

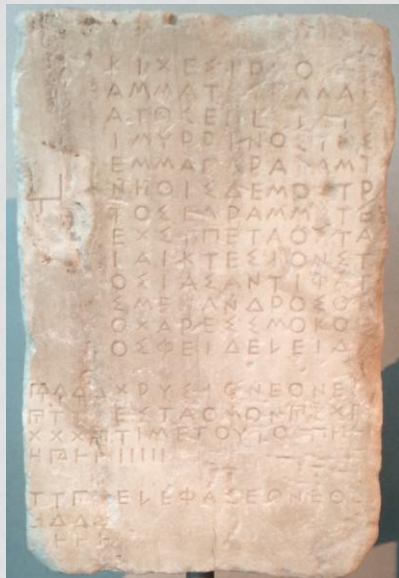


# FISCAL TRANSPARENCY, ACCOUNTABILITY AND PARTICIPATION

Adrian Fozzard,  
World Bank, May 27, 2014



## RATIONALE



### **Fundamental Right**

- Freedom of Information
- Legal enforcement

### **Instrument of Governance**

- Informs voice and political process
- Enables accountability
- Improves performance
- Reduces risk of corruption

### **Instrument of Policy**

- Communicates to other economic actors
- Informs decisions
- Reduces economic risks and costs

## EVIDENCE

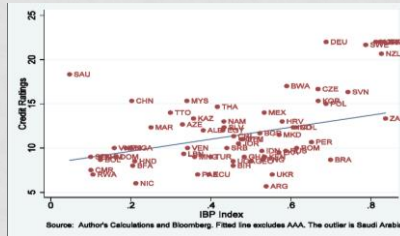
Cross-country studies :

- better **credit ratings** and **lower bond spreads** (Hameed 2005, 2011)
- better **fiscal discipline** (Dabla-Norris et al, 2010)
- lower **public debt** (IMF 2012)
- declines in **borrowing costs** (Glennester and Shin , 2008)
- positive **human development** outcomes (Fukuda-Parr et al. 2011)

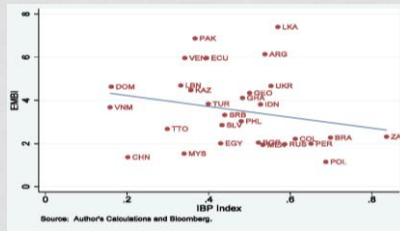
Case studies:

- reduced **budget leakages** (Reinnaka et al 2002; Joshi 2010)
- increased **tax revenues** (Schneider and Baquero 2006)

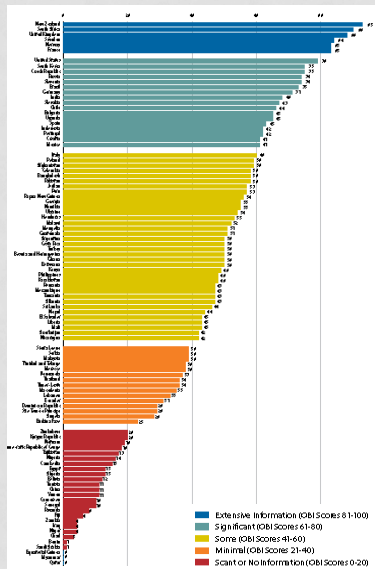
OBI v. Credit Ratings (Hameed, 2011)



OBI v. EMBI Sovereign Spreads (Hameed, 2011)



## NORMATIVE FRAMEWORK



### Standards

- GFS 1986, 2001
- IPSAS, 2000 ...

### Norms

- IMF Fiscal 1999, 2007, 2014
- OECD Budget 2000

### Diagnostics

- IMF ROSCs
- PEFA 2005, 2014
- Open Budget Survey 2006 ...

### Principles:

- Global Initiative for Fiscal Transparency, 2013

# OPENNESS

## Clarity of roles and responsibilities

- Clear, open regulatory and institutional framework

## Open Budget Processes

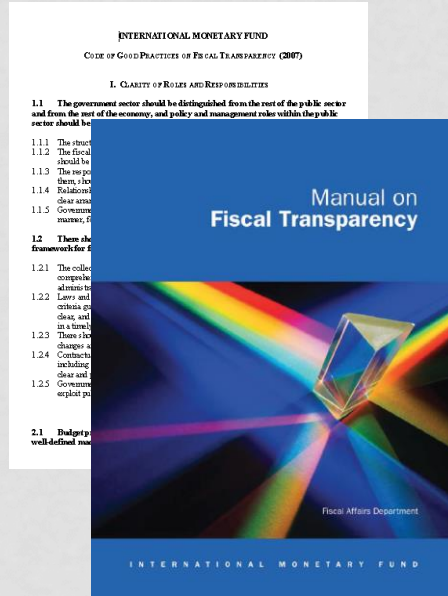
- Well-defined timetable
- Clear policy objectives
- Clear procedures

## Public availability of information

- Comprehensive timely information that facilitates analysis

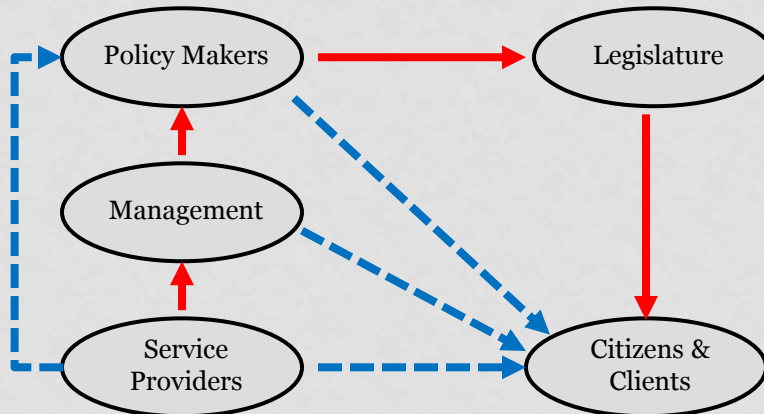
## Independent Assurances of Integrity

- Data quality standards
- Internal controls
- External scrutiny



# ACCOUNTABILITY

For public funds and results ....



... through voice and choice.

## Supreme Audit Institution

- Lima & Mexico Declarations

## Statistics Authority

- ROSC

# BUDGET DOCUMENTS

## Availability of Key Budget Documents Open Budget Survey 2012

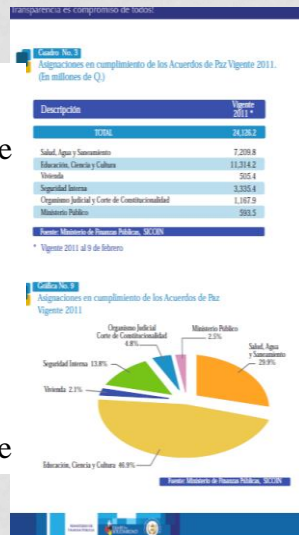
Country	Pre-Budget Statement	Executive's Budget Proposal	Citizens Budget	Enacted Budget	In-Year Reports	Mid-Year Review	Year-End Report	Audit Report
Albania	●	●	●	●	●	●	●	●
Azerbaijan	●	●	●	●	●	●	●	●
Bosnia & Herz	●	●	●	●	●	●	●	●
Bulgaria	●	●	●	●	●	●	●	●
Croatia	●	●	●	●	●	●	●	●
Georgia	●	●	●	●	●	●	●	●
Kazakhstan	●	●	●	●	●	●	●	●
Kyrgyz Rep.	●	●	●	●	●	●	●	●
Macedonia	●	●	●	●	●	●	●	●
Romania	●	●	●	●	●	●	●	●
Russia	●	●	●	●	●	●	●	●
Serbia	●	●	●	●	●	●	●	●
Tajikistan	●	●	●	●	●	●	●	●
Turkey	●	●	●	●	●	●	●	●
Ukraine	●	●	●	●	●	●	●	●

● Available to Public    ● Available for Internal Use    ● Not Produced

# QUALITY OF INFORMATION

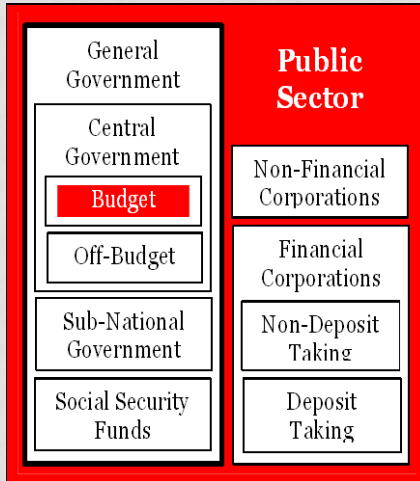


- Accessible
- Comprehensive
- Relevant
- Timely
- Contextual
- Reliable
- Understandable



## COVERAGE OF INSTITUTIONS

### GFS Structure of Public Sector



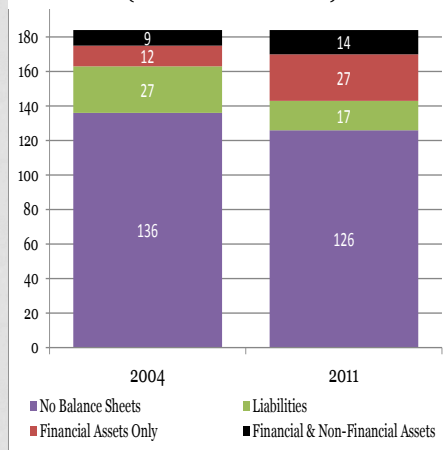
### Distinct Governance Requirements

- Local Authorities
- Off-Budget Funds
- Social Security Funds
- Sovereign Wealth Funds
- Autonomous Entities
- State-Owned Enterprises

## COVERAGE OF OPERATIONS

- 🔴 Assets
- 🔴 Liabilities
- 🔴 Contingent Liabilities
- 🔴 Tax Expenditures
- 🔴 Quasi-fiscal operations
- 🔴 Procurement

GFS Reporting of Assets & Liabilities  
(Number of countries)

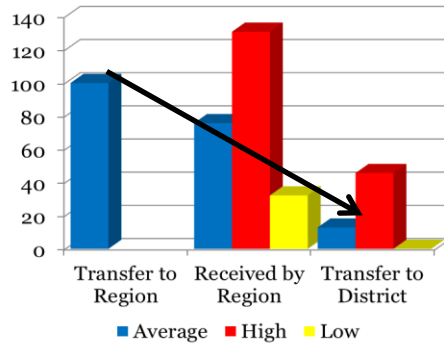


Source: IMF 2012

## DOWNSTREAM

Central government budget data doesn't necessarily reflect reality on the ground ...

**Transfers Central Government to District Health Offices**



Source: Hippolyte Fofack (2008)

### Ground truth?

- Data available for service delivery point
- Link expenditure and performance data
- Set standards for service delivery
- Benchmark service providers
- Publish league tables

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## E-PUBLICATION

### Is there a dedicated public finance website?

There is a dedicated website with links to budget-related reports visible from home page	125
Public finance links not visible from homepage or on separate website without direct links	41
No dedicated website for public finance information	32

Source: FMIS and Open Budget Data

### What is the source of public finance data?

Dynamic website linked with FMIS database: interactive query options for reports	12
Dynamic website some linked with database to present data from predefined list (mainly PDF, XLS)	22
Static website not linked to database to publish data from unidentified sources (mainly PDF)	132
No published public finance information	32

Source: FMIS and Open Budget Data

### Open Data

- Data accessible, convenient and modifiable form
- Free and universal reuse, redistribution and intermixing with other datasets.
- Promote innovative applications through competitions (World Bank *Apps for Development*), collaboration with CSOs and encouraging commercial applications

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## POLICY ANALYSIS

### Government

- Spending Reviews
- Program Evaluations
- Gender Budgeting

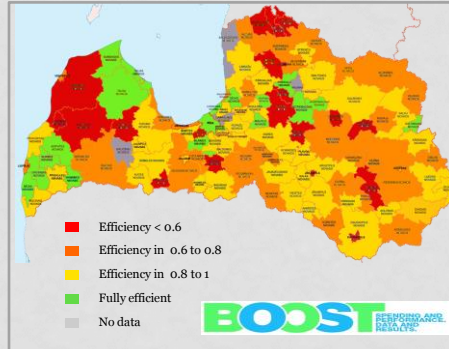
### Civil Society

- Budget briefs
- Alternative budgets

### International Organizations

- Public Expenditure Reviews
- Public Expenditure Tracking
- Poverty and Social Impact Assessments

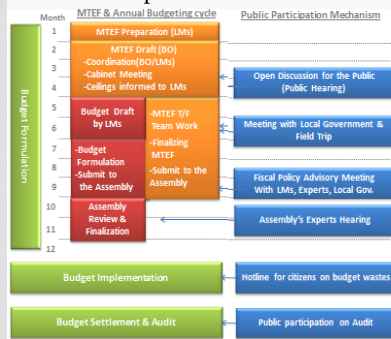
### Latvia Relative Efficiency of Schools Using Data Envelopment Analysis



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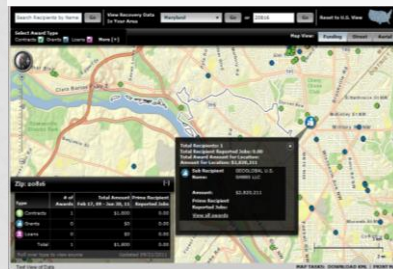
## ENGAGEMENT

### Structured Budget Consultations Republic of Korea



- Expert panels
- Public hearings
- Surveys
- Focus groups
- Participatory assessments

### Reconstruction & Recovery Act (2009) Social Monitoring of Projects

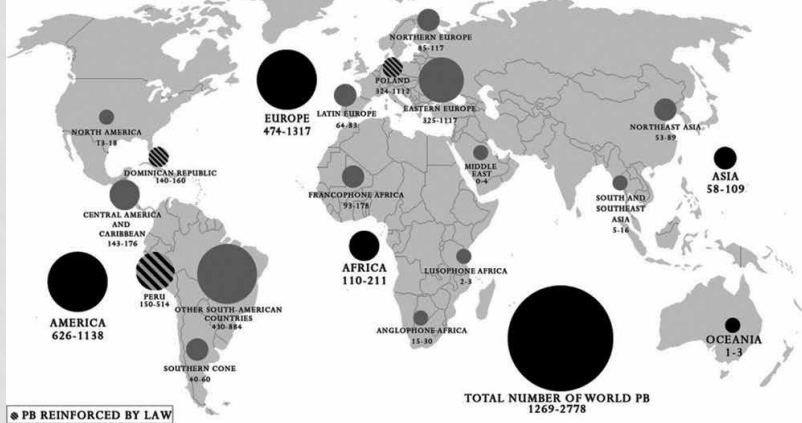


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- Hotlines
- Social Monitoring
- Social Auditing

## PARTICIPATORY BUDGETING

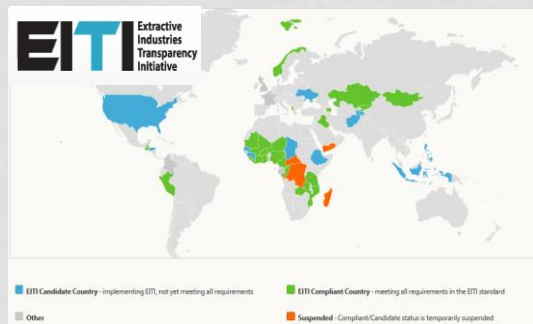
Source: Sintomer, Herzberg, Allegretti 2013



- Project selection, budget allocation
- Citizens vote on priorities, decisions binding
- Mandated by municipal codes / national law (Peru, DR, Poland)

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## MULTI-STAKEHOLDER INITIATIVES



- Civil society, Government and Extractive Industry partners in monitoring revenues
- Publication of payments by companies and government revenues received
- Independent assurance and reconciliation
- All companies (incl. state owned enterprises) participate



- Proactive disclosure of public procurement information
- Reactive disclosure
- Independent assurance including project review



- Principles
- Advocacy and resources
- Governments, Civil Society, IFIs

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