



BUDGET TRANSPARENCY INITIATIVE

Budget Transparency: What, Why, and How?

Using Budgets to Empower People

What is Budget Transparency?

Budgets are key documents since they lay out a government's priorities in terms of policies and programs. Opening up budgets and democratizing the budget process gives citizens a say in policy formulation and resource allocation. **Budget transparency** refers to the extent and ease with which citizens can access information about and provide feedback on government revenues, allocations, and expenditures.

Budget transparency, while not a goal in itself, is a prerequisite for public participation and accountability. A budget that is not transparent, accessible, and accurate cannot be properly analyzed. Its implementation cannot be thoroughly monitored nor its outcomes evaluated. Given the technical nature of budgets and the budget process, transparent budgets require that the information contained in budgets be presented in simplified form and actively disseminated to citizens. Furthermore, such information must be disseminated in a timely manner so that citizens can effectively provide feedback that can influence policy formulation and resource reallocation.

Why is Budget Transparency Important?

Budget transparency entails numerous benefits but four stand out. First, budget transparency and oversight over how resources are allocated and spent are powerful disincentives for officials to misuse or misappropriate funds since their actions are more likely to be scrutinized. This leads to **less corruption**. If budgets are open to the public and effective legislative scrutiny, there is less room for deviation from policy decisions and reversal of budget allocations. There are fewer distortions and the ruling elite is less likely to manipulate the budget. Additionally, budget transparency allows citizens to provide feedback on the

quality and adequacy of services and infrastructure provided. This feedback, combined with reduced corruption, results in more **efficient use of resources**.

In many cases, perceptions of high levels of corruption, poor services and infrastructure, and opaqueness of operations lie at the heart of citizens' distrust of their governments. The gesture of opening up government books of account is likely to lead to **more trust in government**. Budget transparency is also instrumental in generating **higher revenues** for governments since citizens are more likely to pay taxes and contribute donations to local schools and health centers if they trust that their money will be well spent. In developing countries, where revenues are often inadequate to pay for needed investments in sustainable poverty reduction and development programs, this is of utmost importance.

How Can Budget Transparency Be Promoted?

Governments and public institutions at all levels (national, provincial, local, school, and health center) formulate budgets. However, opaque budget processes, off-budget activities, and poorly managed expenditure systems provide manifold opportunities for corruption and resource mismanagement. The Budget Transparency Feedback Loop (Figure 1) shows the key steps involved in making budgets transparent and transforming them into tools which empower citizens to influence policy, programs, and resource allocations.

Budget transparency activities can and should occur at multiple levels of government—national, provincial, local, and service-delivery facility (e.g., school or health facility). Some illustrative interventions to increase budget transparency are provided in Figure 2.



Figure 1. Budget Transparency Feedback Loop

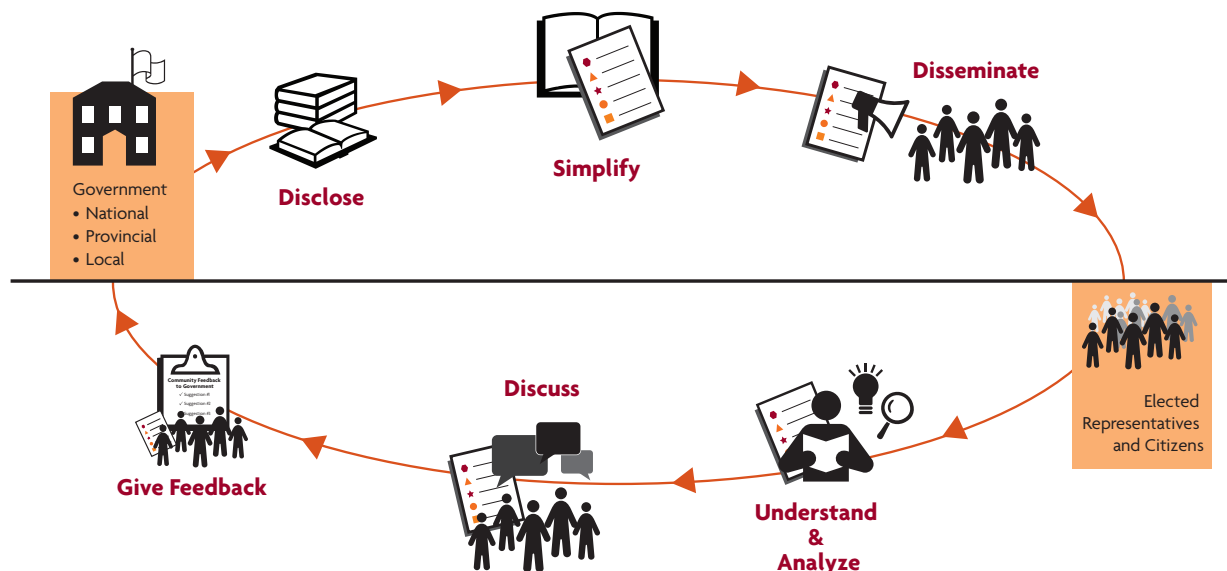


Figure 2. Illustrative Budget Transparency Activities

Level of Engagement	Budget Transparency-Related Activities
National and/or provincial governments	<ul style="list-style-type: none"> • Improve budget literacy of parliamentarians, government officials, elected representatives, journalists, and select civil society representatives. • Disclose budget documents and simplified budget information through electronic and print media as well as online portals and cell phones. • Simplify budget documents to make them citizen-friendly; create citizen's budgets. • Increase in-country capacity to analyze budgets. • Support a CSO forum on budget transparency/analyses. • Provide for budget-related discussions to receive citizen feedback through pre- and post-budget discussion workshops, televised round tables, etc. • Create budget literacy manuals for capacity-building programs. • Institute journalism fellowships to investigate and report on specific budget related issues.
Local government	<ul style="list-style-type: none"> • Improve budget literacy of council members and their capacity to analyze budgets. • Benchmark and assess budget openness of local governments using a Budget Transparency Index. • Create and disseminate citizen's budgets for local governments. • Provide opportunities for budget-related discussions (e.g., designate council meetings specifically for budget discussions and budget-literacy workshops). • Create radio programs to sensitize citizens on budgetary issues.
Service-delivery facility (school, health center, etc.)	<ul style="list-style-type: none"> • Create templates that consolidate and integrate different books of account in a simple citizen-friendly format. • Display facility budgetary information on facility and community notice boards. • Conduct budget awareness programs for relevant facility stakeholders. • Encourage facility stakeholders (e.g., Parent-Teacher Association or health center committee) to conduct social audits with a focus on financial flows. • Integrate budget literacy into school curriculum. • Disseminate and encourage participants to discuss budgetary information in community meetings.

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