenica.hr/e-savjetovanje>; <http://www.pazin.hr/grad-pazin/savjetovanje-sa-zainteresiranom-javnoscju/>.

*Croatia's Independent Institute of Public Finance plays an important role in the development of budget transparency (monitoring, analysis, advice on budget transparency, innovative practices).* An open budget survey for local and regional self-government units in Croatia (counties, cities, and municipalities), is undertaken on an annual basis by the Institute of Public Finance. Furthermore, it produces an interactive, complete map (<http://www.ijf.hr/transparency>) and open budget application

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<sup>89</sup> Since 2016, apart from the annual budget and the projections for the following two years, the annual budget execution report is also published for the year prior to the year of the budget's development, as well as a plan for the year in which the budget is being developed.



([http://hrvzz.hr/otvoreni\\_proracun/](http://hrvzz.hr/otvoreni_proracun/)) made by Croatian Association of Counties for all Croatian counties. The Institute's ranking of local and regional self-government units by transparency is also a useful tool for promoting healthy competition among different units. For further information on the Institute of Public Finance visit their website at <http://www.ijf.hr>.

For more information please see <https://www.pempal.org/events/study-visit-budget-literacy-and-transparency> or contact: [mladenka.karacic@mfin.hr](mailto:mladenka.karacic@mfin.hr).

## **Kyrgyz Republic - Improving Budget Transparency**

**Transparency Support at the Central Government level.** Kyrgyz Republic started implementation of the reforms promoting budget transparency at the Central Government level in 2012. At that moment, the MOF of the Kyrgyz Republic (KR), jointly with the civil society, identified the information of interest to the public. The resulting list of indicators and internationally recognized requirements concerning the Citizens Budget provided the basis for development of the KR Citizens Budget in 2012 (based on the approved budget) and acceptance of the Citizens Budget development methodology. The MOF issued a strategy in the same year regarding information exchange and regular website publication practices. The strategy defined publication timelines and budgetary documents mandatory for publication on the ministry's website. Since then, the MOF has been continuously publishing main budgetary documents, including the Citizens Budget, at its own website [www.minfin.kg](http://www.minfin.kg) and the Central Treasury website [www.kazna.gov.kg](http://www.kazna.gov.kg). Since 2013, the country has been practicing public hearings on the budget proposed by executive authorities before submission to the legislature.

**Transparency at the Local Government Level.** The budget transparency reforms are implemented at the local budget level with the support of the non-governmental organizations (NGOs) financed by the development partners. The NGOs are piloting a budget transparency and accountability municipal index assessment practice under the initiative of local budget transparency promotion. The relevant methodology to run such assessments has been developed and is expected to be approved by the decision of the Government of the Kyrgyz Republic.

**Political Commitment.** Political commitment is demonstrated through the Presidential Decree on approval of the Kyrgyz Republic Sustainable Development National Strategy for 2013-17, further supported by the approved Government Program on transition to the sustainable development. In 2012, the Resolution of the KR Government approved the Mid-term Action Plan on KR Public Finance Management System Reform in 2012-15, envisaging development of a set of measures aimed at the budget transparency index improvement. Later, measures to promote maximum budget transparency were included in the Strategy for Public Finance Management Development in the Kyrgyz Republic in 2017-25 and in the Action Plan for implementation of this strategy.

**Budget Transparency Legislative Framework.** The Budget Code of the Kyrgyz Republic, in force since January 1, 2017, includes regulatory norms to promote openness and transparency of the budget process. The above norms require publication of all key budgetary documents, including a Citizens Budget, on the website of the MOF. The Budget Code also includes provisions for publication of budgetary documents by all government bodies, including the local government authorities at their respective websites, and holding of public hearings on the draft mid-term sector strategies of budget expenditures to support the mid-term budget forecast. The legislation requires publication of budgetary documents by certain deadlines to ensure timely submission of budgetary information. The Budget Code enables public participation in the budget processes through the requirement of holding public hearings of draft budgets proposed by executive authorities before



their submission to the legislature and support of the feedback based on the results of public hearings.

## Russian Federation – Overcoming Challenges to Presenting an Open and Transparent Budget

According to the International Monetary Fund, Russian Federation has made great strides in improving budget disclosure over the past 15 years bringing its budget reporting and budgeting practice in line with international standards<sup>90</sup>. One of the ways to enhance budget transparency has been to make sure that it is well understood by citizens across three levels of the budget framework.

Citizens Budget in Russia means more than just publishing explanatory brochures to the Budget Law. Citizens Budget in Russia was first published in 2006 and immediately scored 100 points by the International Budget Partnership. During the financial crisis that ensued, publications became irregular. They resumed in 2013 thanks to the instrumental role played by the open government which also facilitated—jointly with the MOF—the launch of the Citizens Budget Project and created a joint open government – MOF Working Group to promote the Citizens Budget (all the Working Group resources and materials are published on the website of the Ministry of Finance of the Russian Federation:

[http://minfin.ru/ru/performance/reforms/budget/budget\\_citizen/BudgetGroup/](http://minfin.ru/ru/performance/reforms/budget/budget_citizen/BudgetGroup/))

Because activities were organized as a project, it allowed to bring together federal and regional government officials, as well as independent experts who engaged in the implementation of a comprehensive action plan across the following areas.

1. ***Drafting and improving the Citizens Budget methodology for all budget levels.*** With a view to preparing regional and local Citizens Budgets, the MOF issued Executive Order № 145n of September 22, 2015 which contains an exhaustive list of information recommended for disclosure in the Citizens Budget.

2. ***Developing approaches to disclosing key provisions of the federal budget in a clear form.*** Recent years have seen a qualitative change in the approach to disclosing information on the federal budget. There is a civic section in the Citizens Budget that discloses information on budget appropriations in response to demands from some 20 target groups (students, families with many children, pensioners, etc.). The economic section contains data on financial support for the most crucial projects (import substitution, innovations, etc.). All the Citizens Budgets are published on the website of the Ministry of Finance of the Russian Federation: [http://minfin.ru/ru/performance/reforms/budget/budget\\_citizen/](http://minfin.ru/ru/performance/reforms/budget/budget_citizen/)

3. ***Putting in place incentives for regional authorities to enhance transparency and clarity of budget data.*** First, to this end the MOF's Research Institute compiles the annual Regional Budget Openness Rating in line with IBP's Open Budget Index methodology (the methodology and ratings are available at: <http://www.nifi.ru/ru/rating/2016/methodology2016.html>). Second, final ratings are taken into account when the MOF carries out a more comprehensive evaluation of regional financial management practices. Third, the MOF publishes an annual report on best practice in promoting Citizens Budgets across the regions and municipalities which it publishes on its website and circulates to regional heads.

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<sup>90</sup> Fiscal Transparency Evaluation (FTE) report for Russia / International Monetary Fund (<http://www.imf.org/external/np/sec/pr/2014/pr14241.htm>).



4. **Promoting and encouraging public demand for open budget data.** In an effort to encourage public demand for budget openness and transparency and to make sure that budget information is well understood, the Financial University under the Government of the Russian Federation organizes Citizens Budget Contests once a year. The awards are formally presented by the Minister of Finance and the open government minister. The information about the contest is available at: <http://www.fa.ru/faculty/finec/Pages/conkurs.aspx>

With a view to fostering a responsible civic stance through understanding of the substance and functions of the government and motivating youth to actively engage in the budget process, the MOF—in conjunction with the World Bank—launched a Budget Literacy Project in 2015. Under the project, teaching materials were developed for the high school Budget Literacy curriculum (including 4 textbooks: a textbook for students, a students’ workbook, a guidebook for teachers, and a manual for parents). The project is structured around three pillars: “How much and what are we paying for?”; “What are we getting for our tax money?”; and “How can we influence the budget?”.

5. **Making broader use of the data in clear way.** The MOF advises regional and municipal authorities to use Citizens Budget for public hearings on the draft budget and budget execution reports (hearings are mandatory as they are stipulated in the federal law).

Also, Russia is promoting a new approach to using Citizens Budgets during budget processes, i.e. in the context of the widely developed practice of planning local budgets by engaging local communities (participatory budgeting), which generates demand for budget information on specific municipalities. Participatory budgeting has been evolving in Russia since 2007. It is called “initiative budgeting” and has thus far covered half of the nation’s regions.

Given the long track record of publishing Citizens Budgets across all levels of the budget framework, the financial authorities are required by law (new version of the Budget Code) to inform the public about the relevant budget data in a clear (easy to understand) format.





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