



Policy Brief

Budget transparency and Citizens Budget

Introduction

Opening up budgets and democratizing the process is one of the key areas towards establishing an open and prosperous society. A transparent, accessible, and accurate budget allows citizens to participate in resource allocation and policymaking. Provided the technical nature of budgets, it is essential for the information contained in the budgets to be designed and disseminated in a simplified way so that the wide public could make sense of them and would be able to give inputs. Otherwise, if the budget becomes publicly available, but it is presented in a complex format without any supplementary information on the side, it may create illusions that the government is acting in a transparent manner. This, indeed, on many occasions helps the government to portray itself as being transparent in the eye of citizens – but in reality it prevents them from participating on budget making and monitoring.

Despite the great importance, the results for the 2015 Open Budget Survey (OBS) assessing budget transparency and accountability reveal that not more than 20 percent of the world's governments are disclosing adequate budgetary information that would help citizens to

contribute in the drafting process monitor the spending of the public's money. Analogously, in emerging democracies such as Kosovo, the budget drafting process, is not very engaging, not to say non-transparent.

This policy brief will focus particularly on analysing the drafting process of the budget through transparency and accountability lenses. More particularly, this document aims to emphasize the importance of the Citizens Budget and its impact on increasing the transparency and accountability of the Government of Kosovo and other public institutions involved in the budgeting process.

This policy brief seeks to: (i) provide detailed information on the Citizens Budget; (ii) provide a description of the current situation in Kosovo with respect to the budget process and the involvement of citizens in this process; (iii) present the results of the Open Budget Survey 2015 for the region; (iv) analyse budget transparency in Kosovo; and finally (v) recommendations.

2. Citizen's Budget and budget disclosure

Government money are citizen's money, since government revenues come through taxes and other forms of income (such as loans and revenues from state property, the owner or guarantor of which is the public). Therefore, governments must be accountable for this money. This can be achieved by making budgets public, as well as publishing financial reports together with a description of how public money is distributed and spent.

In addition to the key budget document publications such as draft budget, enacted budget, as well as audit reports, there is also one key budget document: the Citizens Budget, which is also known as the citizens guide to the budget. Citizen's budget is a document that is produced by the government, and that summarizes and explains basic budget information in non-technical language, in order to be understood by all stakeholders. Otherwise, a citizen's budget according to the Organization for Economic Cooperation and Development (OECD) is defined as follows:

*A citizens' guide to the budget is defined here as an easy-to-understand summary of the main features of the annual budget as presented to the legislature. It should be a self-contained document that explains what is in the annual budget proposals and what their effects are expected to be. While containing links or references to more detailed documents, the guide should not require readers to refer to them, or to know their contents, in order to understand the guide.*¹

Citizens' Budget certainly serves the citizen, but it can also serve the government in various ways. This form of budget enables the government to raise public awareness on budget issues and the budget itself. Moreover, it can also be considered a medium through which the government can communicate its budget perspective to a broader audience. The Citizens Budget should not be used as form of propaganda to citizens; instead, it should help the government to communicate the budgeting process.²

1 <http://www.oecd-ilibrary.org/docserver/download/4215081ec072.pdf?expires=1449579981&id=id&accname=guest&checksum=216979FC770FC32A74EB64DE9D428358>
2 <http://internationalbudget.org/wp-content/uploads/Citizen-Budget-Guide.pdf>

A Citizens Budget is also a way of encouraging the public to participate in the process of budgeting and decision-making. Thus, if the content of the Citizen's Budget is appropriate, accessible, and if it is published on a regular basis, it can be an invaluable tool in helping to initiate and sustain a dialogue between government and citizens. Citizens in general and the business community in particular can benefit greatly from such a budget form.

Governments can encourage the participation of citizens by creating conditions that enable access to budget information in a meaningful way. Not only physical access to public documents, but full accessibility – which means having comprehensive, understandable information, and the possibility to process or comment the given information.

International Budget Partnership is a network of many non-governmental organizations from around the world that develop and distribute materials related to the citizen's budgets in the countries where they operate. These organizations develop simplified and understandable forms of budgets so that citizens know what governments is doing with their money, and thereby participate in the budget-making activities.³ Besides, occasionally media interprets different parts of the budget. However, the budget information that organizations and non-governmental institutions produce and disseminate cannot serve as a substitute of the Citizens Budget; as it should be initiated, produced and prepared by the government.⁴

pdf
3 GAP as a Kosovo NGO and member of the International Budget Partnership has started to convert Kosovo complex budget information in a more understandable language, through info-graphics and accessible formats
4 <http://internationalbudget.org/wp-content/uploads/Citizen-Budget-Guide.pdf>

3. Characteristics and the Process of Citizen's Budget

Citizen's budget should meet the following criteria: ⁵

- is produced by the government;
- is produced in consultation with citizens;
- enables public understanding and ownership of the budget;
- serves as a 'door' to more information about the budget;
- focuses on the budget planning documents;
- is published at or around the same time as the budget itself;
- includes significant information about the budget;
- is produced in at least the official languages of the country;
- is disseminated widely, preferably in multiple formats.

Citizen's Budget should meet all the criteria at every phase of the budgeting. The budgeting process involves five phases.

Phases of the producing a Citizen's Budget are as follows:

- 1. Developing a strategy for producing Citizens Budget.** The government defines objectives and goals, as well as plans for producing the Citizens Budget;
- 2. Holding consultations with potential users.** People will use a Citizens Budget if it speaks to their interests and needs. These consultations identify these needs and interests.
- 3. Producing the Citizens Budget.** The government will need to digest the information it receives during the consultation, then design, write, and publish the Citizens Budget accordingly.
- 4. Dissemination of the Citizens Budget. The purpose of the Citizens Budget is to be read, used and understood.**
- 5. Evaluating the process, and planning the Citizens Budget for the next year.** Producing a Citizens Budget is a regular, annual event. Each year should follow up with lessons learned from the previous year. ⁶

⁵ Ibid.5

⁶ <http://internationalbudget.org/wp-content/uploads/Citizen-Budget-Guide.pdf>

4. Budgeting process and public participation

Kosovo as a country in transition after 90s did not have responsible institutions that would deal with budgeting. Only after the establishment of the Provisional Institutions of Self-Government (PISG) in 2001, it became clear that the overall budget process and budget management should be reviewed and systemised. However, until 2008 the final right of approval or amendment of the budget was held by the Special Representative of the Secretary General (SRSG) of the UN. While following the declaration of the independence, budgeting remains the exclusive competence of the state institutions of the Republic of Kosovo.

The budget is the most important instrument for the

government's economic policies, and as such, it represents development priorities. Ministry of Finance (MoF) in coordination with budget organizations prepares the Kosovo budget and approves it by the end of the year in the Assembly. The 2016 draft budget, the 2015 budget are published in the website of the Ministry of Finance, whereas the audit report is published in the Office of the General Auditor. Audit reports are always published on the website of the General Auditor, and the latter reports to the Assembly. Since the beginning of the budgeting process, all budget documents are published on the Ministry of Finance website. An example is the medium-term expenditure framework, a three-year document, which

immediately after its approval the Ministry of Finance publishes it in a PDF format on its website. Besides, budget circulars used as guides to budget organizations (budget organization are all those organizations financed by public funds – i.e. all ministries, government agencies and independent agencies). Similar to above-mentioned documents, the draft budget is published on the website of the Ministry of Finance, and it is available to the public, media and all other stakeholders. The approved budget is also published on the website. Once the budget is approved it goes to execution, while execution is the responsibility of the treasury department.⁷

Budget Circulars identify the budget dates, according to the Budget Circular 2016/01 the stages in which budget documents become available are:

TAB. 1 Dates to which key budget documents become available⁸

Documents	Publishing dates
Executive Budget Proposal	30 October
Enacted Budget	31 December ⁹
Audit Reports	N/A
Medium-term Expenditure Framework	30 April
Budget circulars	15 May
Citizens Budget	N/A

Source: Ministry of Finance, 2015

However, according to the MoF officials, only a number of the budget documents have fixed dates for adoption and publication (such as Medium-Term Expenditure Framework to be published on April 30, and the Bud-

get Circulars on May 15).¹⁰ Others documents are being published in different dates each year. Moreover, the Law on Public Financial Management and Accountability sets these dates. Although, some of the dates in Table 1 may vary each year, it can give an idea about the dates; in addition, the Ministry of Finance determines the follow up activities.¹¹

Law on Public Financial Management promotes transparency though obliging the publication of quarterly reports, as well as the national budget along with other explanatory documents in a comprehensive and understandable form. Moreover, the Treasury Department within the Ministry of Finance is responsible for managing the Kosovo Consolidated Budget, it is also responsible issuing decisions on the transparency or oversight of the use of donor funds. The Treasury Department, based on the law on public finance management, publishes expenditure reports in quarterly bases.

The law on financial management defines local public hearings. As stated in Article 61 of this Law, “... after receiving the draft budget, the Municipal Assembly will hold public hearings in accordance with the applicable legal acts of the municipality”, the purpose of these public hearings is to receive suggestions, comments, and questions from participatory citizens. The budget department in the municipalities, within the Ministry of Finance, processes and reflects to the public hearing materials.

In the public hearings organized by the municipalities in Kosovo, is identified a low citizen participation. The Riinvest Institute – in its poll (i.e. Measurement of Public Opinion), reports that from the total number of 1000 respondents, 74.7 percent did not participate in any public hearings organized by the respective municipalities, while only 25.3 percent stated that they have been present in any of the public hearings.

⁷ Aliu, M, Director of the Central Budget in the Ministry of Finance, personal communication, November 25, 2015

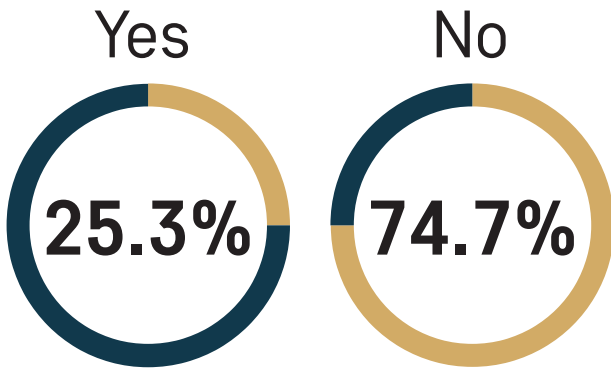
⁸ <https://mf.rks-gov.net/sq-al/Raporte/Raporte-dhe-Publikime/Qarkoret-buxhetore>

⁹ <http://www.osce.org/sq/kosovo/118104?download=true>

¹⁰ Aliu, M, Director of the Central Budget in the Ministry of Finance, personal communication, November 25, 2015

¹¹ Ibid. 14

FIG. 1 Participation on public hearings



Source: Riinvest Institute, 2015

Reasons for low participation of citizens in public hearings are considered: the lack of interest to attend in such meetings, as well as their conviction that municipal officials will ignore their suggestions.

According to the Riinvest Institute Public Opinion poll only 6.2 percent of the citizens believe that their suggestions will be considered during the decision making process of their municipalities. In addition, 40 percent of the citizens do not believe that their suggestions will be considered, while 53.8 percent somehow believe that they might be considered.

FIG. 1 CITIZEN'S SUGGESTIONS



Source: Riinvest Institute, 2015

5. Open Budget Survey 2015

International Budget Partnership (IBP), through the Open Budget Survey 2015 has measured budget transparency, public participation opportunities in the budgeting process, and the power of institutions for oversight of budget execution. The results of the Open Budget Survey ranked from zero to 100 points, with 100 being the highest index of transparency. All countries are categorised based on their scores; countries with “sufficient” transparency are scored with over 61 points while those with “insufficient” transparency scored 60 points or less. As this survey is done globally, top tier countries that released extensive budget information are New Zealand with 88 points, Sweden with 87 points, and South Africa with 86 points. Open Budget Survey 2015 has included five Western Balkan countries - Albania, Bosnia and Herzegovina, Croatia, Macedonia and Serbia. Montenegro and Kosovo are not included in this survey. Although Balkan countries are ranked differently from one another, Romania leads in the budget process for a more open and transparent budget process in the region. It is ranked ninth globally, with an index of 75 points out of 100 which is the maximum. Other Balkan countries join countries that are ranked under ‘insufficient’ transparency; Macedonia has the lowest scores, with 35 points, followed by Albania with 38 points¹²

12 <http://www.internationalbudget.org/wp-content/uploads/OBS2015-OBI-Rankings-English.pdf>

This survey gauges budget transparency based on public availability and comprehensiveness of the eight Essential Budget Documents: the Pre-Budget Statement, the Executive’s Budget Proposal, the Enacted Budget, the Citizen’s Budget, the In-Year Reports, the Mid-Year Review, the Year-End Report, and the Audit Report. For comparative and verification reasons, Riinvest Institute conducted interviews with representatives of the public sector, namely with the officials of the Ministry of Finance, in order to measure the availability of some of the key budget documents. Table 2 presents a cross sections of the Open Budget Survey¹³ but with information drawn from interviews conducted by Riinvest Institute.

Most of the key budget documents in Kosovo are available to the public, however these documents lack on comprehensiveness and machine-readable formats (i.e. Excel). Except for Citizens Budget, all other key budget documents are regularly produced, and are available online without any charge incurred. However, none of those documents are produced in a machine-readable format, or simplified in the ‘citizen’s version’.

13 <http://www.internationalbudget.org/wp-content/uploads/OBS2015-Questionnaire-and-Guidelines-English.pdf> (pg. 17)

TAB. 1 Documents Availability

	Executive’s Budget Proposal	Enacted Budget	Citizens Budget	Audit Reports
Is it produced at all?	Yes	Yes	No	Yes
Is it available to the public in hard copy, with charge?	No	No	No	No
Is it available to the public in hard copy, no charge?	Yes	Yes	No	Yes
Is it available to the public online?	Yes	Yes	No	Yes
If available online, URL address:	https://mf.rks-gov.net/sq-al/Buxheti/Buxheti-i-Republikes-se-Kosoves/Buxheti-qendrore	https://mf.rks-gov.net/sq-al/Buxheti/Buxheti-i-Republikes-se-Kosoves/Buxheti-qendrore	N/A	http://www.oag-rks.org/repository/docs/RVA-Alb_564759.pdf
Is it machine-readable?	No	No	No	No
Is there a ‘citizen’s version’ of the budget document	No	No	N/A	No

Source: Interview with the officials of MoF

6. Transparency and budget reporting formats

In Kosovo, the budget as a key instrument that presents the development priorities, adjusts revenues and expenditures for a fiscal year, and which is a continuous, yearly process, is characterized with the ongoing lack of transparency and improper reporting. Ministry of Finance, as the main institution that coordinates the budget process and budget organizations separately, has not been transparent in publishing detailed budget data. Besides, the form of reporting of public spending has been reduced, to simply publishing the total expenses for the budget categories.

A limited number of budget organizations have published their budget expenditures. Even those who publish these data do not use proper open or accessible formats, as well as the inclusiveness remains poor. Ministry of Public Administration has published the expenditure and revenue report for the period January-December 2014, which is a financial report that shows only numbers and no clear descriptions of budget categories. Moreover, the Ministry of Culture, Youth and Sports has published budget lines drawn from the comprehensive budget in a scanned form highlighted manually. Lastly, Ministry for Communities and Return has published annual financial report in not accessible format (PDF).¹⁴

From the total number of ministries in Kosovo, it turns out that only the Ministry of Justice publishes the budget expenditures in detail¹⁵, and they are the only ones who provide an accessible format of these expenditures, for further reuse and processing.

Other ministries have not published their budget expenditures in any of the formats; few of them have published annual reports, which are included in the comprehensive report. The Ministry of Finance compiles the comprehensive report for submission to the Assembly.

¹⁴ http://www.mkk-ks.org/repository/docs/pasqyra-finale2013_shqip.pdf

¹⁵ <http://www.md-ks.net/?page=1,168&offset=10>

TAB. 3 Budget reporting formats 2015

Ministries	Does the ministry publish their annual budgets online?	Is it accessible?	Is it comprehensive?
Ministry of Finance	No		
Ministry of Public Administration	Yes	It is only in the PDF format	It has only budget figures without description
Ministry of Agriculture, Forestry and Rural Development	No		
Ministry of Trade and Industry	No		
Ministry of Health	No		
Ministry of Culture, Youth and Sports	Yes	It is a scanned format	Budget line extracted from the enacted budget
Ministry of Education, Science and Technology	No		
Ministry of Labor and Social Welfare	No		
Ministry of Environment and Spatial Planning	No		
Ministry for Community and Return	Yes	PDF format	Annual financial report
Ministry of Local Government Administration	No		
Ministry of Economic Development	No		
Ministry of Internal Affairs	No		
Ministry of Justice	Yes	Excel format	Detailed budget spending
Ministry for the Kosovo Security Forces	No		
Ministry of European Integration	No		
Ministry of Diaspora	No		
Ministry of Infrastructure	No		
Ministry External Affairs	No		

Source: Kosovo Ministries' websites

7. Conclusion and Recommendation

Based on the data of this document, it can be concluded that the reporting of budget expenditures by the Ministry of Finance to the Assembly of Kosovo is incomplete and does not allow for transparency of public expenditures; consequently discourages public participation. Many other ministries do not report the budget expenditures, or reports them in a complex format.

Most government departments, some of which are limited to only inclusion of their expenditures in the annual budget, follow the practice of not publishing the budget expenditures. A large number of government institutions incorporate their expenditures into annual reports at the end of the year. Therefore, the number of ministries in the government that do not make good expenditure reporting is quite large.

Key budget documents are accessible on the website of the Ministry of Finance, but their format allows limited access to budget information. Of all the key budget documents, only Citizen's Budget is not produced at all. Citizen Budget as one of the most recent formats of the budget document, classified as one of the key budget documents, is a simplified form of other budget documents, expressed in non-technical language, and drafted with visual elements in order to be more understandable by non-specialised readers. Albeit, budget proposal and enacted budget are the most common documents drafted in the citizen's version, every other document in the budget cycle can and should be presented in the way that the public can understand.

To increase the accountability and transparency of the budget, all budgets should be published, along with financial reports explaining the allocation and spending of the public money.

The Ministry of Finance should oblige budgetary organizations to regularly publish detailed reports on budget expenditures; MoF should publish allocations and expenditures in accessible form (i.e. Excel format) in order to enable organizations and individuals to more easily analyse the budget; the MoF should also distribute a guide with definitions of technical con-

cepts in an understandable language for the public. The same ministry should initiate the drafting of the Citizen's Budget that would enable to more easily understand how public money is spent.

Ministry of Finance in cooperation with the Ministry of Education, Science and Technology may include informative campaigns in schools and educate children in terms of the principles of budgeting in an early age, in order to increase civic awareness and public participation in budget making in a near future.

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Contact person: Antigona Uka

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Lidhja e Prizrenit nr. 42
Prishtinë 10000, Republika e Kosovës
Tel: + 381 (0)38 244320; 223816
www.riinvestinstitute.org