

## Public Revenue Reporting and Monitoring

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### Tool summary

Public revenue reporting serves to inform the citizens of the sources and amounts of government revenue and how it is proposed to be utilized. The public disclosure of such information is necessary for citizens to understand the financial resources that government has at its disposal, thereby supporting their engagement with the government on issues of public finance. Public revenue reporting also forms the basis for public revenue monitoring which aims to ensure public revenues are properly managed. By complementing the task of tracking public budgets and expenditure, public revenue reporting and monitoring plays a crucial role in holding the government accountable for its decisions and actions.

### What is it?

A government's income or revenue determines the quantum of funds available for it 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. Therefore, It is important for CSOs and the public at large to know about the sources and amounts of public revenues.

Armed with information on public revenues, the CSOs can then initiate the monitoring of public revenues which involves: identifying and analysing sources and amounts of government revenues like taxes, income from natural resources, loans and grants; and assessing the fairness and efficiency of revenue generation such as for e.g. the systems of taxation and the management of natural resources. Together with public revenue reporting, the monitoring of public revenue acts complementary to monitoring public budgets, and tracking what the government does with that revenue. It allows citizens and civil society to question and/or influence how governments mobilize financial resources and how those resources are utilized.

The main sources of public revenue are:

- Taxes and levies such as for e.g. income tax, property tax, sales tax, license fees, import and export duties, levies charged for services etc
- Earnings from natural resources like oil, gas, minerals etc
- Loans from other governments, the private sector, or international financial institutions like the [International Monetary Fund](#), [World Bank](#) and regional development banks that must eventually be repaid with interest; and
- Grants-in-aid 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?

Public reporting and monitoring involves three components:

#### *1. Component one: Revenue transparency/reporting*

Governments release or publish financial information through various avenues such as web sites, financial statements and reports, press releases, public bulletin boards, community radio etc.

- A first step for concerned citizens/CSOs is to determine what types of revenue reports are publicly available.
- Request copies of these reports while 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, revenues from natural resources, 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 in terms of their sustainability and equitability.

#### *2. Component two: Monitoring revenues from natural resources*

Revenues from natural resources such as oil, gas and minerals, also known as 'extractive industries', are an important source of income for the governments of

in many developing countries. When properly managed, these revenues can serve as a valuable source of funds poverty reduction, economic growth and sustainable development. Unfortunately, this is often not the case as the lack of transparency and strong regulatory institutions has led to large scale abuse of funds and corruption.

Companies in the extractive industry make payments directly to governments in the form of royalties, bonus payments and taxes providing the state with an independent source of funds unlike taxes which are citizen-dependent. Citizens often have little or no access to information about these payments, because contracts with extractive industry companies are customarily shrouded in mutual confidentiality clauses forbidding either party from disclosing information without permission of the other. In the economies of resource rich countries, 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. This partly explains the poor development outcomes in resource rich countries.

In this context, an immediate high priority is to improve the quality and public disclosure of data on resource revenue transactions. When 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 described in the succeeding of this article such as the Extractive Industry Transparency Initiative and the Publish What You Pay Campaign demonstrate the nature of 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.

### *3. Component three: Monitoring government borrowing and aid*

Many developing countries depend on external loans or grants as a major source of revenue. In order to ensure such sources of revenue are justly and equitably used, 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 add up to the public debts which must eventually be repaid often with interest. It is therefore important for citizens and CSOs to be aware of the extent 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, 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 for e.g. through taxes and user fees and rely upon them for e.g. to fund essential public services.
- Serves to hold the governments accountable, for example, by identifying inefficiencies, inconsistencies, leakages or corruption in the generation 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 countries, access to information on public revenue



streams is still very limited. Therefore, it may be difficult to articulate a clear and comprehensible 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 agency and keep records of such correspondence and work with the media to publicise denial or fulfilment of requests.
- Sometimes information made available can be difficult to decipher. Hence 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 track public revenue properly 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](#) or [EITI](#) 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 bring about systematic change.

## Key resources

International Budget Partnership (IBP): Can Civil Society Add Value to Budget Decision-making?

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

- ☞ The International Budget Partnership provides comprehensive information and guidance on different approaches and examples of action by government to report and enhance public access to information. This IBP report outlines and makes the case for civil society involvement at different stages throughout the public budget cycle, including the monitoring of public revenues.

International Budget Partnership (IBP): Tax revenue analysis - A Guide to Tax Work for NGOs

<http://www.internationalbudget.org/GuideTaxWork.pdf>

- ☞ This IBP publication is a comprehensive guide and a call to action for civil society work on tax and revenue policies

International Budget Partnership: The Open Budget Initiative



[www.openbudgetindex.org](http://www.openbudgetindex.org)

- ☞ The Open Budget Initiative of IBP 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 is a component of the Open Budget Initiative that 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 which also provides links to resources related to budget transparency and accountability, including access to information about public revenues.

International Monetary Fund (IMF): A 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.

Open Society Foundation: Publish What You Pay,  
[www.publishwhatyoupay.org](http://www.publishwhatyoupay.org)

- ☞ The Publish What You Pay campaign (PWYP) is a global coalition of more than 300 NGOs across 50 countries helping citizens to hold their governments accountable for the management of revenues from the oil, gas and mining industries.

Revenue Watch Institute: Public revenue transparency  
<http://www.revenuwatch.org/our-work/projects/promoting-the-revenue-transparency-index.php>

- ☞ *Revenue Watch Institute* promotes responsible management of oil, gas and mineral resources for the public good. In conjunction with other organisations it is currently creating an index on revenue transparency globally and its growth as a movement. The Promoting Revenue Transparency Project, conducted by Revenue Watch Institute and Transparency International 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.

Revenue Watch Institute & Extractive Industries Transparency Initiative (EITI)  
2008: Drilling Down - The Civil Society Guide to Extractive Industry Revenues  
<http://www.revenuwatch.org/news/publications/drilling-down.php>



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

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

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

SOROS Institute: 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)

- ☞ 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. This report by Open Society Institute outlines best practices in monitoring extractive industry revenues.

World Bank: The Reports on the Observance of Standards and Codes (ROSC)  
[http://www.worldbank.org/ifa/rosc\\_aa.html](http://www.worldbank.org/ifa/rosc_aa.html)

- ☞ The Reports on the Observance of Standards and Codes (ROSC) initiative of the World Bank seeks to assist member countries to implement international accounting and auditing standards and strengthen financial reporting.

Transparency International

[http://www.transparency.org/policy\\_research/surveys\\_indices/promoting\\_revenue\\_transparency](http://www.transparency.org/policy_research/surveys_indices/promoting_revenue_transparency)

- ☞ Transparency International| TI works to combat 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.

## Supplementary resources

Freedom of Information

[www.freedominfo.org](http://www.freedominfo.org)

- ☞ This site is a one-stop portal that describes best practices, consolidates lessons learned, explains campaign strategies and tactics, and links the



efforts of freedom of information advocates around the world. It also includes references to public revenue reporting.

Privacy International

<http://www.privacyinternational.org/index.shtml>

☞ Privacy International is another organization that advocates freedom of information.

## Case Studies

### 1. 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. Some useful examples of tax revenue analysis are:

- The [Centre on Budget and Policy Priorities](#) has played an active role in deepening the tax debate in the United States of America by for instance arguing that President Bush's proposed tax cuts would not necessarily help the U.S. out of its current economic slowdown.  
Source: <http://www.cbpp.org/2-22-01tax.pdf>
- The [Institute for Public Finance](#) (Institute za Javne Financije) 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 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.
- Ireland National Economic and Social Forum: The case of Ireland illustrates an attempt to institutionalize multi-stakeholder participation in tax policy changes in the tax policy and analysis  
Source: "Citizen Participation & Pro-poor Budgeting, a United Nations Publication (2005) P 51-52:  
<http://unpan1.un.org/intradoc/groups/public/documents/UN/UNPAN020213.pdf>
- In La Paz, a Bolivian city, the Mayor Ronald MacLean Abaroa supported tax collection through established banks and adopted external auditing mechanisms to minimize possibilities of corruption.  
Source: Corrupt Cities: A Practical Guide to Cure and Prevention  
<http://www.worldbank.org/wbi/governance/pubs/corruptcities.html>



## 2. Monitoring natural resource revenues

- [The Extractive Industries Transparency Initiative \(EITI\)](#) 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 \(PWYP\)](#) 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 \(JODI\)](#) is a global initiative supported by several international organizations aimed at enhancing the quality and transparency of oil market data.

## 3. Monitoring government borrowing and aid

- [The International Aid Transparency Initiative \(IATI\)](#) aims to make public information on aid spending and activities more available and more accessible, worldwide.
- [The IFI Transparency Resource](#), a joint project of the Bank Information Center (BIC) and freedominfo.org, is an extensive information tool on transparency at the International Financial Institutions (IFIs). The Resource was developed to support the [Global Transparency Initiative](#), an informal network of civil society organizations focused on opening the IFIs and promoting higher standards in global governance.