MODULE 7: FISCAL TRANSPARENCY

A. INTRODUCTION

Fiscal transparency is part of a broader notion of transparency or access to information in the public sector. Transparency has two distinct dimensions: first, access to information about the processes and procedures by which the public sector takes and implements decisions; and second, access to information generated, held and used by the public sector.

Transparency can be seen as an objective in itself: Article 19 of the Universal Declaration of Human Rights enshrines a fundamental right of access to information in the public sector. Transparency can also be seen as a means of achieving improved governance. Transparency informs the exercise of voice by citizens, helping them influence decision making through their representatives and the political process. Providing stakeholders with information about the public sector's intentions, actions and their consequences is also a necessary - but not a sufficient - condition for accountability.

Fiscal transparency is usually defined and assessed in terms of the availability and quality of information about the institutional arrangements for public financial management and the public sector's planned and actual financial operations. Against this criterion, OECD countries tend to rate higher than developing countries: resource-rich developing countries are often particularly poor performers.

Fiscal transparency is important because it allows "the electorate and financial markets [to] accurately assess the government's financial position and the true costs and benefits of government activities, including their present and future economic and social implications" [1]. Disclosure of fiscal information reduces market risk and asymmetries of information allowing markets to function more efficiently. By enabling accountability for public spending, fiscal transparency can also reduce fiduciary risks and improve efficiency and effectiveness of public spending. Cross-country analyses have shown that countries whose public finances are more transparent have better fiscal discipline, a lower perceived level of corruption, better credit ratings and lower public sector borrowing costs[2].

In recent years, transparency has become an integral part of a broader Open Government agenda. This seeks to achieve improvements in accountability and government performance by combining transparency with participation, so that stakeholders can contribute ideas and information to the public sector, and collaboration, through partnerships between the public sector and stakeholders in decision-making and implementing public policy. Champions of Open Government include the United States, United Kingdom and Australia and middle income countries such as Brazil and South Africa. Open Government has important implications for public expenditure management, requiring greater engagement of civil society throughout the budget process.

WBG work on fiscal transparency covers this broad spectrum, from countries where WBG encourages publication of basic budget documents to countries at the cutting edge, implementing

[1] George Kopits and Jon Craig (1998) *Transparency in Government Operations*, IMF Occasional Paper 158.

[2] Farhan Hameed (2005) *Fiscal Transparency and Economic Outcomes*, IMF Working Paper, WP/05/225.

innovative approaches to open government. The WBG is an advocate for fiscal transparency as a means of strengthening governance. Fiscal transparency is an important consideration in PFM and fiduciary assessments at the country, sector and project level. The progress that country has made towards fiscal transparency impact on the level of development assistance a country receives and the form of this assistance. Indeed, the WBG recently announced that countries that have not published their budget within the last twelve months will not be eligible for financing from development policy operations.

This module covers this broad spectrum, starting with the basics and moving on to innovative applications. The module covers: Standards and assessments; Transparency in the budget process; Open budgeting and social monitoring; Multi-stakeholder initiatives; Using information technology; and Promoting fiscal transparency and open government.

B. STANDARDS AND ASSESSMENTS

It is helpful to distinguish between fiscal transparency standards; accounting and auditing standards; fiscal information standards; and assessment tools and instruments.

The reference **fiscal transparency standard** is the IMF *Code of Good Practices on Fiscal Transparency*. The Code was developed in the wake of the Asian crisis, in 1998 - updated in 2007 - as part of a broader Standards and Codes Initiative which seeks to address risks to the international financial architecture. The Code is based on four principles: clarity of roles and responsibilities; open budget processes; public availability of information; and assurances of integrity. A *Manual on Fiscal Transparency* provides guidance on implementation[3].

The IMF undertakes periodic Fiscal Transparency ROSCs (Review of the Observance of Standard and Codes) as requested by national authorities as part of its broader economic surveillance. Assessment reports describe the transparency regime and provide recommendations. They do not score or otherwise benchmark the level of transparency achieved. Reports are published as authorized by national authorities. As of December 2010, 93 Fiscal Transparency ROSCs had been posted on the IMF website[4].

The OECD published a set of *Best Practices in Fiscal Transparency* in 2001[5]. The best practices list the principal budget reports that governments should produce and their content, and highlight practices for ensuring the quality and integrity of the reports. The scope of the OECD Best Practices is comparable to IMF Fiscal Transparency Code. However, the OECD has not established a review mechanism to assess compliance. The best practices are simply a reference tool.

Accounting standards lay out the basis for financial reporting (see Module "*Basis for Accounting and Accounting Standards*"). This is helpful for transparency because it establishes a consistent framework for financial information thereby facilitating interpretation and reducing scope for omitting, disguising and manipulating data. Accounting standards have changed significantly over the last ten years as the International Public Sector Accounting Standards Board (IPSASB) has sought to converge public sector standards with the International Financial

[3] http://www.imf.org/external/np/pp/2007/eng/101907m.pdf

[4] http://www.imf.org/external/np/exr/facts/fiscal.htm

[5] http://www.oecd.org/dataoecd/33/13/1905258.pdf

Reporting Standards (IFRS). This requires financial reporting on a full accrual basis, providing valuable information on government assets, liabilities and a wide range of financial transactions. National authorities, sometimes through a public sector accounting standards body with professional representation, are responsible for determining the appropriate basis for financial reporting in each country. As of June 2011, just fourteen countries are known to be using a full accrual basis for public sector financial reporting, though many more have adopted elements of the standard.

The International Organization of Supreme Audit Institutions (INTOSAI) plays an important role in supporting the development of national standards for auditing in the public sector. These standards are laid out in the Lima and Mexico declarations of principles, which are primarily concerned with the independence of the audit institution, an accounting standard framework[6] and guidance on the design and implementation of national standards internal control, audit and technical issues such as performance auditing. INTOSAI does not conduct a systematic assessment of compliance with standards: national audit institutions may request peer review by other INTOSAI members.

Fiscal information standards, like the accounting standards, play an important role in ensuring consistency in the presentation of fiscal information by national authorities. The key standard here is the IMF's framework for preparing Government Finance Statistics (GFS), published in 2001[7]. The GFS Manual provides definitions, classifications and guidelines for presenting government finance statistics which are based on universally applicable economic principles. The 2001 GFS differs from the original 1986 version in recording financial operations on an accrual basis. The Manual notes that most countries will have to introduce the new GFS gradually, as systems are put in place to collect information. Many countries use GFS economic and functional classifications in their budgets and charts of accounts, facilitating compilation of statistical reports. GFS will also include a range of institutions that are not reflected in the central government budget, such as local government. This is allows policy analysts to have a comprehensive picture of the structure of public sector fiscal activities that would not otherwise be available.

The International Budget Partnership, a Washington DC-based civil society organization dedicated to promoting open, participatory, and accountable public budgeting, launched an *Open Budget Index* in 2006. This **assessment tool** draws on indicators used in the IMF Code and the OECD Best Practices, focusing on the availability of key budget reports and the extent to which there are opportunities for citizen engagement in the budget process through consultations, complaint mechanisms and the publication of simplified, citizen-friendly documents at key points in the budget cycle. Data is collected by CSOs in each country every two years and verified by IBP. The index, which covered 94 countries in 2010, ranks countries by their performance against a composite indicator of budget transparency[8]. The country ranking makes the Open Budget Index a powerful advocacy tool, since highlights relative performance in a way

[6] http://intosai.connexcc-hosting.net/blueline/upload/1mdaimplguidee.pdf

[7] http://www.imf.org/external/pubs/ft/gfs/manual/pdf/all.pdf

[8] http://www.internationalbudget.org/budget-analysis/

BOX 1: ROUTINE BUDGET DOCUMENTS

- **Expenditure plans**, including MTEFs and Public Investment Programs
- **Pre-Budget Statement**, presenting assumptions used in preparing the budget, fiscal aggregates and broad allocations.
- **Executive's Budget Proposal** which lays out the policies and priorities for the fiscal year, including macro-economic assumptions, revenue targets, expenditure allocations and financing requirements according to various classifications, together with debt stock and assets. The budget may include performance information.
- **Budget as approved by the legislature,** incorporates any amendments made to policies and appropriations.
- **Budget execution reports**, provide information of actual against planned revenue, expenditures and financing. Timely publication of reports would be within a month of close of period.
- **Mid-year budget reviews**, where produced, which include any virement or adjustments in expenditure allocations.
- **Year-end financial statements,** providing information on actual revenue, expenditure and financing against the adjusted plan. Financial statements should be available three to six months after the end of the fiscal year.
- **Public procurement reports**, relevant to the private sector and for control purposes, namely procurement plans, bidding opportunities, contract awards and data on the resolution of procurement complaints. Ideally, procurement performance information should also be available.
- **Performance reports,** includes information targets, outputs and outcomes achieved by agencies and service delivery units.
- **Audit reports**, prepared by the audit authority, available six to twelve months after the Ministry of Finance has submitted its financial statement.

that can be easily communicated. IBP also uses the Index as a diagnostic tool to identify areas where governments can improve transparency and to inform CSO discussion with the authorities on fiscal transparency issues.

The Public Expenditure and Financial Accountability (PEFA) Program, launched in 2001 and updated in 2007, addresses transparency as part of a broader assessment of the condition of country public expenditure, procurement and financial accountability systems. The PEFA Performance Measurement Framework is a **diagnostic and monitoring tool** comprising twenty-eight indicators in three broad groups: credibility of the budget; comprehensiveness and transparency; and the budget cycle, which includes indictors on reporting and oversight. While many of these indicators address dimensions of fiscal transparency, the PEFA framework does not cover all the information required in the IMF Code and is not specifically geared to assessing fiscal transparency. PEFA scores can be used to benchmark progress against comparators. However, PEFA does not generate rankings. Its primary purpose to provide countries with a monitoring framework that enables them to monitor progress over time.

C. TRANSPARENCY AND THE BUDGET PROCESS

Modern organic budget laws and supporting regulations lay out the legal and institutional framework for fiscal transparency by mandating the **publication of budget documents** at particular points of the budget cycle. Box 1 lists of key documents identified by the IMF, OECD and PEFA as constituting the basic requirements for fiscal transparency. In addition to documentation generated through the budget process, the procedures regarding budget preparation, approval, execution and amendment should be publicly available.

Publication of documents in itself is no guarantee of transparency. Transparency requires information to be:

- **Accessible**. Traditionally, providing access to financial information has entailed the printing of budgets and periodic reports. Location, limited print runs and cost can be significant barriers to access. Today, most users will expect internet access to budget documents. Where governments use IFMIS they may be able to make accessible a much wider range of disaggregated data drawing on the underlying transactions. Increasingly, users expect much of this data to be downloadable.
- **Relevant**. Information has to be presented in such a way that it serves the needs of users. Besides the internal management, the legislature and oversight institutions, the media and civil society use information to inform and advocate as well as fulfilling an important watchdog function; markets use information to inform business decisions such as credit risk assessments and identification of business opportunities. In order to meet the needs of these distinct audiences, governments have to provide information using a range of classifications (administrative, economic, functional, program, territorial). Sophisticated IFMIS allow external users to run interactive queries to generate information that suites their particular requirements.
- **Timely**. Information has to be available at a time when it can be used for the purpose intended. Significant delays in the publication of reports may mean that the information is not available for the decision-making process or monitor progress in implementation. Delays in the production of reports most frequently occur during budget execution. These delays are greatly reduced where countries introduce IFMIS.
- **Contextual**. Analysis of fiscal data requires a context. This may entail provision of historical information, projections and information on the assumptions used to generate data. Increasingly, budget documents include narratives explaining the objectives of budget policy and relating financial information to the outputs and outcomes that they are supposed to achieve.
- **Reliable**. The information provided in budgets should represent the government's intentions and the information presented in reports should reflect the underlying transactions. Price adjustments to appropriations, incomplete reporting and systematic misclassification of financial transactions distort the overall picture of public finances. Public officials are usually required to certify the veracity of the information contained in reports.
- **Understandable**. Public finance is a technical field that uses jargon that may not be familiar to the intended audience. Citizen budgets written in simple language have been used to make budget documents more accessible to these readers. The IMF Code highlights preparation of a Citizens Budget as good practice.

One of the challenges in achieving fiscal transparency in the budget process is the availability of **comprehensive information**. In principle, information should be made available on the finances of all public entities using common standards in order to facilitate consolidation. In practice, this information may be dispersed, with autonomous entities subject to distinct governance arrangements and reporting separately using a variety of standards. There are also important financial transactions that are often not captured in by budget procedures. Since few if any budgets can claim to be truly comprehensive, it is important that any limitation on the scope of information is clearly stated in budget documentation. There are five areas where the provision of comprehensive fiscal information can be particularly challenging.

- **Development assistance** is a significant part of public spending in developing countries. In principle, all development assistance to the public sector should be captured throughout the budget cycle. While this is possible for budgetary support and most projects financed by loans, grants to central government agencies may only be captured when programmed. Standalone aid information systems may capture information on development assistance from the source but this information has to be reconciled with the budget for fiscal transparency purposes.
- **Local government, autonomous agencies and state-owned enterprises** may account for a significant, indeed the major share of public financial operations, particularly so in federal states. These institutions are usually subject to specific legislation laying out their governance and financial management arrangements. These will usually follow the principles and mandatory reporting requirements laid out in the organic budget law. However, governance arrangements do vary considerably. In some cases, there may be significant omissions, where governing bodies restrict access to information. Unfortunately, this has been a common practice with regard to natural resource revenues, which are often retained by state owned enterprises or autonomous funds.
- **Tax expenditures** are revenue losses that result from tax concessions such as tax deductions, tax credits, concessional rates or rules, such as the accelerated depreciation of assets[9]. Tax expenditures are used by governments as an income transfer or as incentives to encourage the private sector and households to behave in a particular way (eg. invest, purchase "green" products). Tax expenditures could be replaced by equivalent expenditures on subsidies or transfers. However, replacement with more transparent expenditure measures is often politically difficult. Estimation of tax expenditures is challenging, not least because it requires authorities to define a counterfactual estimate of the tax that would have been paid. Where estimates cannot be generated the mere publication of exemptions and identity of groups of beneficiaries can provoke public debate.
- **Contingent liabilities** are amounts that the public sector may owe if certain events occur. Most countries' budget documents report on liabilities arising from public debt. Where accrual or modified cash reporting is in place, budget documents may also report amounts owed to suppliers. However, reporting of liabilities that arise in the long-term is often poor: few countries report on public sector pension liabilities. Reporting on contingent liabilities is weaker still. These include guarantees, contractual requirements arising in public private partnerships, or liabilities arising from underfunded public social security systems. Such arrangements are potentially a significant burden on public finances. Periodic reporting on these risks allows decision-makers to understand the overall position of the public sector.

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[9] An analysis of tax expenditures in the USA can be found in a Joint Economic Committee of United States Congress report at the http://www.house.gov/jec/fiscal/tax/expend.pdf.

- **Quasi-fiscal operations** are market activities undertaken by public entities or the private sector where the price charged does not reflect market conditions and serves a non-commercial or social purpose. Quasi-fiscal operations in the financial sector may include subsidized loans from the central bank or under-remunerated reserve requirements. Import deposits and exchange rate guarantees are quasi-fiscal operations in support of trade policies. State owned enterprises may charge less than commercial prices or provide non-commercial services financed from revenues. Valuation of these quasi-fiscal operations can be challenging. Again, simple reporting of the nature of the operation and its purpose may be sufficient to provoke debate.

In most countries, budgets are the product of policy decisions that are often taken outside of the budget process. These decisions are based on **policy analysis** that weighs alternatives and lays out the rationale for specific measures. Access to this information is an important element of fiscal transparency. Given the limited time for budget preparation, a number of OECD countries have instituted periodic expenditure policy reviews which provide an opportunity to conduct more detailed analysis of the structure of expenditure and its outcomes. These reviews are an important tool for improving the efficiency, effectiveness and policy alignment of public finances.

The WBG plays an important role in supporting expenditure policy analysis in developing countries. This is usually done through Public Expenditure Reviews (PER), conducted at a cross-governmental or sector level. PERs are a WBG core analytical product, used as a basis for policy dialogue with national authorities. Typically PERs assess: the sustainability of expenditures; the link between expenditures and policy objectives, outputs and outcomes; the appropriate public-private mix of services given market conditions; the beneficiaries and incidence of spending; and the institutional arrangements and incentives needed to improve expenditure outcomes. Most countries will undertake a PER every three to four years. In addition to PERs, Public Expenditure Tracking Surveys (PETS) and Service Delivery Surveys can be used to explore the link between spending and front-line service delivery. Increasingly, WBG expenditure analysis is undertaken in partnership with the national authorities and involves consultations with national stakeholders. A participatory process and publication of WBG expenditure analysis empowers civil society, informs policy debate and complements government's efforts to improve transparency.

D. OPEN BUDGETING AND SOCIAL MONITORING

Open budgeting seeks to provide opportunities for stakeholder engagement during the budget process with a view to informing fiscal policy. Stakeholder engagement allows decision makers to better understand stakeholders' priorities, preferences and expectations regarding public services, it can generate performance information and inform decisions regarding the design and location of services. Stakeholders' views can be solicited through a variety of channels, including surveys, focus groups or meetings. Some countries have formalized the process of stakeholder engagement by instituting public hearings or consultations. In some contexts, stakeholder engagement involves their participation in the decision-making process.

Budget consultations may be held by the legislature or the executives. Many legislatures hold budget hearings prior to the budget debate to gather testimony on policy issues from experts and stakeholders. Often these hearings are held in public and are open to the media. Other countries, including South Africa, India and Malawi, have taken this a step further, opening up the national budget process by holding public hearings during the budget process during which stakeholders can discuss priorities with senior officials. Consultations provide an opportunity for the authorities to explain limitations on public policy as well as collecting information from citizens.

Participatory budgeting seeks to integrate civil society into the budget process by providing opportunities for direct participation in decisions regarding part of the budget through public meetings. This participation is often through dialogue during public meetings, in some contexts participants in meetings are asked to vote and the results are used to inform decision-making. In a few cases, the results of these meetings are binding. Originally developed in Brazil at the municipal level, it has now become a worldwide phenomenon with participatory budget initiatives across Latin America and Europe and start-ups in Africa. These participatory budgeting initiatives tend to be most successful at the local level, where authorities provide a limited range of services that are used by the participants and consequently citizen decision makers are better informed about trade-offs between different expenditure decisions.

Civil society organizations also contribute to policy making by generating **policy analysis and advocacy**. Civil society organizations can generate high quality policy analysis and are often extremely successful at communicating the results of their analysis through the media and by lobbying politicians[10]. Often civil society policy analysis focuses on issues affecting specific interest groups such as through the preparation of "alternative budgets". Gender and children's budgets have been developed in many countries; other dimensions might include age, disability, race-ethnicity and regional perspectives[11]. Typically this analysis will identify the problems facing marginalized groups, assess the responsiveness of existing policies, monitor the extent to which resources reach intended beneficiaries and develop more responsive policies for future budgets. Civil society has played an important role in raising awareness around the impact of policies and has influenced policy reforms. Civil society policy analysis can help overcome some of the biases policy work undertaken by the public sector, not least the tendency of Ministries of Finance to undertake only that analysis which they perceive to be useful[12].

Social monitoring initiatives can play an important quality control function, overseeing the quality and effectiveness of public services and ensuring that resources are used for the purpose intended. Social monitoring activities can be undertaken at the national, regional or local level, by organizations, citizens or the users of public services and may be civil society-led or state-led.

Civil society-led initiatives often play a social audit or watchdog role, denouncing abuse of public resources and the failure of public institutions to deliver entitlements. Mazdoor Kisan Shakti Sangathan (MKSS) in Rajasthan, India campaigned for right to information legislation and then led a process through which citizens can monitor the implementation of government

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[10] For example, see the Budget Briefs and Policy Briefs on the Indian CSO Accountability Initiative's website http://www.accountabilityindia.in/

[11] For gender budgeting see http://www.gender-budgets.org/. The US Children's Budget site provides tools for analyzing changes in expenditure allocations at the program level http://www.childrensbudget.org/.

[12] David Heald (2003) "Fiscal Transparency: Concepts, Measurement and UK Practice" in *Public Administration,* 81 (723-759)

programs in their communities and confront officials with evidence of misuse of funds [13]. Other examples include CCAGG of the Philippines which has used social auditing to denounce abuse of public funds in investment projects and HakiElimu in Tanzania which has used social monitoring to assess the quality of education and advocate for policy reforms at the national level.

Often there is a tension between civil society's legitimate interest in maintaining their independence from government and the ability to influence policy that comes from collaboration. In practice, social monitoring initiatives tend to be most effective where they enjoy some government support, at the very least where they enjoy access to information on the programs they seek to monitor.

E. MULTI-STAKEHOLDER INITIATIVES

Civil society has successfully promoted multi-stakeholder initiatives that seek to improve transparency in high risk and sensitive areas of public finance. These initiatives bring the government, the private sector and civil society together to improve access to information on public financial transactions that are otherwise poorly reported. Initiatives are currently underway in the extractive industries, pharmaceuticals and construction sectors[14]. All of these initiatives are supported the WBG.

The Extractive Industries Transparency Initiative (EITI) is the leader in this field. Launched in 2002, EITI sets a global standard for transparency in oil, gas and mining, requiring companies to publish what taxes, royalties and other payments they make to governments and governments to disclose the revenues they receive. Payments and revenues should be subject to a credible, independent audit. They are then reconciled by an independent administrator and the administrator's opinion is published, identifying any discrepancies between company and government records. Civil society, government and all of the companies engaged in extractive industries participate in the design, monitoring and evaluation of this process. EITI candidate countries commit themselves to the process and put in place a work plan to begin implementation. Countries go through a validation process which brings together key stakeholders and an accredited validator in order to become EITI compliant. Countries have to continue reporting annually in order to maintain their compliance. As of end 2010, there are eleven compliant countries and twenty two candidates.

The Medicines Transparency Alliance (MeTA) seeks to improve access to quality medicines by strengthening the supply chain, from manufacturer to patient, tackling problems of counterfeit and out-of-date medicines, as well as poor management and corruption. MeTA is currently working in seven pilot countries. The Construction Sector Transparency Initiative (CoST) provides a multi-stakeholder framework for the disclosure of information that allows stakeholders to make informed judgments about the cost and quality of construction projects. This includes information on project design, cost estimates, inspection reports and justifications for any project amendments. CoST is currently operating in eight countries.

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[13] A good overview is provided in the ODI Briefing Paper http://www.odi.org.uk/resources/download/80.pdf. Case studies are available at http://www.internationalbudget.org/who-does-budget-work/case-studies/.

[14] For EITI see http://eiti.org/. At the time of writing EITI was undergoing an external evaluation. For CoST see http://www.constructiontransparency.org/ and MeTA http://www.medicinestransparency.org/

F. USING INFORMATION TECHNOLOGY

Countries are increasingly turning to information technology to facilitate access to information and engage with citizens more effectively. The development of financial information systems (IFMIS) allows Ministries of Finance to generate a wider range of higher quality, more timely and more relevant reports. Most Ministries of Finance post routine reports on their websites. Some Ministries link their websites directly to the underlying data generated by the IFMIS, allowing users to run queries, searches and define criteria to generate reports that meet their needs[15]. A few portals allow users to compare budget and institutional performance data. Some innovative programs have geocoded investment projects and service delivery units so that expenditures and performance information can be shown on interactive maps thereby facilitating social monitoring[16]. Internet applications can also be used to facilitate interaction with users, allowing them to post comments and provide feedback on government programs.

Governments are also using information technology to make public procurement more transparent. Procurement applications can be used to post procurement plans, consolidate shopping across agencies, advertise bidding and manage the contracting process. These initiatives bring immediate benefits in terms of reduced costs, through efficiencies in procurement and by reducing the opportunities for corruption. The WBG has developed an internet-accessible software, SEPA, which provides access to the procurement plans and contracting process for WBG-financed projects. These kinds of applications not only bring benefits to the public sector but also facilitate private sector efforts to identify business opportunities.

Ministries of Finance can facilitate civil society and market-led innovations in the application of public financial information at little or no cost simply by providing access to data. In principle, open data initiatives provide access to all public data from source in its original form at the highest possible level of granularity and in machine readable form. IFMIS can generate such data at transaction level. In practice, transaction level data will generally require some treatment to present the data in a meaningful structure. The WBG has developed a methodology, BOOST, to facilitate the compilation of IFMIS-generated data for analytical purposes. BOOST allows much more detailed analysis of dimensions of expenditure, facilitates the analysis of expenditures against performance data and permits mapping of data by territorial unit. BOOST is increasingly being used as a tool to support the preparation of PERs. These datasets have considerable potential for other uses and users. Investments in facilitating access to data can make an important contribution to promoting transparency.

G. PROMOTING FISCAL TRANSPARENCY AND OPEN GOVERNMENT

Ultimately, transparency and open government are political agendas and the extent to which the enabling environment is aligned with these objectives will depend on political leadership. Three

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[15] Examples include Brazil http://www.tesouro.fazenda.gov.br/siafi/index.asp, Hungary http://www.kormany.hu/en/doc#!DocumentSearch, Turkey https://portal.muhasebat.gov.tr/mgmportal/faces/khbEN?_afrLoop=945984922530913&_afrWindowMode=0&_adf.ctrl-state=hb2bvm61v_57,

[16] See for instance the mapping of US Recovery Act-financed projects. http://www.recovery.gov/Pages/default.aspx which allows users to identify the location of projects and basic information on project status and financing.

factors are likely to influence the extent to which this agenda is effectively implemented.

- Permissive **regulations** are generally required for public institutions to release information. This may require Right of Access to Information legislation, now in place in ninety countries, which provides for access to all information held by the public sector save for information reserved on grounds such as personal privacy and national security.
- Regulations have to be supported by appropriate **incentives.** This goes beyond the enforcement of mandated reporting and formal consultation requirements. Transparency and open government are about the willingness of officials to make information accessible that they have strong incentives to control and to engage with constituents that they have strong incentives to ignore. Leadership is important, education can play a part, so does effective monitoring of and reporting on behaviors.
- Transparency and open government may face **capacity** constraints including a cultural legacies, inadequate systems and insufficient resources. Institutions may not be able to respond to demands for information because this information is not generated, processed or stored. Substantial investments may be needed in underlying information systems before institutions can engage meaningfully with stakeholders.

The WBG supports these efforts through its country dialogue, analytical work and operations. Country teams are encouraged to address improvements in fiscal transparency as part of their dialogue with national authorities in the context of country assistance strategies and policy operations. The WBG's core analytical products provide an opportunity to explore these issues in greater depth: PERs should address how fiscal transparency can be used to support broader governance and development objectives; CFAA/PEFA assessments should address the measures needed to improve fiscal transparency. The design of WBG-financed operations should integrate measures to strengthen fiscal transparency in order to support the achievement of their development objectives, by facilitating access to information about project finances, activities and performance and by providing opportunities for social monitoring. Transparency is central to the WBG's development mission and way of doing business.

FURTHER READING

Carlitz, Ruth (2010) *Review of Impact and Effectiveness of Transparency and Accountability Initiatives: Budget Processes*, Institute of Development Studies

http://www.ids.ac.uk/download.cfm?downloadfile=641959C1-A5F3-CF27-5F0BBCBE30E8F5F0&typename=dmFile&fieldname=filename

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Gomez, Pamela with Joel Friedman and Isaac Shapiro (2005) *Opening Budgets to Public Understanding and Debate: Results from 36 Countries*, OECD Journal on Budgeting, Volume 5, No. 1.

http://www.oecd.org/dataoecd/62/13/44526335.pdf

IMF (2007) *Manual on Fiscal Transparency* http://www.imf.org/external/np/fad/trans/manual.htm

IMF (2007) *Guide on Resource Revenue Transparency*

http://www.imf.org/external/np/fad/trans/guide.htm

OECD (2002) *Best Practices for Budget Transparency*

http://www.oecd.org/dataoecd/33/13/1905258.pdf

Robinson, Mark (2006) *Budget Analysis and Policy Advocacy: The Role of Nongovernmental Public Action*, Institute of Development Studies, Working Paper 279

Case Study on Transparency

You are familiar with Turenia from your group work on Accounting and Accounting Standards and Performance Budgeting. The Government recently concluded negotiations with several international corporations for the exploitation of the country's rich mineral wealth. The corporations plan to quadruple the value of mineral exports by the end of the current administration's mandate in three and a half years time, at which point the mining sector could generate as much as thirty percent of government revenues. The prospective minerals bonanza dominated the recent elections and is a recurring theme in the press.

The government campaigned on a transparency platform, promising to use a large part of additional revenues to improve education and health services. The Minister of Finance is fearful of the resource curse. She would like to put in place mechanisms to ensure that the government can fulfill its campaign promises and protect these resources in the longer-term.

A PEFA assessment was carried out in 2010 carried out by the Bank jointly with other donors. You may remember, Turenia scored well on budget credibility, comprehensive and transparency, and policy based budgeting dimensions have scored several "B"s, a few "A", and two "C"s. However, Predictability and control in budget execution; Accounting, recording, and reporting; and External scrutiny and audit dimensions received several "C"s, three "B"s, and two "D"s, both related to external scrutiny. The Minister is confident that a new Financial Management Information System is going to tackle the shortcomings identified in the accounting and reporting functions. Her concerns regarding transparency lie elsewhere.

The recently created Ministry of Mines led negotiations with the international corporations and has established a state owned enterprise that will be a significant shareholder in the mining operations. The Minister of Mines has refused to publish the concession agreements citing commercial privilege. A civil society organization is mounting a campaign demanding greater transparency.

The proposed increase in spending for education and health services represents a particular challenge. As you saw in the Performance Budgeting case study, these services fall under district councils which receive block grants directly from the Ministry of Finance. The Ministries of Education and Health complain that they do not receive reports on service standards and their facilities do not receive the resources that are allocated in the budget and notionally under their control. An enterprising civil society organization has recently come out with the results of a survey which shows the poor quality of facilities, lack of materials and poor teacher attendance at schools in some districts. The worst served districts are in rural areas where there are significant ethnic minority populations.

The Minister of Finance has asked the WBG to help develop a program to strengthen transparency. You are the Task Team. You have a meeting with the Minister of Finance tomorrow and she would like to hear some ideas about the measures that might be worth exploring. You will have three minutes to make your presentation.