



PEMPAL BCOP BLTWG WORKSHOP:

IMPROVING TRANSPARENCY AND UNDERSTANDING WITHIN BUDGET PLANNING



Public Expenditure Management Peer Assisted Learning network (PEMPAL)
Budget Community of Practice (BCOP)
Budget Literacy and Transparency Working Group (BLTWG)
Videoconference

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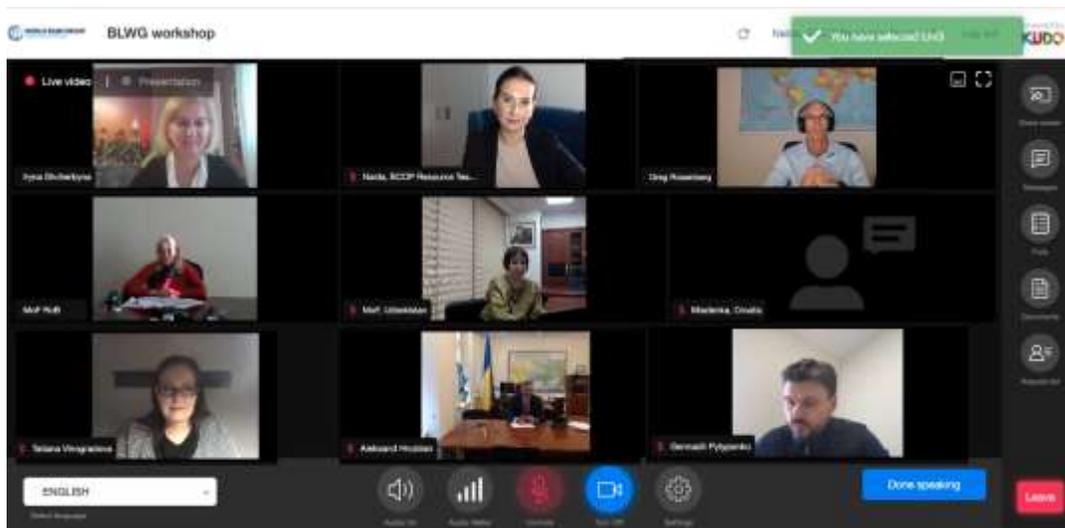
Budget Community of Practice (BCOP)

T: +7 495 745 70 00 ext. 2038 or +7 499 921 20 38

E: BCOP@worldbank.org

W: www.pempal.org

Budget Literacy and Transparency Working Group (BLTWG) Workshop: Ways for Ministries of Finance to Improve Transparency and Budget Understanding within the Budget Planning Process Summary Meeting's Outcomes



Meeting Objectives and Participants

This virtual workshop was held by the Budget Community of Practice's (BCOP's) BLTWG to examine different aspects of increasing budget understanding and openness and to decide on the content of a new knowledge product. The meeting objectives were:

- i. *to look into the ways to increase transparency and improve budget understanding from the demand side based on the perspective of the journalist community;*
- ii. *to learn the experience of the Ministry of Finance of the Republic of Uzbekistan in the popularization of budget data and participatory budgeting;*
- iii. *to get acquainted with the Ministry of Finance of Ukraine's experience on using the capabilities of modern information technologies to present open budget data;*
- iv. *to discuss the specific content and framework of the upcoming BLTWG knowledge product.*

A total of 34 participants attended the meeting, of which 29 representatives from 10 BCOP member countries (Armenia, Azerbaijan, Belarus, Bosnia and Herzegovina, Croatia, Kosovo, Russian Federation, Turkey, Ukraine, and Uzbekistan). The meeting was moderated by Iryna Shcherbyna, WB Senior Public Sector Specialist and BCOP Resource Team Coordinator, and Marina Tikhonovich, Deputy Head of the General Department of Budget Policy in Ministry of Finance of Belarus, and the BLTWG Lead.

Increasing Budget Openness in Uzbekistan

Ms. Aleksandra Khvan, Head of Government Finance Statistics and Budget Transparency Division of the State Budget Department presented the recent reforms in budget openness in Uzbekistan on behalf of Mr. Sherzod Muhamedov, the State Budget Department Director in the Ministry of Finance of the Republic of Uzbekistan. Following an assessment of transparency using the IMF Fiscal Transparency Code in 2018, significant efforts have been invested in these reforms in Uzbekistan. A strong legislative/regulatory basis was secured over the last four years.

Budget openness measures were a part of a broad package of budget reforms. At the first stage in 2018, the measures included the introduction of medium-term budgeting, the launch of the budget information portal, development of citizens' budget (with simple narrative explanations and key analytics, using infographics), expanding the analysis of macroeconomic and fiscal risks within the budget documentation, and establishing a dedicated unit in the Ministry of Finance for governmental financial statistics and budget transparency. The next stage of measure implemented in 2019 included the introduction of participatory budgeting, within which a portion of the budget of the local governments is allocated to finance activities informed by public opinion, as well as holding public discussions on draft budget prior to parliament submission. In addition, measures were implemented to expand the dissemination of budget data online and in media and to actively engage citizens. As a result, the assessment of Uzbekistan's transparency improved from adhering to 16 out of 36 principles of the IMF Transparency Code in 2018 to adhering to 26 principles in 2019. Additional transparency measures were implemented by which line ministries/agencies publish quarterly reports on detailed expenditure and public procurement data, while tax and customs expenditures are also published by the tax administrations. This year, public participation mechanisms have been expanded; additional financial data on extra-budgetary funds, SOEs, and state aid have been published; and an upgraded version of the open budget portal has been launched to, inter alia, ensure functionalities for collecting citizens' feedback and public voting. Specific templates and schedules for publishing information by all ministries/agencies have been established.

Ms. Khvan presented in detail the mechanisms used for participatory budgeting in Uzbekistan. Exhibit 1 shows the stages of the participatory budgeting cycle. Local governments engage in a strong communicating campaign supporting the participatory budgeting cycle, using media, TC, and other communication channels to inform the citizens. The national-level ministries/agencies, including the Ministry of Finance and Ministry for Support of Local Communications and Youth Affairs Agency support local government in delivering capacity building events for citizens. Spending proposals are submitted by the citizens using the open budget portal but can also be submitted offline.

The proposals are evaluated against established criteria and local government staff check the implementation feasibility. Feedback is provided for all rejected proposals with an explanation. Pre-selected proposals are then voted on by the citizens on the open budget portals, after which local level councils swiftly approve the decision for allocating funds for the winning projects. Local governments also report on the implementation of winning projects on the open budget portals. Following the successful start of implementation of participatory budgeting, this year additional financing has been approved, targeting that 10% of the local budget is used for participatory budgeting projects. Also, 50% of funds for local road reconstruction are to be used within a participatory budgeting context. Local communities will also have so-called “flying squads” and “initiators’ corners.” to assist in submitting proposals and voting.

Exhibit 1: The participatory Budgeting Stages in Uzbekistan

Improving mechanisms to channel budget resources to activities informed by public opinion

- Introduction of the following stages in implementing citizens’ initiatives:

1. submission of proposals/projects by proactive citizens in order to improve district (city) infrastructure;
2. selection of proposals against established criteria;
3. putting pre-selected proposals/projects to citizens’ vote;
4. identification of winning proposals/projects based on public voting outcomes;
5. citizens’ supervision and monitoring of citizens’ initiatives implementation.

- Develop **criteria for evaluation and selection of proposals/projects** submitted by proactive citizens in order to improve district (city) infrastructure



Participants engaged in a discussion following the presentations. The discussion focused on Uzbekistan’s experience with the assessment using IMF Code; functionalities for providing feedback on citizens’ proposals via the portal; and planned options for providing information to monitor of implementation of selected projects.

Use of IT for Budget Data Transparency in Ukraine

Mr. Oleksandr Hrubiiian, Deputy Finance Minister for Digital Transformation in the Ministry of Finance of Ukraine, presented Ukrainian experience on using e-data portals for PFM data transparency. E-data in Ukraine brings together data on spending, citizens’ budget (open budget), and projects financed by the international financial institutions (IFIs), in a large and sophisticated

platform. Law on Openness in Use of Public Funds prescribed the launch of e-data in 2015, which started with providing spending data. In 2017, within the “Open Public Finance” concept, a new spending portal was established, followed by the addition of the citizens’ budget module in 2018 and the addition of a module for IFI projects and a budget analysis tool BOOST. The work is currently undergoing to ensure interoperability among all of these, to further advance the search function, and to expand data on budget programs. The e-data system is administered by a state entity within the Ministry of Finance.

Mr. Hrubiiian provided details on spending and citizens’ budget modules and demonstrated their functionalities. The spending module provides timely regular quarterly data on the use of general public funds and annual data on the use of own funds for all budget users from all government levels, as well as extrabudgetary finds, SOEs, the National Bank, and the state-owned banks. Information on payments from the Sigle treasury Account is also available. Data on almost 200 million transactions are shown in the spending module, with 68 million documents (reports, contracts, etc.), and 18,000 users on a monthly level. Data can be downloaded in Excel and tracked by spending unit in real time. The citizens’ budget module (called an open budget) provides different types of information. Exhibit 2 shows the explanation of the budget process, presentation of the budget structure, and different instruments for analyzing and comparing local budgets within the citizens’ budget module.

Exhibit 2: Examples of Functionalities of the Citizens’ Budget Module



The functionalities of the module on IFI projects and of the BOOST tool were also demonstrated. Analytical tool BOOST-analysis was developed based on the World Bank methodology. It provides deeper analytical capabilities using sets of indicators that can be downloaded. It is widely used by financial analysts and PFM experts, as well academia and by the local government levels. The IFI module shows all projects since the 1990s, by IFI, and by sector. This module is also used by IFIs and by local government units to compare projects across different regions.

Participants held a discussion after the presentation was delivered. Some of the issues that were discussed included: Ukrainian e-data portals being accessible for the visually impaired; plans for expanding the portals to include public procurement; and plans for enabling citizens' feedback in the budget drafting stage; and contents of citizens' budgets in the execution stage.

A View from the Journalist Community on Improving Budget Clarity and Understanding: Experience from South Africa

Mr. Greg Rosenberg, Managing Director of Clarity Global, global strategic communications adviser specialized in public financial communications, presented the ways to increase budget understanding and transparency. His presentation examined budget as a communication tool, South African experience in improving budget clarity and accessibility, and principles of clear budget communications. He explained that while the terminology of the government budget was first used in the early 18th century the idea of budget promoting accountability is a relatively recent development. The overall objective of budget documentation should be to provide a comprehensive, relevant, timely, and reliable overview of the government's financial position and performance and set out the fiscal projections.

There are five characteristics of good budget documentation:

- it should be clear (i.e., easy to interpret and understand),
- credible (i.e., they can be believed and are convincing),
- comparable (vertically and horizontally and over time),
- analytical (i.e., not just providing data and statements but explaining the reasons in order to be understood), and
- relevant (i.e., have a significant bearing on the matter at hand).

In practice, budget documentation is in most cases driven by compliance in its budget function, published in thousands of pages of data without adequate

narrative, and lacking a policy focus. A clear narrative should be provided to give context information needed for a full understanding of budget policy and intended results. Providing a huge amount of detailed data may be comprehensive, but it does not support public policy, decision making, and democratic process, because very few can get a full understanding based on what is provided.

Transparency is often misunderstood as the availability of information only. In its full meaning, however, transparency is related to understanding. Different aspects of transparency, shown in Exhibit 3, need to be taken into account. In its most recent Fiscal Monitor recent blog, IMF stresses that strong budget rules and institutions, backed by clear communication and fiscal transparency, enhance credibility; that, in turn, improves access to credit and secures more room for maneuver in times of crisis. Budget documentation’s audience is wide and includes parliament, financial markets, journalists, government departments, multilateral financial institutions, rating agencies, NGOs, the public, and economists.

Exhibit 3: Definition and Aspects of Budget Transparency



Mr. Rosenberg presented experience in improving budget transparency in South Africa, in which he has first-hand experience working as the Lead Editor of the budget for the National Treasury. For more than a decade, South Africa has been in the top two countries in the Open Budget Index, which measures budget transparency, oversight, and participation. In the transparency dimension, in particular, South Africa has the highest global score. Significant changes have been made to budget documentation, and the release of both mid-term budget and annual budget has extensive media coverage and generates public discussion. The needs of journalists are in essence the need of the public, as journalism should be about communicating to the public. This includes credible numbers in an accessible narrative, accurate assessment of the economic and fiscal position,

clarity and not jargon, interesting facts and comparisons, clear policy position and trade-offs, and clear reasoning and direction information (“so-what” and “what-is-next”). Media headlines can be indirectly shaped by providing clear, important, and credible information. On South African budget day, journalists are given early access to budget documents in a closed room at 6 am, under a reporting embargo for several hours, after which a press conference is held with Minister of Finance and Treasury and Central Bank officials, and an official budget speech is then held at 2 pm. This process has been established over several years and is based on long-established relationships of trust, and it is widely covered by the media. It is important that the National Treasury is seen as a technically competent institution that tries to set out the most transparent and clear budget information possible. The Treasury poses important questions and policy options within budget documentation and budget presentation, based on which a public debate can be led to shape policy decision making. Thus, budget documentation is not just a means of communication but also serves to shape public policy.

The overall approach to the South African budget is to focus on clear thinking of what the Treasury is trying to say with the budget. The goals supporting budget allocations must be announced clearly, including policy shifts and new initiatives, and successes and challenges. The main budget document must be written for a non-technical audience using clear and accessible languages. The documentation should be streamlined and appendices should be used for details. Narrative explanations should be supported with tables, graphs, and visual summaries.

There are several important principles of clear budget documentation, shown in Exhibit 4. These principles are important for making the budget accessible, since accessibility is about the Ministry of Finance communicating clearly on the budget content - so that budget is accessible in terms of providing relevant information for understanding the budget policy and intended results.

Exhibit 4: Principles of Clear Budget Communication

- Think about your reader
- Write clearly and to the point
- Structure documents logically
- Ensure main policy documents are concise
- Omit unnecessary detail
- Prefer concreteness to abstraction
- Reduce density
- Use visual elements effectively
- Provide sufficient analysis
- Tell a story

Several examples of making technical language clearer and to the point and avoiding jargon were presented.

The importance of quality over quantity and proper structure of budget documentation was also discussed. Exhibit 5 shows an example from restructuring budget documentation to make it easier to understand and follow more logically. Finding a balance between the volume of information and ensuring clarity is important. Main budget documentation should be concise but provide adequate context and explanations. Tables should not be given without narrative explanations.

Exhibit 5: Restructuring Budget Documentation

2016 National Budget Statement	Revised structure for 2017
1. Motion	Foreword (Minister or Permanent Secretary)
2. Introduction	1. Overview
3. Arrears Clearance	2. Economic outlook
4. Economic overview	3. Fiscal framework
5. Budget Framework	4. Debt and external payment arrears
6. Revitalising Agriculture	5. Expenditure proposals
7. Advancing Beneficiation/Value Addition	6. Revenue measures
8. Encouraging Private Sector Investment	7. Spending plans
9. Unlocking the Potential of SMEs	8. Structural policy initiatives
10. Infrastructure Development & Utilities	
11. Social Services	Annexures:
12. Development Partner Support	
13. Financial Sector Stability	
14. Government Finances	
15. Revenue Measures	
16. Governance and Performance Management	
17. Anti-Corruption Thrust	
18. Sustainable Development Goals	
19. Conclusion	
Annexures	

Examples were also provided of unnecessary detail being removed, density reduced, abstract language made clear, and using tables and images effectively. Tables and charts should be used to reinforce the points made in the narrative part. Exhibit 5 shows highlights from the South African budget, with clear tables and brief text that summarizes the context of the tables, as well as a breakdown by structure, with specific use of icons and colors. Proper analysis should be provided to help the reader navigate and understand the data. It is also important to build a budget narrative, identifying the central theme of the report and using it as a guiding thread for the reader.

Exhibit 5: Highlights from South Africa Budget



An extensive discussion was held after the presentation. Topics that were discussed further included the presentation of program and performance information in South African budget¹; responsibilities within the National Treasury for analytical writing; the dissemination of budget documentation via printed copies and electronically; citizens' budget (4 pages of high-level information and data circulated within newspapers and online); and ways to incentivize the media to get engaged and report on the budget.

Roundtable Discussion

The final session of the workshop was devoted to participants' discussions on how topics discussed in the meeting can be used and what should be the focus of an upcoming BLTWG's knowledge product. Recent advancements in citizens' budgets, Ministries of Finance's communication with journalists, and the development of templates/guidelines for citizens' engagement in Russia were discussed. Several additional topics were discussed

¹ In primary budget documentation, performance indicators are summarized across chapters and there is a chapter on national priorities with tables and explanations; however, much more detailed information on programs, indicators, and other budget information are provided under document called estimates of national expenditure in which all details are published for each ministry/agency.

based on questions and inputs from the members from Belarus, Ukraine, and Uzbekistan, and from the Resource Team and the speakers. These included the potential of social media to be used for citizen engagement, the importance of intended improvements in budget clarity and accessibility being embraced by both technical staff and at a political level within Ministries of Finance, as well as different options for web portals' IT solutions.

It was concluded that BLTWG's upcoming knowledge product will provide a roadmap for going from a compliance-focused budget documentation to clearer budget documentation, as they were discussed in this meeting. Draft outline for this knowledge product will be prepared by the Resource Team and submitted to BLTWG leadership for comments by end-November 2021, after which the knowledge product would be drafted and presented in the BCOP plenary meeting in Spring 2021.

This event report has been developed by PEMPAL and is available in English, Russian, and Bosnian-Croatian-Serbian languages. Permission to use, reproduce, or translate this report or information included in this report can be sought by the project's Team Leader Arman Vatyán at avatyán@worldbank.org. Technical questions can be sent to Naida Carsimamovic Vukotic at naidacar@gmail.com and Iryna Shcherbyna at ishcherbyna@worldbank.org. For more information on PEMPAL, BCOP, and BCOP's working groups, see the program's website at www.pempal.org.

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