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 (Glennerster 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)

NORMATIVE FRAMEWORK

Standards
GFS 1986, 2001
IPSAS, 2000 ...

Norms
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 ....

Policy Makers → Legislature

Management

Service Providers → Citizens & Clients

... through voice and choice.

Supreme Audit Institution
- Lima & Mexico Declarations

Statistics Authority
- ROSC
BUDGET DOCUMENTS

Availability of Key Budget Documents
Open Budget Survey 2012

<table>
<thead>
<tr>
<th>Country</th>
<th>Pre-Budget Statement</th>
<th>Executive's Budget Proposal</th>
<th>Citizens Budget</th>
<th>Enacted Budget</th>
<th>In-Year Reports</th>
<th>Mid-Year Reviews</th>
<th>Year-End Reports</th>
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☑ 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

- General Government
- Central Government Budget
- Off-Budget
- Sub-National Government
- Social Security Funds
- Non-Financial Corporations
- Financial Corporations
- Non-Deposit Taking
- Deposit Taking

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 ...

**Ground truth?**

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

![Transfers Central Government to District Health Offices](chart)

Source: Hippolyte Fofack (2008)

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**E-PUBLICATION**

**Is there a dedicated public finance website?**

<table>
<thead>
<tr>
<th>Website Type</th>
<th>Description</th>
<th>Frequency</th>
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<tbody>
<tr>
<td>Dedicated</td>
<td>Website with links to budget-related reports visible from homepage</td>
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<tr>
<td>Public</td>
<td>Finance links not visible from homepage or on separate website without direct links</td>
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<tr>
<td>No website</td>
<td>No dedicated website for public finance information</td>
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</table>

Source: FMIS and Open Budget Data

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

<table>
<thead>
<tr>
<th>Source Type</th>
<th>Description</th>
<th>Frequency</th>
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<tr>
<td>Dynamic</td>
<td>Website linked with FMIS database: interactive query options for reports</td>
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<tr>
<td>Dynamic</td>
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<tr>
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<td>Website not linked to database to publish data from unidentified sources (mainly PDF)</td>
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<tr>
<td>No published</td>
<td>No published public finance information</td>
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</table>

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
**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

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

![Efficiency Levels](image)

- Efficiency < 0.6
- Efficiency in 0.6 to 0.8
- Efficiency in 0.8 to 1
- Fully efficient
- No data

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**ENGAGEMENT**

**Structured Budget Consultations Republic of Korea**

<table>
<thead>
<tr>
<th>Month</th>
<th>MOPS &amp; Annual Budgeting, Adm.</th>
<th>Public Participation Mechanism</th>
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- Expert panels
- Public hearings
- Surveys
- Focus groups
- Participatory assessments

**Reconstruction & Recovery Act (2009)**

**Social Monitoring of Projects**

- 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)

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