

GUIDANCE NOTE ON CITIZEN'S BUDGETS¹

WHAT IS A CITIZEN'S BUDGET?

A citizen's budget (CB) is a nontechnical presentation that "can take many forms, but its distinguishing feature is that it is designed to reach and be understood by as large a segment of the population as possible" (*Shields and Petrie, forthcoming*). A CB is in some senses a simplified summary of the budget, designed to facilitate discussion. It is important to distinguish between a summary that may be part of a budget document and a CB: the latter is fundamentally nontechnical and accessible to a wide audience.

WHY ARE CITIZENS' BUDGETS IMPORTANT?

An annual budget is typically the key instrument by which a government translates its policies into action. Therefore, budgets should not only be available to the public; they should also be *accessible* to the public. It is essential that governments be proactive in helping the general public make sense of the budget. However, the annual budget is normally long and complex and accompanied by a number of detailed supporting documents. Even for technical experts, understanding the budget can be a difficult and time-consuming task. Currently, most governments fall significantly short when it comes to making their budgets accessible to the public. A CB can help improve this situation.

Until very recently, there were no international standards calling for governments to produce citizens' guides to the budget. Since 2006 the *International Budget Partnership's Open Budget Survey* has included a question on whether the government publishes a summary of the budget, and whether it publishes a CB. In a 2007 revision to the IMF's *Fiscal Transparency Code*, a provision was included calling for the publication of a clear and simple summary guide to the annual budget; this step by the IMF underscores the growing consensus on the importance of CBs.

The benefits of releasing an accurate CB do not only serve to help the people, but also enable a better understanding of the government. "Citizens have to know the constraints the government is facing in its spending, whether in terms of revenues or expenditures," stated the Finance Minister of Egypt as part of the rationale for Egypt's first CB².

WHO IS RESPONSIBLE FOR PUBLISHING CITIZENS' BUDGETS?

While CBs have been produced by civil society groups in some countries, it is essential that governments issue such reports. Governments have the capacity to produce such reports on a regular basis, and government production of CBs also serves to institutionalize the government's commitment to presenting its policies in a manner that is understandable and accessible to the public.

WHAT IS THE SCOPE OF CITIZEN'S BUDGETS?

The Open Budget Survey identifies two types of CBs: a simplified version of the **Executive's Budget Proposal** and a simplified version of the **Enacted Budget** after the legislature has considered the budget and voted on it. In practice, existing CBs are almost always confined to guides to the budget

¹ This note is adapted from the chapter on citizens' budgets in Vivek Ramkumar and Isaac Shapiro (2010), "Guide to Transparency in Budget Reports." (International Budget Partnership), with additional sections and examples (Annex 1) by Asli Gurkan and My Seppo (The World Bank.) The longer report by Ramkumar and Shapiro can be accessed at: http://www.internationalbudget.org/files/Government_Transparency_Guide1.pdf.

proposal, rather than to the enacted budget. Over time, not only might guides to both be appropriate, but it would also be helpful to provide guides for all the main budget reports, so that all eight key budget documents would have accompanying citizen's guides.

CBs can be created for both national and local governments. In the United States, for example, both the state and federal bodies responsible for the budget publish their own citizens' guides. It could be a useful exercise in Sierra Leone to have both the national government and the local councils release CBs.

BOX 1: GENERAL CRITERIA FOR A GOVERNMENT'S CITIZEN'S BUDGET

- It should be an objective and technical document, not a political tract.
- It should be written with the needs of the general public in mind using everyday language, and it should be linked to more detailed explanations to provide a simple access point for those who want to know more.
- Full use should be made of simple and effective tables, charts, and diagrams, such as a "Budget at a Glance" table showing revenue, spending, the budget balance, and public debt for the budget year and the previous two years, and their percentages of GDP; the distribution (and change in distribution) of spending by function, ministry, major program, or economic type; revenues by source; the division of spending across levels of government; and per capita spending on the main social programs.
- It should be a self-contained document so that readers do not need to know the contents of other documents in order to make sense of it.
- It should focus on the objectives and contents of the budget — not its process. It should meet a range of quality standards, including comprehensiveness, objectivity, relevance, reliability, ease of understanding, and timeliness.
- It should be disseminated at the same time that the government presents the annual budget to the legislature so that the public is engaged in the discussion in time to have an impact on the legislature's deliberations on the budget.
- It should be actively and widely disseminated using a variety of media. In some countries this will require production of the guide in more than one language.

WHAT INFORMATION CAN BE INCLUDED IN A CITIZEN'S BUDGET? (CONTENT)

The topics that need to be emphasized and the level of detail are determined to a large extent by what is in the budget itself. Depending on country circumstances and capacity, it will often be desirable to include data on transfers and fiscal relations with sub-national governments, especially in federal states or in countries where sub-national governments play a significant role in service delivery. The general public may be particularly interested to see how much is transferred to each province and local administration, what formulae are used to determine the allocation of revenue or grants between sub-national governments, and per capita spending. There might also be general public interest in detailed information on public investment projects by locality.

In states that are dependent on revenues generated by natural resource exploitation, a variety of additional information should be presented, including the sustainability of the current rate of resource extraction, the resource price and volume assumptions on which the budget is based, and the relationship between the budget and any natural resource funds.

Table 1: Summary of Importance, Key Contents and Publication Timeframe

Importance of CB	Key Contents of CB	Publication Timeframe
<ul style="list-style-type: none"> • Budget is technical and difficult to understand • Makes the budget “accessible” and not just available • Facilitates wide and informed debate on fiscal priorities • Demonstrates the government’s commitment to the public and fosters trust in government 	<ul style="list-style-type: none"> • Objectives of the document, • description of budget process, and institutional coverage of budget • Economic outlook and government policy objectives • Government’s accounts and budget prospects • New measures • Delivery of services 	<ul style="list-style-type: none"> • At the same time as its corresponding document

BOX 2: SUGGESTED OUTLINE OF A CITIZEN’S BUDGET

Part One: Introduction. The government’s objectives in publishing the guide; the place of the annual budget in public finance legislation; a very brief description of the institutional coverage of the budget, and of the budget process.

Part Two: The Economic Outlook and Government Objectives. Macroeconomic forecasts and the main macroeconomic assumptions underlying the budget; the sensitivity of the fiscal aggregates to variations in key economic assumptions; the government’s national development strategy; and medium term fiscal policy objectives.

Part Three: The Government’s Accounts and Budget Prospects. Aggregate revenues, expenditures, and the fiscal balance over a medium term horizon, including the broad allocation of spending and sources of revenue, and comparative figures for the previous year; public debt, fiscal risks, and the sustainability of current policies and trends.

Part Four: New Measures. Summary of the main budget initiatives; estimates of their fiscal effect and impacts on key policy groups, such as the poor, women, and those in disadvantaged regions; contribution to meeting the government’s stated policy objectives.

Part Five: Improving Delivery of Services. A brief indication of what the government is doing to improve service delivery and tax administration, including an outline of any strategies to improve the efficiency and/or effectiveness of government activities and any evidence of results such as changes in non-financial performance indicators.

Source: Shields, Jon and Murray Petrie, forthcoming.

HOW IS A CITIZEN’S BUDGET PREPARED? (THE PROCESS)

The IBP suggests a participatory process, with input from consumers (i.e. members of the public) and MPs or other councils involved regarding both the content and format of the CB. They also encourage ‘flexibility’ in creating the CB; it should “respond to specific and contextual conditions” and is meant for those who could not understand the budget otherwise. In order to address varied levels of education among members of the public, it might be beneficial to create more than one CB. For example, the Minister of Finance could release one very simple version in Krio, English and local languages modeled after the South African Citizen’s Guide (or possibly even simpler) as well as one more complex version, like that of Guatemala, in Krio and English. The CB is to be presented in a format and in languages meant for general consumption.

It is important that the CB be made available in local languages as well as official languages in order to increase the knowledge and understanding of how public resources are distributed and utilized across key sectors and projects.

The IBP offers mentoring programs to help with the creation of the first CB. Once there is a draft prepared by the government of Sierra Leone, it would be possible to send it to IBP experts for further suggestions and improvements³.

HOW IS A CITIZEN'S BUDGET DISSEMINATED?

Once governments prepare CBs, they make the document available online. However, this step is usually not enough in countries with limited internet access and high illiteracy rates. There needs to be a proactive communication and dissemination strategy for budget information with CBs as a basis. Multiple channels for dissemination, such as community radios and public meetings, are especially important for educating the public about the state's budgetary decisions which affect their daily lives. The local version is most likely serve the population best if it is in a very simple format and in the local language. Both the national and local version should be available online as PDFs or html (whichever is easier to view if there is only a slow internet connection) as well as presented over the radio in Krio, English and local languages for the broader public.

WHAT ARE SOME GOOD EXISTING INTERNATIONAL PRACTICES?

Existing CBs vary widely in focus, content, and length. (See Citizen Budget Samples for more detail in the annex). Two contrasting but good examples of CBs in Africa are those produced by Ghana and South Africa. In **Ghana**, the Ministry of Finance and Economic Planning published its first CB in 2006. The guide contained a foreword by the Minister of Finance encouraging Ghanaians to contribute to the preparation of the annual budget. The guide then explained its purpose, followed by a summary of the 2007 Budget Statement and Economic Policy. Separate sections covered the economic outlook, revenue, the focus of the 2007 budget, expenditures, poverty reduction initiatives and progress toward the Millennium Development Goals, and policy initiatives. There also were sections on the budget cycle and the preparation of the budget.

In **South Africa** the National Treasury issues a two-page People's Guide to the National Budget. The Guide briefly summarizes recent and projected economic performance, presents medium-term fiscal aggregates, and describes prioritized areas for additional spending. A Budget Highlights box identifies key tax and spending initiatives. The 2007 People's Guide included helpful pie charts showing the source of tax revenues and the allocation of government spending.

IBP also provides examples of CBs that are deemed to be successful from Colombia, Mexico, El Salvador and the US. Other countries that have published CBs include New Zealand, Egypt, South Africa, Brazil, the UK, India, Lebanon and France.

³ <http://www.internationalbudget.org/what-we-do/mentoring-gov-program/>

ANNEX 1: EXAMPLES OF CITIZENS' BUDGETS:

Kenya: The document, titled “Budget Highlights 2011-2012” and released in June 2011, was praised as a major step for the Kenyan government. The six-page CB combines simple bullet point highlights of major budget components under headlines such as “Sustaining Inclusive Growth for a Better Kenya” and “Pro-Poor Spending” with longer narratives for large projects such as irrigation farming. The Kenyan CB also lays out important numbers, such as projections for macroeconomic figures and government expenditure, by sector in simple and easy to read lists. (available through the Kenyan Ministry of Finance or Deputy Prime Minister or through IBP’s website: <http://openbudgetsblog.org/2011/06/22/kenya-cracks-open-its-budget/>)

South Africa: South Africa, which ranked the highest in the most recent evaluation done by the OBI with a score of 92 out of 100, publishes its CB online in English, Afrikaans, Xulu, Xhosa and Setswana. It is a short two-page summary that explains the major changes between the three-year budget being proposed and the past three-year budget. The government’s target areas for spending are clearly stated, but without much finesse or numbers. For example, the 2010 CB emphasized infrastructure to prepare for the 2010 FIFA games as well as “education, health, fighting crime, rural development, creating jobs and improving human settlements.” A diagram lays out planned government expenditure and a column outlines major spending changes and tax proposals. Also available online is a more nuanced “National Treasury Budget Highlights 2010.” <http://www.treasury.gov.za/documents/national%20budget/2010/default.aspx>

The United States: The United States takes a different approach to their “Citizen’s Guide to the Financial Report of the United States of America,” which totals twelve pages and goes into much greater detail on the budget and America’s financial situation. Under the title ‘Where We Are Now’ are sections such as ‘Economy,’ ‘What Came In and What Went Out,’ and ‘What We Owe and What We Own,’ which try to process an economist’s report into layman’s terms with the help of sub-sections such as ‘Cost v. Deficit.’ Each explanation is accompanied by a colorful diagram. When compared to the other citizens’ guides or CBs, America’s is one of the more complex and detailed examples. (Available with other budget and financial report documents on <http://www.goa.gov/financial.html> and <http://www.fms.treas.gov/fr/index.html>)

New Zealand: New Zealand, which scored 2nd highest overall on the OBI, published a “Key Facts to Taxpayers,” which largely covers numbers, including ‘Who Pays Tax... And How Much,’ ‘Gross Sovereign Issued Debt’ and ‘What Government Owes and Owns,’ among many others. (Available <http://www.internationalbudget.org/files/NewZealand-KeyFactsforTaxpayers2005.pdf>)

United Kingdom: The United Kingdom does not offer a single CB as many other countries have for the 2011 budget. Instead, they offer many different online guides on how to understand the budget as a whole (“A Guide to the Budget”), graphs and charts of varying simplicity that cover the most important figures in the budget (“Budget in Pictures”) and finally a summary of how the budget will affect each area of the country. The entire budget is also available for download and for easy browsing online. A citizen can gain a clear understanding of the budget through the website and the resources available even without a separately demarcated CB. (<http://www.hm-treasury.gov.uk/2011budget.htm>)

India: India’s version of a CB, called “Budget Highlights,” is a 14 page document that briefly covers key major changes, ranging from environment and climate to skill development. The bullet points indicate either an increase or decrease in spending for a specific project or a sector-specific goal for the Fiscal Year (eg. target of providing banking facilities to all 73,000 habitations having a population of over 2,000 to be completed during 2011-2012.) Where relevant, they also indicate macroeconomic projections (eg. increases in GDP). Changes in funding or targets for major initiatives are also listed. This version of the CB covers many topics but lacks specific numbers and other quantitative information. (<http://indiabudget.nic.in/ub2011-12/bh/bh1.pdf>)