

# PUBLIC REVENUE REPORTING AND MONITORING<sup>1</sup>

## Summary

Public revenue reports serve to inform the public of the sources and amounts of government revenue and how it will be spent. The public disclosure of such information is necessary to help citizens understand the amount of resources the government has at its disposal, engage with the government on issues of public finance, monitor and evaluate the government's financial management and hold the government accountable.

Public revenue monitoring aims to:

- identify and analyse sources and amounts of government revenues (taxes, natural resources, loans and grants);
- assess the fairness and efficiency of revenue generation (e.g. systems of taxation and the management of natural resources), and;
- ensure public revenues are properly managed (and inform the subsequent tracking of public budgets and expenditures).

## What is it?

A government's income – or revenue – determines how much it has available to spend on the implementation of public policies, programmes and services. Access to public revenue information is beginning to gain ground as an implicit public right. Accessing information about public revenues is a key step for citizens and civil society organizations (CSOs) to effectively engage with governments and hold them accountable for the management of public funds. It is important for CSOs, and the public at large, to know about the sources and amounts of public revenues.

Monitoring public revenues, knowing how much money the government has at its disposal, is complementary to monitoring public budgets, tracking what the government does with that money. It allows citizens and civil society to question and/or influence how governments raise money (e.g. taxation) and how that money is used.

Sources of public revenue include:

- Taxes and levies (e.g. income tax, property tax, sales tax, license fees, import and export duties, levies charged for services);
- Natural resources (e.g. oil, gas, minerals);
- Loans (e.g. from other governments, the private sector, or international financial institutions (like the International Monetary Fund ([www.imf.org](http://www.imf.org)), World Bank ([www.worldbank.org](http://www.worldbank.org)) and regional development banks) that must eventually be repaid with interest), and;
- Grants (e.g. from other governments, multilateral institutions, international donors, foundations, NGOs or private sector actors, often earmarked for particular humanitarian or development purposes).

## How is it done?

### 1. Revenue transparency/reporting

Governments release financial information through various avenues including:

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- Websites;
  - Financial statements and reports;
  - Press releases;
  - Local government posting revenues on public bulletin boards;
  - Broadcasting figures through community radio.
- A first step for concerned citizens/CSOs is to determine what types of revenue reports are publicly available.
  - Request copies of these reports, keeping records of all correspondence.
  - Where access to revenue reports is limited, work towards the adoption of right to information legislation (See Tool A.1) – including access to public financial information.
  - Partner and build coalitions with sympathetic government officials, concerned NGOs, relevant international bodies, and the media to encourage revenue transparency/reporting.
  - Find out and discuss how the government itself views its revenue base and what plans or strategies it has in place regarding taxes, natural resources revenues, loans, grants, etc.
  - If possible, take a deeper look at each slice of the revenue pie. Consider how important, effective and reliable each one is as a revenue source. Are they sustainable Are they equitable?

## 2. Monitoring revenues from natural resources

Revenues from natural resources - especially oil, gas, minerals or the ‘extractive industries’ – are an important source of income for the governments of many developing countries. Properly managed, these revenues can serve as a basis for poverty reduction, economic growth and sustainable development. Unfortunately this is often not the case. In the absence of transparency and strong institutions, the huge sums of money involved engender corruption and abuse.

Extractive industries companies make payments directly to governments in the form of royalties, bonus payments and taxes, providing the state with an autonomous flow of funds that is independent of its citizens. Citizens often have little or no access to information about these payments, because resource contracts customarily are shrouded in mutual confidentiality clauses forbidding either party from disclosing information without permission of the other. These revenues reduce the need for taxation and thereby eliminate a key motivator for citizens' scrutiny of public finances. They also give governments ample resources to buy political support through patronage, and legislatures often have little or no budget oversight. economies of resource-rich countries, and this partly explains the poor development outcomes.

An immediate high priority is to improve the quality and public disclosure of data on resource revenue transactions. Once armed with the information of how much money the government is receiving from natural resource revenues, citizens can demand accountability and monitor how the money is spent.

The Case Studies section below describes a number of initiatives that have been launched to help CSOs, in conjunction with government and private sector companies, to enhance the public transparency of natural resource revenues – most notably the Extractive Industries Transparency Initiative and the Publish What You Pay campaign.

## 3. Monitoring government borrowing and aid

Many developing countries depend on external loans or grants as a source of revenue. In order to ensure such sources of revenue are being used justly and equitably it is important for citizens and

civil society groups to track the source and amount of international aid as well as how the money is being used.

When governments borrow money, they build up public debts which then need to be repaid, often with interest. It is important for citizens and CSOs to be aware of levels of public debt, as well as the conditions attached to loan agreements.

According to *Monitoring government policies – a toolkit for civil society organizations in Africa* (<http://www.internationalbudget.org/MonitorGovPol.pdf>), some pertinent questions for citizens and CSOs to explore with regard to public borrowing and aid, include the following:

- How big is your country's public debt? Has it increased or decreased over recent years?
- How, when and by whom are decisions made about loans? What role do citizens play in these decisions?
- Who is lending money to your country?
- How much is paid each year in interest and debt repayments?
- How much will the government be paying in interest and debt repayments in five, ten, fifteen and twenty years' time?
- If you look at total government revenue, what share comes from loans?
- When you look at total government spending over a year, what share is taken up by debt repayments?
- How has the money derived from loans been used?
- Which experts or organisations can help you to investigate these questions further?

Grants are also an important source of government revenue in some countries and can make an important contribution to development. However, aid can also have negative effects, especially if it is not monitored properly or is used in ways that do not benefit people living in poverty. Such efforts should reinforce and complement the monitoring carried out by donors.

### **Benefits**

- Leads to enhanced understanding of public revenues by members of civil society and the general public, all of whom contribute to public revenues (e.g. through taxes) and rely upon them (e.g. to fund essential public services);
- Serves to hold the governments accountable, for example, by identifying inefficiencies, inconsistencies, leakages or corruption in the collection and management of public funds.
- Can be especially important in countries that derive a large part of their revenues from natural resources and extractive industries that are susceptible to corruption and mismanagement ;
- Can serve to encourage pro-poor taxation policies or reforms.
- Promotes good governance through improved citizen knowledge and voice and enhanced government transparency and accountability.

### **Challenges and lessons**

- It is often a challenge to obtain comprehensive, accurate information from the government. In many country contexts, access to information on public revenue streams is still very limited. Therefore it may be difficult to piece together a clear and understandable picture of the sources, amounts, and specific information on public revenues.
- It is often necessary to lobby for broader access to information laws and/or the adoption of revenue transparency policies.

- Develop relationships with government offices that control financial information as well as parliamentarians to help access revenue information. Submit formal requests for information to relevant government (and keep records of your efforts). Work with the media to publicise denial or compliance of requests.
- Available information can be difficult to decipher. It is often necessary to work with specialists in analysing official revenue documents, before preparing simpler “demystified” forms of public revenue information for public dissemination.
- Practitioners may lack both analytical and advocacy skills to properly track public revenue and to master public finance techniques. Both specialist technical assistance and targeted training/capacity-building efforts are often required.
- Budget groups can work with NGOs, private-sector, or international coalitions (such as PWYP ([www.publishwhatyoupay.org](http://www.publishwhatyoupay.org)) or EITI ([www.eitransparency.org](http://www.eitransparency.org))) that may be able to fill in existing gaps in information or pressure the government.
- Build alliances with oversight institutions, such as Supreme Audit Institutions and the judiciary, in order to create systematic change.

## CASE STUDIES

### *Tax revenue analysis*

By monitoring and analysing tax revenues, CSOs can detect the existence of corruption or injustices and explore how systems of taxation can be improved. Examples of tax revenue analysis include the following:

- The Centre on Budget and Policy Priorities (<http://www.cbpp.org>) has played an active role in deepening the tax debate in the US – for example, arguing that President Bush’s proposed tax cuts would not necessarily help the U.S. out of its current economic slowdown. (<http://www.cbpp.org/2-22-01tax.pdf>)
- The Institute for Public Finance in Croatia engages government via revenue analysis by providing responses to the government’s reforms of the overall fiscal system, including tax administration reform. In a recent paper (<http://www.ijr.hr/ocpapers/op-5.htm>), they question the extent to which the proposals for tax reform are in line with the theory and practice of tax administration in developed countries and countries in transition.
- The case of Ireland is an illustration of an attempt to institutionalize multi-stakeholder participation in tax policy changes in the tax policy and analysis <http://unpan1.un.org/intradoc/groups/public/documents/UN/UNPAN020213.pdf> (pg. 52).
- In La Paz, Bolivia Mayor Ronald MacLean Abaroa supported tax collection through established banks, and adopted external auditing mechanisms to minimize possibilities of corruption. Corrupt Cities: A Practical Guide to Cure and Prevention <http://www.worldbank.org/wbi/governance/pubs/corruptcities.html>

### *Monitoring natural resource revenues*

The Extractive Industries Transparency Initiative (EITI) – (<http://www.eitransparency.org/>)

The EITI seeks to expand public access to information about public revenues deriving from the exploitation of oil, gas, mining and other extractive industries. Under the EITI, *host governments* agree to publish how much money they are receiving from companies, *companies* publish how much they are paying, and *home governments* of multinational companies regulate and enforce the disclosure of this information. Civil society plays a large role in any revenue transparency

initiative by monitoring the flow of these resources and ensuring that the information is publicly and widely available.

- Eye on EITI – Civil Society Perspectives and Recommendations on the Extractive Industries Transparency Initiative ([http://www.soros.org/initiatives/cep/articles\\_publications/publications/eiti\\_20061011/eye\\_20061019.pdf](http://www.soros.org/initiatives/cep/articles_publications/publications/eiti_20061011/eye_20061019.pdf))
- Case Study of the Nigerian EITI\_“Leaving a legacy of Transparency in Nigeria” ([http://www.soros.org/resources/articles\\_publications/publications/nigeria\\_20070402/nigeria\\_20070410.pdf](http://www.soros.org/resources/articles_publications/publications/nigeria_20070402/nigeria_20070410.pdf))

Publish What You Pay (PWYP) (<http://www.publishwhatyoupay.org/english/>) is a campaign aiming to help citizens of resource-rich developing countries to hold their governments accountable for the management of revenues from the oil, gas and mining industries.

The Joint Oil Data Initiative (JODI) (<http://www.jodidata.org>) is a global initiative supported by several international organizations aimed at enhancing the quality and transparency of oil market data.

#### *Monitoring government borrowing and aid*

The International Aid Transparency Initiative (IATI) (<http://www.dfid.gov.uk/Global-Issues/Working-to-make-Global-Aid-more-effective/International-Aid-Transparency-Initiative>) aims to make public information on aid spending and activities more available and more accessible, worldwide.

The IFI Transparency Resource (<http://www.ifitransparencyresource.org/en/index.aspx>), a project of the Bank Information Center (BIC) and *freedominfo.org*, is extensive information tool on transparency at the International Financial Institutions (IFIs). The Resource was developed to support the Global Transparency Initiative (<http://www.ifitransparency.org>) an informal network of civil society organizations focused on opening the IFIs and promoting higher standards in global governance.

## **RESOURCES**

#### *Public revenue transparency*

Revenue Watch Institute [www.revenuewatch.org](http://www.revenuewatch.org) promotes responsible management of natural resources. In conjunction with other organisation it is currently creating an index on revenue transparency globally and its growth as a movement <http://www.revenuewatch.org/our-work/projects/promoting-the-revenue-transparency-index.php>

The Promoting Revenue Transparency Project, conducted by Transparency International and the Revenue Watch Institute, seeks to raise awareness in both government and the private sector of the various steps required for revenue transparency to be achieved, sustained and mainstreamed.

Links :

- <http://revenuewatch.org/our-work/projects/promoting-the-revenue-transparency-index.php>
- [http://www.transparency.org/policy\\_research/surveys\\_indices/promoting\\_revenue\\_transparency](http://www.transparency.org/policy_research/surveys_indices/promoting_revenue_transparency)

### Can civil society add value to budget decision-making?

(<http://www.internationalbudget.org/resources/library/civilsociety.pdf>)

The report outlines and makes the case for civil society involvement at different stages throughout the public budget cycle, including the monitoring of public revenues.

### The Reports on the Observance of Standards and Codes (ROSC) initiative of the World Bank

([http://www.worldbank.org/ifa/rosc\\_aa.html](http://www.worldbank.org/ifa/rosc_aa.html)) seeks to assist member countries to implement international accounting and auditing standards and strengthen financial reporting.

### *Tax revenue analysis*

A Guide to Tax Work for NGOs (<http://www.internationalbudget.org/GuideTaxWork.pdf>)

A guide and call to action for civil society work on tax and revenue policies

### *Monitoring natural resource revenues*

Follow The Money: A Guide to Monitoring Budgets and Oil and Gas Revenues

([http://www.soros.org/initiatives/cep/articles\\_publications/publications/money\\_20041117/follow\\_money.pdf](http://www.soros.org/initiatives/cep/articles_publications/publications/money_20041117/follow_money.pdf))

This report outlines best practices in monitoring extractive industry revenues.

Drilling Down: The Civil Society Guide to Extractive Industry Revenues and the Extractive Industries Transparency Initiative (2008) Resource Watch Institute.

<http://www.revenuewatch.org/news/publications/drilling-down.php>

This publication (available in English, French and Spanish) provides step-by-step explanations of each phase of EITI implementation and unpacks issues that activists face at each stage.

Guide on resource revenue transparency

([www.imf.org/external/pubs/ft/grrt/eng/060705.pdf](http://www.imf.org/external/pubs/ft/grrt/eng/060705.pdf))

This guide prepared by the IMF provides a summary overview of good practices for transparency of resource revenue management and guidelines for their effective implementation.

EITI Guide for Legislators: How to Support and Strengthen Resource Transparency (2009)

Revenue Watch Institute, NDI, EITI Secretariat.

This guide (available in English, French and Arabic) provides a roadmap for law-makers to understanding and improving resource revenue management.

## **Organisations/websites**

Revenue Watch Institute ([www.revenuewatch.org](http://www.revenuewatch.org)) promotes the responsible management of oil, gas and mineral resources for the public good.

The International Budget Project (<http://www.internationalbudget.org>) provides comprehensive information and guidance on different approaches and examples of action by government to report and enhance public access to information.

The Open Budget Initiative ([www.openbudgetindex.org](http://www.openbudgetindex.org)) of the International Budget Partnership is a global research and advocacy programme to promote public access to budget information (including public revenues) and the adoption of accountable budget systems.

The Open Budget Index assigns a score to countries based on the information they make available to the public through the budget process. Information about key indicators of budget transparency as well as approximately individual country assessments can be accessed at the Open Budget Index website. (<http://www.openbudgetindex.org>)

Open Budget Tools (<http://www.openbudgetindex.org/tools>)

Provides links to resources related to budget transparency and accountability, including access to information about public revenues.

Open Society Institute ([www.soros.org](http://www.soros.org))

The Open Society Institute works to build democracies whose governments are accountable to their citizens. Among other initiatives, they support revenue transparency activities in countries around the world.

Transparency International Transparency International TI works to decrease government corruption and promote transparency in government policy, budgets and international trade. Its various national chapters support a number of transparency initiatives, including access to information about public revenues.

The Publish What You Pay campaign (PWYP) is a global coalition of more than 300 NGOs helping citizens to hold their governments accountable for the management of revenues from the oil, gas and mining industries.

Freedom of Information ([www.freedominfo.org](http://www.freedominfo.org))

This site provides a wealth of information about the state of freedom of information in different countries around the world (including references to public revenue reporting).

Privacy International (<http://www.privacyinternational.org/index.shtml>) is another organisation that advocates for freedom of information.

*Find out more about public debt at:*

- [www.afrodad.org](http://www.afrodad.org)
- [www.jubileedebt.campaign.org.uk](http://www.jubileedebt.campaign.org.uk)
- [www.unitar.org/dfm/Resource\\_Center/Links/NGO\\_s.htm](http://www.unitar.org/dfm/Resource_Center/Links/NGO_s.htm)
- [www.imf.org/external/np/mae/pdebt/2000/eng](http://www.imf.org/external/np/mae/pdebt/2000/eng) – Guidelines for Public Debt Management