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Overview and Synthesis: The Political Economy of Fiscal Transparency, Participation, and Accountability around the World

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Raising, allocating, and spending public resources are among the primary functions and policy instruments of any government. Government budgets, as well as off-budget fiscal instruments such as state-owned enterprises and sovereign wealth funds, profoundly affect economies, societies, and ecoystems. Decisionmaking around government revenues and expenditures has historically been shrouded in secrecy—the purview of heads of state, finance ministers, and central bankers, along with a few select officials in executive agencies. Often, other ministries, government branches (including parliaments), the business community, civil society organizations, and the broader citizenry have had little or no access to information on public financial management. The quantity and quality of engagement and the inclusion of these nonexecutive actors in fiscal decisionmaking and oversight processes have been severely limited.

In recent years, however, interest and action with respect to transparency, participation, and accountability in fiscal decisionmaking have surged around the world. Indeed, over the past two decades, several broad trends have brought fiscal transparency, participation, and accountability into sharp focus:[1]

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1. The International Monetary Fund defines fiscal transparency as "the clarity, reliability, frequency, timeliness, and relevance of public fiscal reporting and the openness to the public of the government's fiscal policymaking process" (IMF 2012, p. 4). Participation in fiscal matters is defined as the existence and effectiveness of opportunities for ministries other than treasury or finance, government branches such as legislatures, civil society groups, and citizens to engage with and influence the formulation and implementation of

—The proliferation of good governance norms and standards that emphasize greater transparency, participation, and accountability in all government matters,

—Numerous transitions from closed, authoritarian political regimes to ones characterized by policy contestation, separation of powers, political party competition, an organized civil society, an engaged citizenry, and an active media,

—The introduction of modern public finance management systems and good practices in countries around the world,

—Greater decentralization and devolution of powers to subnational levels of government, including the power to raise, allocate, and spend public resources,

—The growth in the number and operational capacity of independent civil society organizations (CSOs) seeking to be informed about and actively participate in government decisionmaking, and

—The dramatic growth, spread, and use of information and communication technologies around the world.

The global financial and economic crises that began in 2008 further revealed that the disclosure of government fiscal risks and positions was inadequate. This lack of transparency contributed to government fiscal crises in many countries (epitomized by Greece), which created additional perverse incentives for governments to cloud rather than open their fiscal data.[2] Ordinary citizens began calling for greater accountability in the use of public resources—from the streets of Athens and the Arab spring to the tea party and Occupy Wall Street movements in the United States.

Given the fundamental importance of—and increased focus on—these issues and trends in the global economy, it is surprising to find that rigorous analysis of the causes and consequences of fiscal transparency, participation, and accountability is thin at best. This volume seeks to fill this gap in existing knowledge, deploying multiple research methodologies and examining a range of quantitative and qualitative evidence.[3]

We focus on three broad sets of questions. First, *how and why do improvements in fiscal transparency and participation come about, and how are such changes sus-*

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fiscal policies. Accountability is defined as the degree to which public officials are held responsible for the way in which they conduct fiscal policy. The term “fiscal” is often deemed to be more comprehensive than “budget,” as it covers activities and operations that may not fall within regular budget processes and institutions. Examples may include extra-budgetary funds such as pension funds, oil funds, and the like, state-owned enterprises, and quasi-fiscal activities. In this volume, however, the terms “fiscal” and “budget” are used interchangeably.

2. See IMF (2012).

3. Initial drafts of the statistical and comparative papers synthesized later in this chapter were discussed at a workshop held in Washington, D.C., in April 2010. A draft comparative paper on civil society influence was discussed at a workshop in Washington, D.C., in September 2012. Authors of in-depth

tained over time? That is, what are the key factors and causal mechanisms that contribute to improvements or regressions in these aspects of fiscal decisionmaking? Second, *under what conditions and through what type of mechanisms do (or might) increased fiscal transparency and participation lead to more government responsiveness and improved accountability, including outcomes such as better fiscal management, reduced corruption, shifts in budget allocations, and improved public services?* Running across these two broad questions is a third set of queries regarding the complex interrelationships among transparency, participation, and accountability in fiscal matters. In particular, *does greater transparency contribute to greater participation?*

In this chapter, we begin by summarizing the relevant—and limited—theoretical and empirical literature on fiscal transparency, participation, and accountability. We then examine broad cross-country evidence through a set of statistical and comparative studies, looking for conditions (variables) that are associated with higher levels of budget transparency, a major subset of fiscal transparency. The summaries of country case studies that follow (chapters 2 through 9 of this volume) provide a much richer and more nuanced understanding of the causal mechanisms and trajectories that different countries followed as their fiscal systems opened up and became more inclusive (or sometimes regressed).

Overall, our findings suggest that four main causal triggers stand out as contributing to fiscal transparency and participation within countries: (a) *political transitions* that not only bring an end to autocratic rule, but also bring about political contestation and alternation, giving voice to opposition parties and greater powers to oversight bodies such as legislatures; (b) *fiscal and economic crises* that force governments to tighten controls over the public purse and put in place mechanisms and incentives for fiscal discipline and independent scrutiny; (c) widely publicized *cases of corruption* that lead reform-oriented actors to react strongly and compel governments to provide better public access to fiscal information; and (d) *external influences* that promote global norms to empower domestic reformers and civil society actors, rather than undermine domestic reform processes with interventions that bypass local institutions and seek fiscal information to satisfy external demands rather than to inform a domestic public debate. These factors often interact in complex combinations

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country case studies presented and received comments on their draft chapters at a workshop held in February 2011 at the Ash Center for Democratic Governance and Innovation of the Harvard Kennedy School. Further research and revisions of the statistical, comparative, and country case studies, as well as additional in-depth case studies, were completed through 2012. Not all of the background papers are included in the current volume; these statistical, comparative, and in-depth case studies can be found at http://internationalbudget.org/.

to shape the trajectories in different countries by fostering or impeding advances in fiscal transparency and participation.

The evidence presented in this volume details tentative responses to the first set of questions that we started with, identifying key factors and mechanisms (particularly combinations and sequences) that are associated with higher levels of fiscal transparency and participation and their improvement over time. However, evidence is more limited of how greater public availability of fiscal information—and related opportunities to engage with the budget process—may affect government accountability, broader public finance management, and quality of service delivery. There are various examples of legislators becoming more demanding vis-à-vis the executive and of civil society campaigns achieving significant but isolated success, but the evidence for the positive impacts of transparency on accountability and responsiveness remains far from systematic or definitive.

We conclude the chapter by looking at some promising trends in the evolving international context, and suggesting strategic lessons and a research agenda.

Fiscal Transparency, Participation, and Accountability: What Would We Have Expected?

At present, there is no holistic or integrated theory on the political economy of fiscal transparency, participation, and accountability. The analytical framework and orienting ideas summarized here are drawn from the broader literature on good governance, transparency, democracy and democratization, participatory politics, and the political economy of reforms, as well as from the emerging empirical literature assessing the impact of development interventions in the areas of transparency, accountability, and governance.[4]

Correlates of Fiscal Transparency

The conditions that are likely to be associated with more open government, specifically in the fiscal realm, can initially be classified into three broad categories: political, economic, and cultural or historical.[5] In addition, the interactions among these conditions need to be analyzed in relation to country contexts, taking into account the actors involved, their potentially conflicting interests, power, and capabilities, the institutions that shape their behavior, and the incentives that such institutions create. This, in turn, will help to explain how and why specific outcomes occurred (or not).

4. See Florini (2007); Fung, Graham, and Weil (2007); as well as McGee and Gaventa (2010) and J-PAL (2011).

5. La Porta and others (1999); Triesman (2000); and You and Khagram (2005).

Political conditions often associated with transparency include elections, political competition, government size, and decentralization.[6] Electoral competition and political rights may create pressures to open up government processes to public scrutiny. In addition, transitions from authoritarian regimes increase the possibilities for political contestation and so open the field to a range of domestic actors—opposing parties, politicians, CSOs, and independent media—who seek information about government fiscal activity to advance their own agendas. However, the presence of electoral democracy may only increase transparency and participation after it has reached a certain threshold or if other conditions, such as higher levels of political competition or a vibrant civil society and media, are present. Decentralization may or may not increase transparency, depending on the interactions with other conditions such as regional inequalities in the distribution of power. Finally, it is unlikely that transparency will be enabled in situations of violent conflict.

In terms of economic correlates, many studies have found the level of development (per capita income) to be strongly related to various measures of transparency.[7] The spread of education and the expansion of middle classes may give rise to pressures for transparency, as better-off citizens come to desire greater quality and efficiency in the provision of public goods and gain the resources to express that interest politically. Some studies have found that trade openness, presumably operating through increased economic competition and economic growth, is associated positively with transparency to a significant degree. Conversely, countries with larger endowments of natural resources seem to be significantly less transparent.[8] Larger natural resource endowments may dampen pressure for transparency, as the government relies less on taxation to raise revenue. Greater levels of inequality can also contribute to lower levels of transparency through material and normative mechanisms.

Cultural and historical accounts of the quality of government institutions focus on the effects of religion, social values, colonial heritage, legal traditions, and ethnolinguistic fractionalization.[9] Such factors create more or less favorable normative resources that condition the extent to which transparency (and participation for that matter) are understood as a component of legitimate government. Egalitarian or individualistic religions such as Protestantism may encourage challenges to nontransparent behavior, whereas hierarchical religions such as Catholicism, Eastern Orthodoxy, and Islam may discourage such challenges. Protestantism's link with economic development and democracy offers two additional

6. Alt and Lassen (2006); Alt, Lassen, and Rose (2006); Lassen (2000); and Bastida and Benito (2007).

7. For example, see Bellver and Kaufmann (2005) and IBP (2013).

8. See de Renzio, Gomez, and Sheppard (2009).

9. La Porta and others (1999).

causal pathways. Some scholars have suggested that ethnolinguistic fractionalization decreases the quality of government institutions. Colonial experience and legal systems are closely linked potential correlates of good governance and transparency. For some, legal systems reflect the relative power of the state vis-à-vis property owners. Whereas the British common law system was developed as a defense against attempts by the sovereign to expropriate property, the civil law system was developed as a sovereign instrument for state building and economic control.

Political Economy Dynamics

Political economy dynamics shape the transparency, participation, and accountability of government decisionmaking beyond the structural conditions identified above.[10] On the one hand, those who would benefit from the lack of transparency and participation by shifting public funds to their political supporters or preferred projects or by skimming profits directly, and those who simply would rather avoid the harsh light of public scrutiny, often hold powerful positions and are well organized to defend their interests. On the other hand, those who would benefit from increased openness and inclusion in fiscal processes and practices are typically numerous and poorly organized: they include government officials who have been excluded from the budget-making process and citizens who use public services such as health, housing, education, and transportation.

Although these political economy mechanisms are powerful and have often prevented change, other dynamics sometimes break through the obstacle of concentrated interests to contribute to greater fiscal openness and inclusiveness. For example, cracks in the iron grid of business-as-usual politics sometimes result from highly publicized scandals involving the (mis)use of public resources. These scandals, and crises more broadly (such as domestic or global economic crises), create opportunities for reform-minded political entrepreneurs to gain support on platforms of transparency and participation.

Similarly, different factions of political elites can be divided against one another. One side or another may view increased transparency as a tool in this competition. Politicians might favor budget transparency as a way to control the discretion of entrenched (and possibly corrupt) bureaucrats. This may be the case particularly when processes of political liberalization create new factions of hard-liners and soft-liners among the ruling elite or when, during subsequent periods of greater political democratization, avenues such as elections open up for competing political actors to promote transparency and participation as part of broader reform campaigns.[11] Sometimes, a faction of political elites will favor transparency reforms

10. See Fung, Graham, and Weil (2007) and Florini (2007).

11. O'Donnell and Schmitter (1986).

because they lose little through such reforms and may gain the support of an important constituency that favors transparency. Such dynamics, however, often require well-organized and vocal domestic CSOs pressing for openness. Similarly, government or independent quasi-government officials (such as civil servants or auditors) may be empowered and motivated to push for change.

International forces can also contribute to greater fiscal transparency and participation. International donors and powerful states press for formal fiscal transparency as part of the package of good governance measures—and often conditionalities—linked to foreign aid. Transnational advocacy coalitions and networks, which link foreign and international organizations with domestic civil society groups, pressure governments to become more open and inclusive.[12] Potent, but more difficult to discern, international norms and the perception that openness and inclusiveness are modern and appropriate practices can press political actors to change their laws, policies, and operating procedures.[13]

The political economy of fiscal transparency and participation is likely to occur in a multilevel way; the factors and mechanisms just described operate interactively. Opposing political parties, for example, can use scandals and crises as windows of opportunity to form alliances with reform-minded political elites and civil servants. Civil society organizations can form partnerships with organizations operating at the local grassroots level, with international organizations, and with advocacy groups based in other countries to pressure for more change.

Moreover, the emergence and evolution of the political economy of fiscal transparency and participation will likely be a complex process. The conditions, factors, and mechanisms that trigger initial improvements may be quite different from those that contribute to their deepening and broadening over time. Indeed, a seemingly stable and robust set of institutions at a particular point in time may quickly become outdated if it does not adapt to new demands and circumstances. Countries may get stuck or even regress, as when powerful actors use even more sophisticated means to obscure fiscal positions and practices. The political economy of fiscal transparency, participation, and accountability is not likely to be a linear or teleological process. And the conditions, factors, and mechanisms that contribute to increased transparency are likely to be somewhat different from those that contribute to greater participation or accountability.

Accountability, Government Responsiveness, and Impacts

Supporters of government openness are often quick to claim that transparency and participation in public policies and processes inevitably bring about a host of

12. Khagram, Riker, and Sikkink (2002).
13. Meyer and others (1997).

important benefits, including long-term development outcomes. Unfortunately, such claims are hard to prove, although evidence of impact is slowly accumulating. Statistical research, for example, has found evidence that governments with more transparent public finances are characterized by better fiscal performance, lower sovereign borrowing costs, and lower levels of corruption.[14]

The story of the education sector in Uganda has come to epitomize the benefits of fiscal transparency and community monitoring of public services. After a survey found that almost 80 percent of grants to local governments for primary school materials did not reach their intended beneficiaries, the government started publishing information on such transfers in newspapers and posting it on school bulletin boards. A follow-up survey found that, as a result of this campaign, leakage had been reduced to 20 percent of total grants.[15]

Another study found that public dissemination of audit findings in selected Brazilian municipalities led to increased accountability of politicians seeking reelection. The higher the level of corruption in local finances reported by the audits, the less likely were incumbent politicians to win the election. And the impact on government accountability was higher in municipalities where radio stations reported on the audit findings.[16] Various researchers have also documented how participatory budgeting processes contribute to extending service provision and redirecting public resources toward poor neighborhoods, while also reducing clientelism and spurring the creation of new civic associations.[17]

However, these examples may indicate only isolated impact. Even with more robust fiscal transparency and participation systems in place, there is no guarantee that these will produce such downstream, substantive effects. Fiscal information is often difficult to understand, and few potential users have strong reasons to act on that information when the main benefits are public goods and when openness and inclusiveness are not automatically transformed into citizen influence on policy decisions. In fact, the history of transparency-enhancing initiatives is replete with great efforts to create disclosure regimes that subsequently are used only slightly or yield little benefit. So why do more transparency and participation sometimes play a critical role in particular outcomes, such as improving the quality or quantity of public services?

It may be that all steps in an "action cycle" of accountability must be in place for fiscal transparency and participation to yield substantive outcomes and

14. See Alt and Lassen (2006); Benito and Bastida (2009); Glennerster and Shin (2008); and Hameed (2005).

15. Reinikka and Svensson (2004).

16. Ferraz and Finan (2008).

17. Abers (2000); Santos (1998); Baiocchi (2005); Baiocchi, Heller, and Silva (2011); and Wampler and Avritzer (2004).

impacts. Simply placing information in the public domain or opening up spaces for public participation does not ensure that these will be used or used wisely. Peoples' responses to information are inseparable from their interests, desires, resources, cognitive capacities, and social contexts. Three fundamental questions therefore need to be kept in mind when assessing the effectiveness and impact of fiscal transparency and participation initiatives: Who uses the information and engagement opportunities being made available? For what purpose do they use them? What broader benefit accrues to a specific group of "users" or to society as a whole? Moreover, it is important to assess whether users consider the kind of information and engagement to be important for realizing their agendas and whether the information is accessible and understandable to them.[18]

As this summary of existing knowledge shows, coming to a better understanding of how improvements in fiscal transparency and participation come about and the extent to which they bring about an increase in government accountability and other types of impact is no easy feat. Unpacking complex causal mechanisms and dynamics, considering a large number of actors, taking into account context-specific political economy considerations, and overcoming methodological limitations are only some of the challenges posed. In this volume, we take on these challenges by examining a wide array of evidence, from cross-country statistical and comparative studies investigating specific factors affecting fiscal transparency to a series of in-depth country case studies selected to reflect a variety of contexts, conditions, and trajectories. The results of these analyses are presented in the following sections.

Statistical and Comparative Studies on Fiscal Transparency

Rigorous analysis of the conditions and consequences associated with fiscal transparency remains surprisingly scarce.[19] This section synthesizes the results of statistical cross-country research, focusing on five recent papers that look into some of the possible correlates of fiscal transparency.[20] These studies were carried out using Open Budget Index (OBI) data from the 2008 survey as a measure of

18. This framework grows out of the transparency "action cycle" developed by Fung, Graham, and Weil (2007).

19. Alt, Lassen, and Rose (2006), in one of the very few studies of this kind focusing on the evolution of transparent budget procedures across U.S. states, found that these are affected by both political dynamics and past fiscal conditions.

20. Only some of the most important results are reported here. Readers interested in more detail should refer to the studies themselves, which can be found at http://internationalbudget.org/. These papers were commissioned by the International Budget Partnership in 2009 and were aimed at addressing some of the gaps in the literature and at verifying the usefulness of the Open Budget Index as a quantitative measure of budget transparency.

budget (and fiscal) transparency, although most of the results were confirmed using more recent data.

The Open Budget Index, launched by the International Budget Partnership (IBP) in 2006, is an independent, comprehensive, biannual effort to assess budget transparency across countries. It is based on a detailed questionnaire assessing the public availability and comprehensiveness of eight key budget documents (see box 1-1) and drawing on international guidelines promoted by the Organization for Economic Cooperation and Development (OECD) and the International Monetary Fund (IMF).[21] Countries' OBI scores can range from zero to 100, and data are subjected to an extensive peer review process to ensure their accuracy and objectivity.

Two main features make OBI data particularly suited to statistical cross-country analysis and preferable to other available sources. First, OBI assessments are carried out by independent researchers and are based on objective, factual information about the availability and content of government budgets. Second, data are collected simultaneously across countries, providing a comparative cross-national snapshot of the state of fiscal transparency at a particular point in time. Moreover, the fact that the survey is carried out at regular two-year intervals means that subsequent rounds should provide a firmer basis for time-series analysis to test and refine these initial findings.[22]

Elections and Political Competition

Wehner and de Renzio (2013) investigate a simple correlation that exists between competitive political systems and fiscal transparency by looking at two key sources of demand for fiscal information: citizens and legislators. Citizens as voters can, where governing power is derived from free and fair elections, use the ballot box to punish executives who govern badly. When such a threat exists, as Rosendorff and Vreeland (2006) argue, executives have an incentive to provide more credible and detailed information on economic management to the public in order to minimize the risk of being unfairly dismissed. In other words, electoral accountability breeds transparency. Moreover, this posited effect might depend on the maturity of democratic systems, as voters "learn" how to demand and use fiscal information to hold their governments accountable over time. In this sense, it

21. The OECD, in its "Best Practices for Budget Transparency" (OECD 2002), recommends publishing seven types of budgetary reports and details the kind of information they should include. The IMF first published its *Code of Good Practices on Fiscal Transparency* in 1998 in the wake of the Mexican and Asian crises (Petrie 2003) and then updated it in 2001 and 2007 (IMF 2007a). Together with its accompanying manual (IMF 2007b), the code provides a detailed assessment framework, used as the basis for so-called Reports on the Observance of Standards and Codes. However, the IMF does not produce a composite indicator that promotes cross-national comparison.

22. More details on the Open Budget Index are available at http://internationalbudget.org/. See also de Renzio and Masud (2011).

Box 1-1. Eight Key Budget Documents

A *pre-budget statement* presents the assumptions used in developing the budget, expected revenue, expenditure, and debt levels, and the broad allocations among sectors.

The *executive's budget proposal* presents the government's detailed declaration of the policies and priorities it intends to pursue in the upcoming budget year, including specific allocations to each ministry and agency.

The *enacted budget* is the legal document that authorizes the executive to implement the policy measures the budget contains.

Governments should publish three review documents during the course of budget execution. First, the executive should issue monthly or quarterly *in-year reports* on revenues collected, expenditures made, and debt incurred. Second, the executive should publish a *midyear review* to discuss any changes in economic assumptions that affect approved budget policies. Third, the executive should issue a *year-end report* summarizing the financial situation at the end of the fiscal year; this report should include an update on progress made in achieving the policy goals of the enacted budget.

Best practice requires that a body independent from the executive issue an annual *audit report* covering all activities undertaken by the executive.

Budget documents are usually lengthy and contain technical information. Thus governments should also publish a *citizens budget*—a simplified summary of each of the seven budget documents discussed here issued in languages and through media that are widely accessible to the public.

may take some time after the onset of democracy for electoral accountability to result in enhanced fiscal transparency.

Using 2008 OBI scores as a measure of the dependent variable and different measures of democracy and democratic age, Wehner and de Renzio (2013) find that the holding of free and fair elections is positively, significantly, and strongly correlated with budget transparency. In fact, a switch from autocracy to democracy (defined by free and fair elections) improves a country's OBI score by almost twenty points, after controlling for several other variables (see table 1-1). How long a country has been holding free and fair elections does not seem to be that important; coefficients are much smaller and in some cases not significant at standard levels. This reflects an encouraging finding: rapid improvements in transparency (though not necessarily participation or accountability) can be achieved during windows of democratization without having to wait for slow processes of learning and adaptation.

Besides electoral processes, legislatures provide a second arena in which demand for fiscal information and disclosure may arise. Past research has highlighted the way in which political competition might affect the level of fiscal transparency.[23] On the one hand, single-party majority governments will most

23. Alt and Lassen (2006) and Alt, Lassen, and Rose (2006).

Table 1-1. *Democracy, Democratic Age, and Fiscal Transparency*[a]

Variable	*(1)*	*(2)*	*(3)*
Democracy	18.76 (4.64)***		18.20 (4.71)***
Age		21.38 (8.53)**	1.59 (8.50)
Ethnolinguistic fractionalization	16.00 (9.80)	13.13 (10.62)	16.12 (9.88)
Civil law	–13.81 (4.87)***	–12.16 (5.69)**	–13.70 (5.04)***
GDP per capita	7.61 (1.62)***	6.52 (2.29)***	7.47 (2.03)***
Latitude	45.63 (11.07)***	44.69 (12.72)***	45.71 (11.19)***
Constant	–36.91 (12.93)***	–22.93 (15.92)	–36.06 (14.36)**
Observations	85	85	85
Adjusted R^2	0.56	0.49	0.55

Source: Further details in Wehner and de Renzio (2013).

*** Significant at the 1 percent level.

** Significant at the 5 percent level.

a. Ordinary least squares regressions. Robust standard errors are in parentheses. The dependent variable is the 2008 OBI.

likely face weak demand by the legislature for information on actions taken by the executive. On the other hand, the higher the level of political party competition and therefore the probability of losing power in the next election, the more a government will have an incentive to promote transparency and reduce discretion, in order to tie the hands of its competitors in the case of electoral defeat.

Table 1-2 shows the results of statistical tests of this hypothesis using a Herfindahl-based measure of partisan fragmentation. Again, coefficients are positive, significant, and large. An increase from two to three parties with equal shares of seats in the legislature is predicted to add about seven points to the OBI score, controlling for other factors. Given that political competition may not lead to increased demand for fiscal disclosure in countries where legislative representation is not based on free and fair elections, Wehner and de Renzio (2013) also test the model for a restricted sample of democratic countries, obtaining very similar results.

The Contradictory Effects of Oil Wealth

Research on the "resource curse" has provided ample evidence that the presence of large quantities of natural resources has perverse effects on countries' political

Table 1-2. *Political Competition and Fiscal Transparency*[a]

Variable	*(1)*	*(2)*
Partisan fragmentation	41.79 (11.86)***	71.53 (17.12)***
Ethnolinguistic fractionalization	3.35 (8.97)	4.09 (10.55)
Civil law	–18.08 (4.49)***	–18.00 (4.09)***
GDP per capita	7.92 (1.55)***	8.88 (1.71)***
Latitude	36.71 (11.20)***	32.27 (11.87)***
Constant	–42.12 (13.00)***	–65.21 (18.50)***
Sample	Full	Democratic
Observations	83	53
Adjusted R^2	0.52	0.64

Source: Further details in Wehner and de Renzio (2013).

*** Significant at the 1 percent level.

a. Ordinary least squares regressions. Robust standard errors are in parentheses. The dependent variable is the 2008 OBI.

and economic development, leading to slower and more volatile economic growth, less democracy, more frequent civil wars, heightened corruption, and an overall decline in the quality and effectiveness of government institutions.[24] Results from the 2008 OBI report show a negative correlation between dependence on oil and gas revenues and budget transparency.

Ross (2011) examines in more detail this preliminary finding of a correlation between depending on oil and gas revenues and low budget transparency. Using "oil income" per capita as a measure of resource wealth, Ross's first important finding is that oil wealth has a negative effect on budget transparency only among autocracies. As table 1-3 shows, there are no significant differences in OBI scores between oil-producing and non-oil-producing countries when considering the overall sample. But differences become large and significant when considering subsamples of countries defined by their type of regime.

This pattern is shown more clearly in figure 1-1: among democracies, oil wealth is associated with more transparent public finances, while among authoritarian states more oil wealth is clearly correlated with lower OBI scores.

Even more interesting, as shown by the regression results in table 1-4, among democracies the link between oil wealth and transparency is spurious and simply

24. See Ross (1999); Stevens and Dietsche (2008); Frankel (2010); and Karl (1997).

Table 1-3. *Average 2008 OBI Scores of Oil-Producing and Non-Oil-Producing States*[a]

Indicator	*Number*	*Oil producers*	*Non-oil-producers*
All countries	85	39.9	39.6
Income			
Low income (below $2,000)	22	22	24.2
Middle income ($2,000 to $15,000)	49	38.2	42.7
High income (above $15,000)	14	53.6	71.8
Type of regime			
Autocracy	34	18.9**	33.4**
Democracy	51	56.5*	43.3*

Source: Ross (2011).

** Significant at the 5 percent level.

* Significant at the 10 percent level.

a. States are categorized as "oil producers" if they produced at least $100 in oil and gas per capita in 2006 (in 2000 dollars).

reflects the fact that oil-rich countries have higher incomes; these higher incomes are significantly correlated with higher OBI scores (columns one and two). In autocratic regimes, in contrast, the negative effect of oil wealth remains significant even after controlling for countries' level of income. Oil wealth seems to exacerbate an autocratic government's lack of transparency (columns four, five, and six).

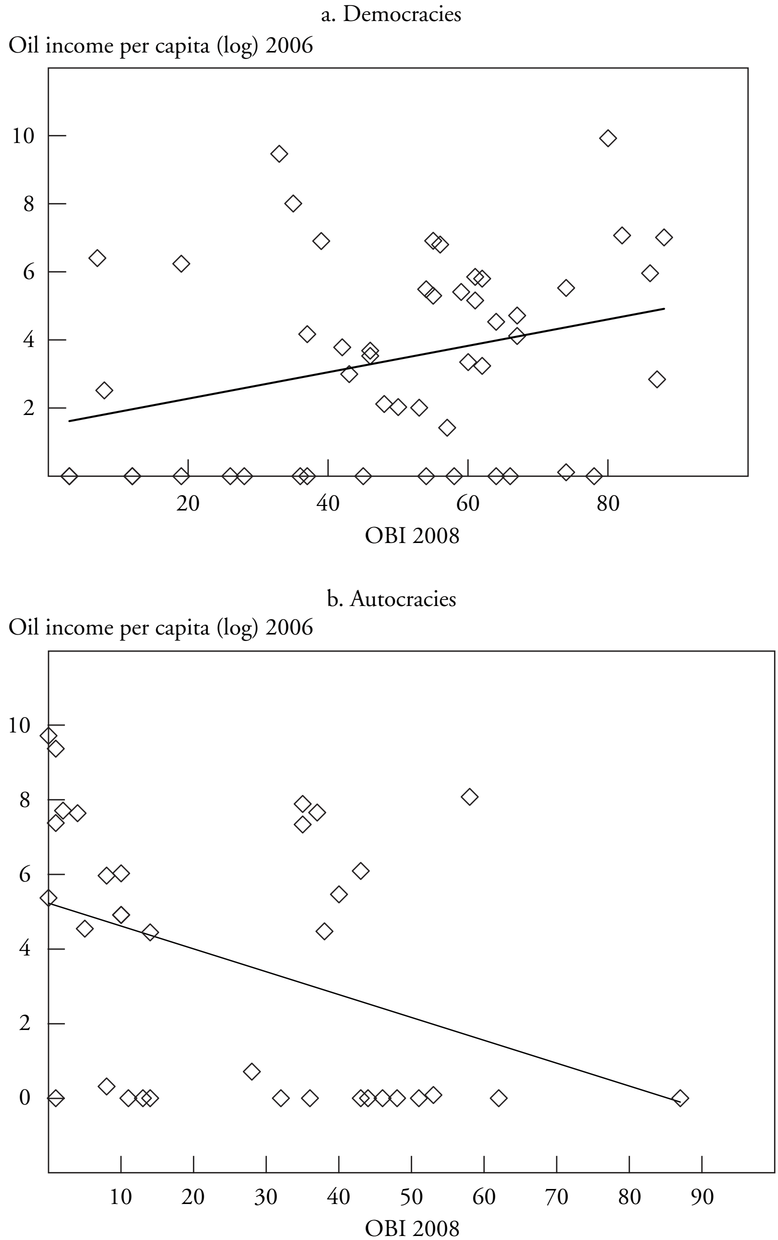
What are some of the possible reasons for the negative effect that oil wealth has on budget transparency? Ross (2011) tests various possible explanations, but the only one that is at least partly backed by the statistical analysis is that oil wealth hinders transparency because it helps autocrats to maintain political control. This finding supports similar arguments made by other researchers who suggest that oil wealth increases the value of remaining in power and therefore causes dictators to reduce transparency, hiding their government's corruption and inefficiency.[25]

Aid Dependency and Donor Behavior

Prior evidence also suggests that countries characterized by low levels of budget transparency tend to depend heavily on donor assistance to finance public spending. The average score in the 2008 OBI for the thirty countries that received more than 5 percent of their gross national income in foreign aid is twenty-four, compared with a score of sixty-two for countries that did not receive any foreign aid over the same period. This association might be spurious, as aid-dependent countries tend to have low incomes and low-income countries

25. For example, Egorov, Guriev, and Sonin (2009).

Figure 1-1. *Oil Wealth and Budget Transparency in Democracies and Autocracies*



Source: Ross (2011).

Table 1-4. *Correlates of Open Budget Index 2008*[a]

Variable	*(1)*	*(2)*	*(3)*	*(4)*	*(5)*	*(6)*
Oil income	2.67	0.27	−2.42	−4.06	−2.52	−5.48
(log)	(2.23)**	(0.27)	(2.30)**	(3.87)***	(2.06)**	(5.01)***
Income	13.24	12.02	8.31	16.19		
(log)	(6.61)***	(3.11)***	(2.26)**	(3.96)***		
Polity					1.71	
					(2.36)**	
Human rights						−4.81
						(2.32)**
Sample	Democracy	Democracy	Autocracy	Autocracy	Autocracy	Autocracy
Observations	51	51	34	34	32	34
Adjusted R^2	0.11	0.47	0.15	0.36	0.44	0.44

Source: Ross (2011).

*** Significant at the 1 percent level.

** Significant at the 5 percent level.

a. Ordinary least squares regressions. Robust standard errors are in parentheses. The dependent variable is the 2008 OBI.

tend to be less transparent. Also, rather than low budget transparency being the consequence of high aid dependency, the direction of causality could go the other way.

The notion that aid dependency may have a negative effect on recipient-country institutions is not new. Research has shown that prolonged aid dependency may undermine long-term institutional development by weakening incentives for reform and providing governments with a “permanent soft budget constraint.”[26] Donor support, which is focused almost exclusively on the executive, can also undermine domestic institutions and skew political accountability, in what has been called the “aid-institutions paradox.”[27] Finally, aid dependency can weaken state capacity by attracting qualified staff away from government jobs, fragmenting government planning and budgeting systems, and providing inadequate technical assistance.[28]

Existing research, however, has not focused specifically on the linkages between aid dependency and transparency. In an analysis of a subsample of sixteen highly aid-dependent countries, de Renzio and Angemi (2012) find preliminary evidence that aid dependency per se may not negatively affect fiscal transparency. As the panels in figure 1-2 show, the correlation between OBI scores (for 2008) and levels of aid dependency in aid-dependent countries is close to zero.

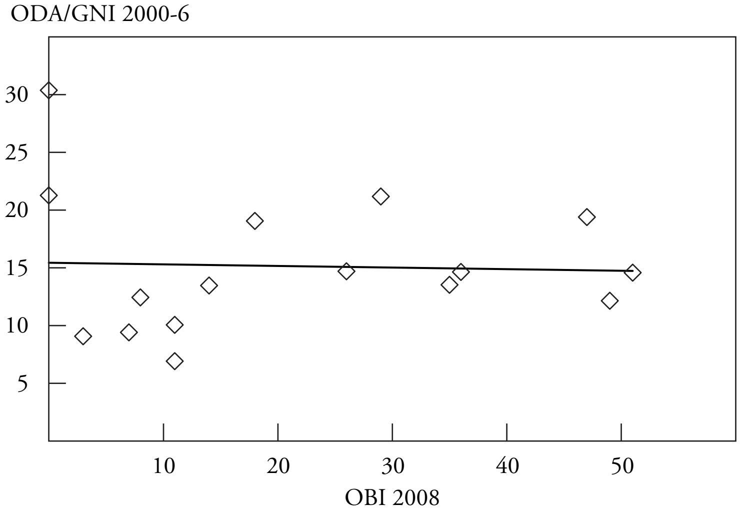
26. Brautigam (2000).

27. Moss, Pattersson, and van de Walle (2006).

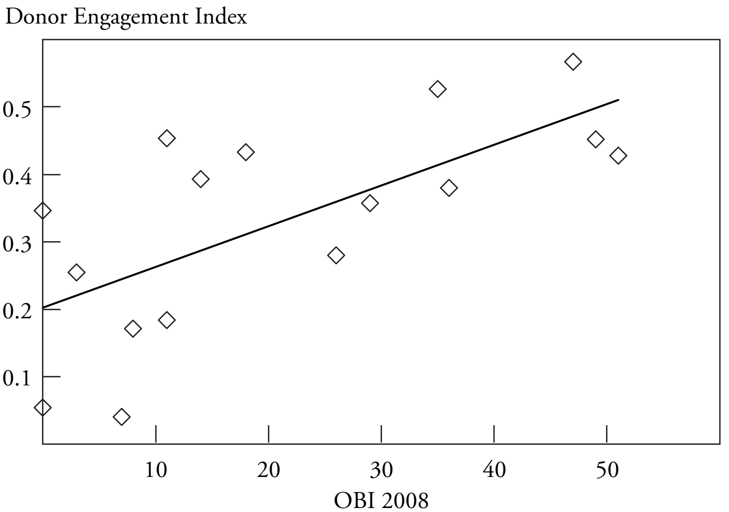
28. Brautigam and Knack (2004).

Figure 1-2. *Budget Transparency, Aid Dependency, and Donor Engagement*

a. OBI and aid dependency



b. OBI and donor engagement



Source: The Donor Engagement Index is calculated based on indicators 5a, 5b, and 9 of the Paris Declaration Monitoring Survey (OECD, Development Assistance Committee 2009) on the use of country systems and program-based aid, and on donor-funded technical assistance for public financial management provided to each country. Further details in de Renzio and Angemi (2012).

Rather, aid modalities and donor interventions seem to play a larger role. In particular, donor efforts to channel more of their aid through partner-country budget systems and to strengthen partner-country public financial management systems (for example, through technical assistance) are associated with higher standards of budget transparency. Evidence from comparative case studies shows that, over the past decade, many countries carried out reforms partly aimed at enhancing budget transparency, with substantial technical and financial support provided by donor agencies.

However, reforms often had only limited success, partly because they were not well adapted to the local context and partly because donors put limited emphasis on improving public access to budget information. Moreover, donor efforts to promote reforms that could strengthen budget transparency were often offset by other characteristics of donor interventions—namely, their fragmentation, lack of transparency, and limited use of program aid modalities such as budget support and pooled sector funding.

Accountability and Impact

Evidence of how the increased availability of fiscal information and opportunities for engaging in the budget process led to enhanced accountability and other significant impacts is much more scarce. Two additional statistical papers commissioned as part of this research provide preliminary evidence that fiscal transparency is correlated with some positive outcomes.

Hameed (2011) tests the claim that fiscal transparency is an important factor in improving the ability of financial markets to assess a government's fiscal position and thus its ability and willingness to service its debt obligations. In this sense, better access to financial markets, through higher sovereign credit ratings and lower risk premiums, is a major benefit of an increase in fiscal transparency. Using OBI data and building on previous literature that used other indicators of fiscal transparency to examine the impact of various forms of transparency on financial markets, Hameed finds that fiscal transparency does indeed lead to higher sovereign credit ratings and lower sovereign spreads—the risk premium calculated above the interest on government bonds considered "safe," such as U.S. treasury bills—even after taking other factors into account.[29]

Fukuda-Parr and others (2011) look at a more complex question, investigating the possible links between fiscal transparency and human development outcomes. They build on the findings of previous researchers, such as Bellver and Kaufmann (2005) and Islam (2006), who have found positive relationships between indica-

29. Hameed (2005) and Glennerster and Shin (2008).

tors of transparency and a variety of human development indicators such as literacy and longevity.

The basic argument is that transparent budgets matter for development for two primary reasons. First, they provide citizens with the information that allows them to hold their government accountable for the use of public resources and to steer public policy priorities toward sectors that are key to human development outcomes. Second, they help to focus attention on development results and to limit wasteful spending and corruption.[30]

In fact, Fukuda-Parr, Guyer, and Lawson-Remer (2011) find that the Open Budget Index is positively correlated with a large number of human development indicators and with public spending on key human development sectors such as health and education. Once these correlations are tested using multivariate analysis and including control variables such as income levels and regional dummies, however, the budget transparency coefficient loses statistical significance in most analyses, highlighting the difficulties in carrying out this kind of research.

Caveats

The statistical and comparative analyses summarized above provide some interesting findings on the conditions and consequences associated with fiscal transparency as measured by the Open Budget Index. Nevertheless, these results need to be interpreted carefully, as they suffer from a series of limitations. First, the average effects shown in regression analyses inevitably hide important exceptions that may provide insights on some of the key conditions leading to improved fiscal transparency. For example, Mexico and Colombia are much more transparent than the average among oil-producing countries, while Uganda and Ghana perform much better than other aid-dependent countries.

Second, while the Open Budget Index is a solid and comparable measure of budget transparency based on the publication of key reports across various phases of the budget cycle, it does not cover all the elements that concern a government's fiscal position, which often do not appear in its budget. This may involve revenues from natural resource extraction and foreign aid, but also other extra-budgetary operations, such as spending through state-owned enterprises or quasi-fiscal activities. Third, the cross-sectional nature of the OBI data inevitably precludes a deeper investigation of what may have brought about changes in budget transparency over time and the actual direction of causal relations; also the analysis does not consider additional factors that might be associated with and

30. See, for example, Goetz and Jenkins (2001); Rajkumar and Swaroop (2008); and Reinikka and Svensson (2004).

contribute to improved transparency in fiscal matters and cannot be captured in statistical studies, such as the potential influence of civil society, political scandals, or emerging international norms. Finally, given the lack of a comparable data set on participation in budget processes, statistical analysis cannot cover additional aspects of our key research questions.

Country Case Studies of Fiscal Transparency, Participation, and Accountability

In-depth, historical country case studies in this volume allow a much richer investigation of the political economy of fiscal transparency, participation, and accountability and address some of the limitations of statistical analysis identified above. This volume includes case studies of fiscal transparency in eight countries: Brazil, Mexico, and Guatemala in Latin America; Senegal, South Africa, and Tanzania in Africa; and South Korea and Vietnam in Asia.[31] This wide set of case studies allows us to probe more deeply some of the structural conditions associated with different levels of fiscal transparency and participation—complementing the comparative statistical studies discussed above—and to assess the extent to which these have resulted in greater accountability and impact on development outcomes.

The country case studies were selected to ensure variation along multiple dimensions, in order to increase our confidence in the robustness of the findings and the conclusions drawn from their analysis, individually and as a set. These dimensions include (a) levels of fiscal transparency and changes over time, (b) structural characteristics of the economy and society, (c) types of political institutions and their change over time, (d) organization and mobilization of domestic CSOs, and (e) historical or colonial legacies, among others. Each case study looks at the historical trajectory of fiscal transparency and participation and examines the complex causal mechanisms that shaped their evolution over time. The country case studies synthesized below are presented for each country in order from the highest to the lowest levels of fiscal transparency as measured through OBI scores.

South Africa: A High-Transparency, Low-Participation Regime

South Africa has consistently ranked at the very top in the OBI rankings since 2006 and was ranked in first place in 2010, with a budget transparency score of ninety-two out of 100, higher than that of countries such as New Zealand and the United States. In chapter 2, Steven Friedman asks how such an unexpected trans-

31. We also draw on additional case study material from Peru, Uganda, Kenya, and China.

parency outcome has occurred in a developing country still plagued by inequality, poverty, and social exclusion and what it has meant for participation in government decisionmaking on fiscal matters. What have been the broader political economy dynamics of fiscal accountability in South Africa?

Certainly the big shift in transparency occurred with and as part of the transition led by the African National Congress (ANC) from the apartheid regime to a democratically elected government. Prior to the 1994 elections, by all accounts, little information was accessible to the vast majority of the population. The dramatic change in transparency was not driven solely by a political commitment to citizen empowerment and parliamentary politics. In addition, the National Treasury used fiscal transparency to accomplish two interrelated goals—manage a looming fiscal crisis in 1996 driven by the overspending of provincial and local governments and signal to both the domestic and largely white business elites as well as international financial market actors (rating agencies, foreign investors) that the governing black political leadership could manage public finances efficiently and effectively.

Thus the introduction of significant budget transparency reforms—the 1999 Public Finance Management Act is often cited as a significant milestone and a model for other countries—and their persistence over time were not largely the result of robust demands by Parliament, opposition parties, trade unions, CSOs, or the electorate at-large. Rather, they resulted from the relative insulation of the National Treasury and other government agencies from these pressures. Friedman argues that, ironically, the comparatively high levels of budget transparency in South Africa have been maintained because the ruling party and politicians face little political risk from countervailing pressures. For example, almost two-thirds of parliamentarians represent the ANC and therefore do not question the executive too strongly. This situation is symptomatic of broader conditions such as the relatively weak mechanisms for accountability within the ANC itself and from opposition parties and civil society.

Given these circumstances, budget transparency has not been accompanied by wide use of available fiscal information. The main actors that have used information about the allocation and spending of public resources are organized large-scale business and, to some extent, the trade union federation (Cosatu). Some civil society organizations—specifically the Institute for Democracy in South Africa (Idasa)—have promoted fiscal transparency generally since the transition, and others are increasingly making demands about the allocation of public resources using publicly available budget information.[32] Even the media have

32. These are the Public Service Accountability Monitor, the Centre for Economic Governance and AIDS in Africa, and the Treatment Action Campaign.

been relatively inactive in using budget information to inform the public and hold government accountable.

There are some examples of the impact of civil society work using budget information, including Idasa's work on the Child Support Grant and the Treatment Action Campaign's victorious court case securing the distribution of antiretroviral treatment in public hospitals, but these are isolated cases that have not led to more systematic shifts or greater accountability in public spending and service delivery. Therefore, despite high levels of budget transparency, there is limited evidence in South Africa of effective or sustained engagement and oversight of government fiscal management by key actors (Parliament, civil society, the media). As a result, budget reporting mechanisms are strong, but participation and accountability in government fiscal matters are weak.

Brazil: Punctuated Improvements in Fiscal Transparency and Participation

In chapter 3, Jorge Alves and Patrick Heller investigate how Brazil improved budget transparency over the last quarter century. Although not as dramatic as improvements in South Africa (the country ranked nine in the 2010 OBI, with a score of seventy-one out of 100), Brazil's transparency is nevertheless puzzling because the country is known for its high levels of inequality and corruption. However, demands for participation and engagement in fiscal decisionmaking have grown much more in Brazil than in South Africa. Two broad social transformations catalyzed the initial improvements in fiscal transparency, participation, and accountability in Brazil. In each of these transformations, civil society formations pushed for structural changes that resulted in still greater engagement and influence for them.

The first social transformation was the process of redemocratization that included the transition from authoritarian rule and passage of the 1988 citizen constitution. A highly mobilized civil society profoundly influenced the content of the constitution, pressing for provisions for citizen involvement in sectoral policy formulation and budgeting processes (which helped to set the context for subsequent participatory budgeting at the municipal level across the country). And the emergence of electoral politics with a set of strong political parties led to meaningful competition and alternation in power. The second process is linked to the macroeconomic stabilization that occurred during the 1990s. While the *Real* Plan succeeded in curtailing hyperinflation, it also exposed massive deficits associated with excessive spending, patronage politics, and overborrowing in subnational government budgets. This resulted in a fiscal crisis, which led to the adoption of a new Fiscal Responsibility Law in 2000 that included provisions for the publication of budget data and for stronger audit institutions.

Fiscal transparency rules and practices were improved only in 2009, when a set of corruption and political scandals created an additional window of opportunity. A coalition of progressive legislators, the federal Comptroller General's (internal audit) office, academic institutions, and CSOs seized the opening to defeat strong opposition from conservative congressional representatives and mayors as well as public sector unions that did not want salary information published. A congressional Transparency Law was pushed through that expanded the public disclosure aspects of the 2000 Fiscal Responsibility Law and introduced real-time, online publishing of comprehensive budgetary information across all levels of government, a measure that had been stalled in the legislature since 2003.

Fiscal and administrative decentralization linked with redemocratization and the strength of leftist political parties and civil society groups in subnational units also generated opportunities for experimentation in fiscal transparency and participation, especially from the 1990s on. Two fiscal governance innovations have emerged as relatively successful in Brazil: participatory budgeting and community health councils. Participatory budgeting involves direct participation of community representatives in budget making in numerous municipalities across the country, and community health councils deliberate on health care priorities and oversee their implementation, among other responsibilities.

More than any of the other countries examined in this volume, with the possible exception of South Korea, Brazil's transparency reforms have been accompanied by greater popular participation and accountability in fiscal decisionmaking. Sophisticated CSOs possess the capability to incorporate budget information into their agendas.[33] Furthermore, arenas of voice and contestation—not least participatory budgeting programs—enable them to translate this information into policy and public action. The private sector seeks and uses fiscal data, and political parties dig up and expose the fiscal malpractices of their political opponents. Bureaucratic rules and capacities to disclose budget information have been strengthened at all levels of government, and the national media's watchdog role has become more proactive and extensive. And a new transparency "portal" powered by twenty-first-century information and communication technologies has been launched.

Yet serious challenges for fiscal participation and accountability remain. The budget process is still marred by opaque areas and by serious distortions in resource allocation. Moreover, demand for budget information remains very weak outside a small circle of highly capable civil society groups, academics, and the

33. This is evident, for example, in the work of the Institute for Socio-Economic Studies and the Brazilian Institute for Socio-Economic Analyses.

business and media sectors, limiting the potential impact of the large amount of fiscal information that is publicly available. Empowered participation is far more likely at the local level than at the federal level.

South Korea: An Upward Spiral of Transparency, Participation, and Accountability

South Korea has reached a comparatively high level of budget transparency—equivalent to that of Brazil but lower than that of South Africa—and is the highest-scoring country in the Asian continent, as measured by the 2010 OBI. In chapter 4, Jong-sung You and Wonhee Lee argue that South Korea has made great progress with respect to fiscal participation and accountability, with some backsliding in recent years.

During the authoritarian regime, secrecy was the norm. Shielding the budget from public view was deemed necessary for efficient public financial management, and citizen participation in budgetary processes was forbidden. The transition to electoral democracy during the 1980s brought initial openings. The first elected government undertook incremental but key reforms to increase transparency and participation. The highly capacious and largely accountable bureaucracy implemented these reforms, and the National Assembly actively engaged in budget making for the first time. New CSOs were created that focused not only on transparency generally, but also more specifically on fiscal decisionmaking.[34] The reintroduction of full autonomy for local governments created new arenas for engagement.

The Asian financial crisis of 1997 was another important trigger for improvements in South Korea. A combination of external pressure, mostly from the IMF, for improved fiscal management and demands from an increasing number of stronger and more vocal civil society groups led the National Assembly to pass a new bill on fiscal soundness. A newly elected president from the opposition liberal party launched the "IMF-plus" reforms that broadened and deepened fiscal transparency and participation and created a Special Committee on Fiscal Reform in the National Assembly.

The virtuous loops generated by the combination of reformist presidents, vigorous debates among parties in the National Assembly, a highly competent and meritocratic bureaucracy, an ever-broadening and well-organized civil society sector—which even secured an ex officio seat on the National Assembly's Budget Committee—and constructive international influences became stronger through

34. Some of the most prominent are the People's Solidarity for Participatory Democracy and the Citizens' Coalition for Economic Justice.

the period from 2000 to 2007. The National Assembly established a Budget Office in 2004 and revised its act in 2005 to require public hearings on all budget bills. After numerous public hearings and conferences, a new National Fiscal Act was passed in 2006 that laid a solid legal foundation for fiscal transparency, participation, and accountability. The National Assembly, CSOs, and the Board of Audit and Inspection are all actively engaged in fiscal decisionmaking. This has led to a significant reprioritization of public spending toward social welfare—a shift long advocated by civil society—a greater focus on the effectiveness and performance of public spending, and a drastic reduction in corruption indicators.

However, since 2008 some backsliding has been evident in the otherwise upward spiral of change in South Korea. The election of a presidential candidate from a more conservative party, along with the impact of the global economic downturn, has resulted in extra public funds being spent to boost the economy through a supplementary budget that was not subject to regular principles and practices of transparency and participation. In addition, the government has pushed through a series of large projects to renovate the four main rivers of the country, exempting them from the usual preliminary feasibility tests. The strength of the engagement and oversight capabilities of the National Assembly, the supreme audit institution, the media, and CSOs is now being tested.

Mexico: Partial and Uneven Improvements in Transparency and Participation

In chapter 5, John Ackerman explores the recent patterns of continuity and change in Mexico's fiscal transparency. Dramatic political shifts set the backdrop, including the emergence of electoral democracy, with the election of opposition candidate Vicente Fox in the 2000 elections, increased competition between political parties, a burgeoning civil society, and enactment of a model Freedom of Information Law in 2002. Based on these contextual changes, Mexico—like South Africa, Brazil, and South Korea—might be expected to exhibit high levels of fiscal transparency and participation.

Yet in 2010 Mexico recorded a middling OBI score of fifty-two out of 100. Budget information is available, but is neither comprehensive nor reliable. Significant amounts of public resources are hidden in hundreds of government "trusts." Oversight by the legislature and supreme audit institution is weak, while civil society participation in budget making is almost nonexistent and often aimed at defending special interests. What explains this relatively slow and modest pace of change?

Before 1997, fiscal transparency was mostly absent in Mexico, as symbolized by the existence of a presidential "secret account." Despite a major financial crisis in 1994–95, which highlighted the need for more fiscal transparency, budget oversight only started to improve in 1997, when the ruling Party of the Institutional Revolution lost control over the lower house of Congress after seventy years of uninterrupted rule. Some key reforms were enacted, including abolition of the president's secret account and creation of an independent supreme audit institution.

After 2000, new alliances and increased political competition in Congress led to a series of major reforms aimed at strengthening budget openness and accountability, including the Law of Superior Oversight, which further empowered the supreme audit institution, and the Federal Budget and Treasury Responsibility Law in 2006, which provided an elaborate legal framework for transparency and oversight of government spending. A further major development was the passage of constitutional reform in February 2007, which included a long list of guarantees on transparency and right to information. These changes gave constitutional backing to Mexico's 2002 Freedom of Information Law and received unanimous support from all political parties.

In practice, however, this increasingly sophisticated institutional framework has not been effective in promoting popular participation and accountability in fiscal matters. Several factors help to account for this paradox. While bureaucratic capacity does exist in Mexico, there remains a strong legacy of civil servants being predominantly concerned with maintaining their discretionary powers and promoting their political careers, achieved by favoring particular (and usually elite) interest groups and political parties. This is facilitated by the low effectiveness and lack of coordination in oversight institutions.

The supreme audit institution, while ostensibly independent on paper, remains highly vulnerable to pressures from the executive branch, its reviews are quite tardy, and its sanctioning power is highly restricted. The importance of oil revenues in Mexico is also an important factor. Easy access to funds from the state oil company, along with executive and bureaucratic dominance of the budget process, has contributed to the persistence of unaccountable discretionary spending, limiting the pressure for implementing fiscal reforms.

The level, breadth, and depth of civil society mobilization and media presence during and subsequent to the democratic transition have been comparatively weaker than that of other countries. And although a handful of highly professionalized CSOs exist, there is no broad-based coalition with nationwide and grassroots links that could have a significant impact on fiscal decisionmaking.

Guatemala: A Continuing Gap between Formal Institutions and Actual Practices

The trajectory and current pattern of fiscal transparency, participation, and accountability in Guatemala are similar to those in Mexico in many ways, although the combination and sequencing of factors and dynamics that contributed to them are somewhat different. Guatemala's OBI score was fifty out of 100 in 2010, almost equal to that of Mexico. In chapter 6, Aaron Schneider and Annabella España-Najera help to solve the puzzle of the divergence, even schizophrenia, between (a) substantial de jure fiscal transparency reforms and occasional windows of opportunity for fiscal participation and accountability and (b) generally poor de facto practices in fiscal decisionmaking in contemporary Guatemala.

The emergence of a relatively robust legal framework in Guatemala was initiated in 1992 with passage of the Law of Government Contracts mandating transparency in public procurement as part of efforts to curb corruption. The next major step forward came in the aftermath of the Peace Agreement in 1997, with enactment of the Organic Budget Law by a freshly elected government that enjoyed popular and legislative support and used it to push through ambitious reforms. Almost simultaneously, the then president pushed through the *sistema integrado de administración financiera* (SIAF), which computerized and put Guatemalan finances online, with technical and financial support from international donor agencies.

Other reforms followed, including passage of the Access to Information Law in 2008 that matched international best practice for the disclosure of budget information and introduction of development councils to promote citizen participation in budget processes at the local level. Under both the Berger government and the current Colom administration, online information increased further, with the Ministry of Finance expanding the amount of budget information readily available to the public.

In most cases, these advances in the legal and regulatory framework for fiscal transparency, participation, and accountability occurred because of temporary and often fortuitous political openings in Guatemalan politics, brought about by elections, peace settlements, and corruption scandals. When such windows appeared, technocrats and international supporters stepped in and pushed through reforms. Increased access to fiscal information allowed civil society groups like Acción Ciudadana and the International Center for Human Rights Investigations to use budget data to analyze public spending patterns and expose malfeasance. But powerful actors have blocked further reform and preserved important areas of privilege, capturing for themselves a significant portion of public resources. The extensive use of trust funds and social funds, for example, clearly demonstrates a pattern in which public resources are regularly shifted off-budget or outside the purview of more transparent formal institutions.

Despite some important advances achieved during key watershed moments, therefore, the general pattern of budgeting in Guatemala includes significant weaknesses in fiscal transparency, participation, and accountability. While formal rules and institutions have advanced and available fiscal information has increased, actual change in behavior has been limited and so has the impact of actors seeking to hold government accountable. Guatemalan economic elites remain powerful and organized, but are fragmented along sectoral, familial, and regional divisions, preferring to exploit informal arrangements and pursue narrow interests and particularistic benefits rather than promote a coherent plan for state reform and a broader social contract. Such fragmentation is mirrored in political life, where the party system is highly volatile and most parties are little more than personalized vehicles for the advancement of individual politicians. This situation is complicated further by a weak civil society sector, unable to extend beyond a narrow urban and middle-class presence.

Tanzania: Entrenched Politics and Accountability

As with many of the other countries covered in this volume, budget openness has progressed since Tanzania's democratic transition in the early 1990s. In 2010 Tanzania received an OBI score of forty-five out of 100, placing it in the lower middle of the pack of nations that the index covers, but among the better-performing African countries. In chapter 7, Barak Hoffman argues that, while domestic forces have exerted some pressure, Tanzania's transparency reforms result mostly from the efforts of a relatively secure ruling party to legitimize itself in the eyes of demanding international donor organizations that finance a considerable share of public spending. This configuration yields a weak version of the pattern observed in South Africa and one more similar to that of Guatemala. There are substantial provisions for budget information, but that information is rarely used by countervailing political agents or CSOs. The entrenched ruling party affords few channels through which outside parties can use budget information to influence public decisions.

To this day, the dominant political force in Tanzania is the party created by Julius Nyerere, the Chama Cha Mapinduzi (CCM), or Party of the Revolution. In the 1960s and 1970s, constitutional and political reforms centralized power under the CCM by creating a one-party state and then subordinating the state to the party. The party remains the only organization capable of exerting control over the whole country in a hierarchical fashion, with village leaders who report upward to party chairs at ward and then district and regional levels and regional chairs who sit on the party's Central Committee. Although its power has been attenuated, the CCM remains the hegemonic political organization even after Tanzania's democratic transition. Because the party, anticipating popular demands, led the nation's shift to multiparty governance, it was able to fashion electoral provisions highly favorable to maintaining its own position.

Despite the entrenched advantages of the CCM, budget transparency has increased steadily, if modestly, in Tanzania over the past two decades. These measures are largely the result of the efforts of international donor agencies to compel the government to stem corruption and financial mismanagement. Soon after the country courted international donor agencies in the 1990s, a series of scandals exposed massive corruption in the privatization of public sector enterprises and other areas. In response, donor agencies catalyzed a series of reforms that created oversight and regulatory agencies such as the Control of Corruption Bureau, the Public Procurement Regulatory Authority, and the National Audit Office. Donor agencies also secured several laws and policies that increase fiscal transparency. The 2001 Public Finance Act requires the government to make budget data publicly available, while the adoption of a modern financial management system was a condition for accessing debt relief.

The partial information provided through these fiscal transparency measures has been used only episodically by political and civil society actors. When rifts emerge within the CCM, factions use information against one another. More systematically, parliamentary debate about proposed budgets has become more robust. Some CSOs have used budget information to criticize government failures to deliver services and to expose corruption and leakage through follow-the-money campaigns. Among the most well known are Haki Elimu's campaigns to improve the quality of primary education. These campaigns and associated accountability initiatives, however, are limited by the restricted political environment and weak capabilities of CSOs as well as the absence of channels for effective redress.

In Tanzania, then, the availability of public budget information has not yet resulted in sustained increases in participation or accountability. Budget information is a necessary but far from sufficient condition for either. Entrenched political powers who benefit from the lack of accountability have blocked further outcomes—such as effective oversight institutions and robust independent political and civic organizations that use information in meaningful arenas of political contest—from developing and taking root.

Vietnam: A Technocratic and Gradual Alternative Pathway to Good Governance?

There was little to no indication of an increase in fiscal transparency in Vietnam until very recently. In the 2010 OBI Vietnam scored a meager fourteen out of 100, the lowest in Southeast Asia, similar to countries with much less impressive records of economic reform and development. Unlike in other countries, in Vietnam gradual political openings, the move to a market economy, and major financial crises did not pave the way for radical fiscal transparency reforms.

Yet in chapter 8, Jonathan Warren and Huong Nguyen argue that some progress has been made in Vietnam. Just one decade ago, the entire budget in

Vietnam was deemed a state secret—the country's OBI score in 2006 was just three out of 100. Nowadays, enacted budgets and execution reports are published on government websites, institutional mechanisms of oversight have been strengthened, and there is greater opportunity for public input. The interesting puzzle therefore resides in these unexpected (though very early-stage) improvements in budget openness in what is otherwise a seemingly unfavorable context.

Since embracing Doi Moi, or Renovation, in the late 1980s, Vietnam has changed from a relatively isolated, centrally planned economy to a state-led mixed economy that is well integrated into global markets. A series of important legislative and policy initiatives were adopted, such as the Public Administrative Reform Master Plan, 2001–2010 (2001), State Audit Law (2003), and Anticorruption Law (2005), to bring the country in line with so-called international good governance "best practices," including with regard to fiscal decisionmaking institutions, processes, and policies. Some moves have been made toward political competition, in that elections are now held for the National Assembly.

Yet with a few exceptions, candidates for government offices must be members of the Communist Party of Vietnam and be vetted by the Fatherland Front, a voluntary government organization anchored in mass participation and popular associations that supervises government activities. The National Assembly has been granted the authority to approve budgets and has become increasingly bold in challenging the government. Deputies call government ministers to testify before the National Assembly, frequently press them to explain the performance of their ministries, and periodically reject government proposals. In addition, other branches of government have been developed and strengthened to varying degrees. The judicial branch has been granted more independence. An independent audit institution, State Audit Vietnam, was created in 1994 and given responsibility for auditing all agencies and organizations using state monies. As of 2005, it reports to the National Assembly rather than the Politburo.

These gradual and minimalist improvements have been driven largely by top-down, technocratic reforms promoted by the national government to demonstrate its adherence to global norms of good governance and to maintain domestic legitimacy vis-à-vis increasing domestic pressure to curb corruption. Vietnamese political leaders are keen to signal their willingness to move toward internationally accepted good practices as part of their ideological commitment to political and economic modernization. They are motivated by a desire to increase foreign aid and private investment and therefore the country's international legitimacy. In turn, donors such as the World Bank have continued to press and support the government to introduce fiscal transparency reforms.

Civil society, measured in terms of volunteer organizations or nongovernmental organizations, remains very weak. And even though press freedoms have expanded, the central government, especially the Politburo, is largely considered beyond reproach. The Fatherland Front, however, has taken a predominant role in bringing popular concerns to the National Assembly. It collects opinions, petitions, and grievances through surveys and consultations with its network of mass organizations. These are reported every year at the opening of the National Assembly and carry political weight; they have included strong calls to address corruption and waste and to strengthen and promote openness and transparency.

The case of Vietnam is interesting, then, because it challenges the centrality of open elections and political party competition as necessary for increases in fiscal transparency. Instead, Vietnam has seen a gradual broadening of political space and oversight in budgetary matters and a modest increase in the amount of fiscal information being put in the public domain, within the parameters of a strong and persistent one-party state and with limited interventions by organized civil society groups and the media.

Senegal: The Perils of Hyper-Presidentialism

Senegal falls in the bottom ranks of all the countries included in the OBI, with a score of only three out of 100 in both 2008 and 2010. Even though Francophone African countries on average score worse than their Anglophone or Lusophone counterparts, Senegal's poor ranking is surprising, as the country is often seen as a regional leader, both in economic performance and in social activism. In chapter 9, Linda Beck, Seydou Nourou Toure, and Aliou Faye take a closer look at Senegal's fiscal transparency, uncovering some shifts toward greater transparency and participation in the national budget process over the past two decades. The OBI measure may fail to register these changes, however, because budget information often diffuses through informal processes and much of the debate about the budget and participation in budget making occurs in the legislature.

Public budgets in Senegal were formulated by a strong executive in a highly centralized way, with little outside consultation or debate for most of its history. Beginning in the late 1990s, however, a series of legal and regulatory reforms opened somewhat the circle of information and participation around budget issues. As with Tanzania, major pressure for these reforms came from donor agencies, but also from regional organizations such as the West African Economic and Monetary Union, whose directives are key to safeguarding the value of the common regional currency. Senegal's Poverty Reduction Strategy Papers—preconditions for debt relief and financing from the World Bank and the IMF—provided civil society forums for dialogue about national policies and government budgets.

Beginning in 1998, President Diouf instituted an annual "budget orientation debate" in which members of Parliament discussed the details of the budget proposed by the Ministry of Finance for fifteen days. New constitutional provisions introduced in 2001 enabled Parliament to review the president's proposed budget for a longer period and to amend it. Nevertheless, the executive still dominates the budget process, given the weak analytical capacity, lack of political autonomy, and anemic opposition of the legislature. Similarly, an Audit Court was created in 1999 with powers to review budget practices and implementation, report to the public, and impose sanctions for mismanagement. Until recently, however, it lagged several years behind in its audits of public spending, rendering them virtually useless in promoting better transparency and accountability in fiscal matters.

Senegal's reforms, while leading to limited improvements in fiscal transparency, participation, and accountability, have been hindered by three main factors. The first is a form of hyper-presidentialism and a dominant party system that limit the separation of powers and contestation critical to a more transparent and participatory budget process. The second is donors' contradictory involvement in budget and policymaking, which contributes to replacing citizens and legislators as key accountability actors in the fiscal decisionmaking process. Finally, neither journalists nor CSOs have been especially active in pressing the government to disclose fiscal information in a more complete and official way, contenting themselves with informal leakages of budget information; they have not engaged the government on budget matters in any significant way.

Mali, another Francophone African country, scored thirty-five out of 100 in the 2010 OBI, much higher than Senegal despite seemingly less favorable contextual conditions. But Mali's political system is characterized by lower levels of presidential dominance—partly due to the fact that the president lacks a legislative majority—and its civil society has been more active on budget issues. These two factors help to explain the differing levels of fiscal transparency in Senegal and Mali.

Overall Findings

What explains differences in the level of fiscal transparency and participation? Bringing together evidence from statistical, cross-national, and in-depth country case studies, we find that four main factors affect fiscal transparency, participation, and accountability across countries. They are related to (a) processes of political regime change and increasing political competition, (b) fiscal and economic crises, (c) corruption scandals and the media, and (d) external (international, global, regional, and transnational) influences.

First, *political transitions* from authoritarianism to political competition through elections and multiparty systems tend to be associated with higher levels of transparency (and to a certain extent engagement). Statistical cross-country evidence in this respect is complemented by strong case study evidence from

South Africa, Brazil, South Korea, and to a lesser extent Mexico, Guatemala, Tanzania, and even Senegal.

The impact of political liberalization and increased political competition, however, is subject to some caveats. The simple fact of holding regular elections, for example, does not guarantee that a transparency dividend will automatically accrue. The nature of the political regime that emerges from the transition process is very important, particularly the degree of competitiveness of party politics—as highlighted in one of the statistical papers and in some case studies—but also the strength of opposition parties and the relative power of legislatures vis-à-vis the executive. In Mexico, alternation in power as a result of elections was not sufficient to overcome vested interests working against transparency or to guarantee adequate oversight. In Guatemala, the extreme volatility of party politics prevented a good legal framework from having an impact on actual transparency and participation practices.

Moreover, as the cases of South Korea and Brazil clearly show, broader and deeper democratization processes only bring about more transformative changes in public access and participation when linked with the presence of reform-minded politicians and technocrats or when based on strong relations between progressive political parties and capable CSOs that see the budget as an important arena for engaging with the government. In South Africa, in contrast, a lack of electoral competition meant that fiscal transparency did not and was not a risk to the ruling ANC's political position or policies.

A second factor affecting fiscal transparency is linked to governments' need to respond to *fiscal and economic crises* and to restore (or at least create the perception of) fiscal discipline. Both South Africa and Brazil, for example, responded to looming fiscal crises in the 1990s by introducing important fiscal transparency reforms aimed at countering the profligacy of subnational governments—which was straining public finances—and keeping their spending in check. Reformers in South Korea also reacted to the 1997 Asian financial crisis by introducing wide-ranging reforms that deepened fiscal transparency, but also increased the legislature's oversight role in controlling public finances. These measures were meant not just to maintain domestic fiscal discipline, but also to signal to international financial markets that the government was serious about keeping its house in order and attracting foreign investors. Fiscal and economic crises, therefore, can open up important windows of opportunity that reformers both within and outside government have used strategically to push through accountability-enhancing measures.

Third, *political and corruption scandals* often trigger reforms. In Brazil and Guatemala, some of the key reforms opening up access to fiscal information and ensuring increased citizen engagement in budget processes were introduced following public outcry over reported cases of corruption. In both of these countries, ad hoc coalitions of like-minded reformers were able to seize the opening produced by the urgent need to respond to pressure exerted by independent media and public opinion. In Kenya, most of the key pieces of legislation were introduced by the Kibaki government after it was swept to power on an anticorruption platform. Even in Vietnam and China, where corruption scandals may not be widely reported and the media lack independence, governments responded to mounting popular concern over increasing levels of corruption by opening up some space for fiscal transparency and participation, though almost exclusively at the local level, where services that affect the large majority of the population are delivered.

Finally, *external influence* by donors and international agencies, along with the emergence of international norms, also plays an important role. In South Africa, South Korea, Mexico, Guatemala, and Vietnam, for example, the norms of behavior and best practices promoted, among others, by the IMF through its *Code of Good Practices on Fiscal Transparency* and related manual, originally published in 1998, certainly constituted a standard that technocrats within governments adopted to signal good governance practices. Such a standard-setting role was complemented, in lower-income countries, by the provision of technical assistance supporting public financial management reform programs and by the use of conditionalities linking financial assistance to increased fiscal transparency and, in some cases, civil society participation in policy and budget processes.

These donor interventions are inherently contradictory and not always effective, as shown in one of the cross-country papers summarized above. In Uganda, for example, a period of positive collaboration around poverty reduction policies between donors and the government, leading to significant improvements in both transparency and participation, was followed by a period of increasing distance and misunderstandings. In Tanzania, heavy dependence on foreign assistance—particularly in the form of direct budget support—brought about better fiscal transparency, but may have undermined domestic accountability mechanisms, given donors' superior capacity and influence. A similar pattern occurred in Senegal, where donors pushed the government to be more transparent, but mostly because of their own need for fiscal information.

Table 1-5 shows the presence and importance of each of these four causal factors in the case study countries. Political transitions, political competition, and fiscal or economic crises were the key factors associated with countries that achieved higher levels of transparency. Corruption scandals were often important catalysts in many countries, but did not have a consistent or sustainable influence. External influence played a more limited role in our case studies, including Guatemala, Tanzania, and Senegal. Perhaps more important, combinations and

Table 1-5. *Factors Affecting Fiscal Transparency in Case Study Countries*[a]

Country	*Political transitions, elections, competition*	*Fiscal and economic crises*	*Corruption scandals*	*External influences*
South Africa	X	X	x	x
Brazil	X	X	X	x
South Korea	X	X	x	x
Mexico	x	x	X	
Guatemala	x		X	x
Tanzania	x		X	X
Vietnam			X	x
Senegal				x

Source: Authors.

a. X indicates a major role or presence, while x indicates a minor role or presence.

sequences of these factors often contributed to changes in fiscal transparency, participation, and accountability.

Combinations and Sequences

These causal factors clearly worked not in isolation, but in different combinations, configurations, and sequences. Furthermore, increases in fiscal transparency did not automatically bring about greater popular engagement with newly available budget information, much less greater public accountability. In order to understand the constellations and sequences of factors that lead to changes in fiscal transparency, participation, and accountability and some of the challenges and obstacles that may prevent those improvements from taking place, in this section we offer a four-way classification of ideal country types, drawing from the evidence gathered in our study that might apply to a broader set of contexts. We specifically look at countries' dynamic evolution over time and the paths they have followed.

Among the countries included in our set of case studies, South Korea and Brazil have improved the most, especially on the dimensions of engagement with fiscal information and public accountability in addition to transparency. Over time, they have developed institutional mechanisms and capacities that guarantee not only that a large amount of fiscal information is disclosed to the public, but also that opportunities exist for different actors to engage with the budget process at various levels of government. This has brought about several benefits, from a greater focus on social sector spending and a reduction in corruption in South Korea to increased scrutiny of executive action and better prioritization of local public investment in Brazil.

These two countries represent a wider group of *middle- and high-income innovators* who reaped the most benefit out of fiscal transparency and participation, thanks to a combination of domestic factors that include democratization (coupled with political pluralism), an active civil society that demands both access to information and opportunities for participation, and a focus on fiscal discipline. The path followed by these countries partly mirrors that of several countries now among the richest and most transparent, such as Canada, Australia, New Zealand, and the Scandinavian countries, where a similar configuration was reached over a much longer period of time. Countries that are not far from this ideal type include Chile in Latin America, the Philippines in Asia, and some Eastern European countries like Slovenia and Poland. These countries are among the few that attempt to incorporate international good practice effectively and to push its limits.

In countries like South Africa, Mexico, Guatemala, and Kenya, trajectories have been more contradictory and outcomes more limited. While all countries have seen some improvement in their level of fiscal transparency—including South Africa's outstanding performance on the OBI—corresponding increases in active participation and oversight have not fully materialized. Some of the characteristics of these countries are shared by a much larger group of *hybrid reformers*, where specific characteristics of domestic politics, in the form of limited electoral accountability and an entrenched elite, coupled with a general weakness of CSOs and citizen pressure, have prevented deeper and broader changes from taking root. A large number of other (mostly middle-income) countries fall within this ideal type, including several Latin American countries such as Peru and Argentina, but also Russia, India, Malaysia, and Indonesia, for example. In all of these countries, combinations of political transitions, fiscal crises, scandals, and external incentives have played a role, but have not gelled or combined to bring about the kind of virtuous circle of transparency, participation, and accountability seen in the first category of countries. The breadth—and size—of the countries included in this group calls for understanding the key constraints and identifying interventions that might help to unlock their potential and deliver the full benefits of reform.

Among low-income countries, Uganda and Tanzania belong to a group of *aid-dependent improvers*, which perform reasonably well in the public provision of budget information and where, in a few notable instances, various actors use budget information to hold government accountable, such as the Parliament in Uganda and some civil society groups in Tanzania. In these countries, improvements in fiscal transparency and participation came about thanks to a combination of (partial) political transitions, corruption scandals that put pressure on government through an active and independent media sector, and heavy donor presence and pressure. Other aid-dependent countries that fall within this ideal type include some African countries such as Ghana, Mali, and Namibia and possibly some Central American countries such as Nicaragua and Honduras (recent political crises notwithstanding). As shown in our cross-country research, donor interventions do not always bring about expected outcomes, despite their focus on promoting good governance. In the countries belonging to this group, however, external assistance may have been more effective thanks to a particular focus on improving domestic accountability and the presence of reformers both inside and outside government that were supported by and allied with donor agencies.

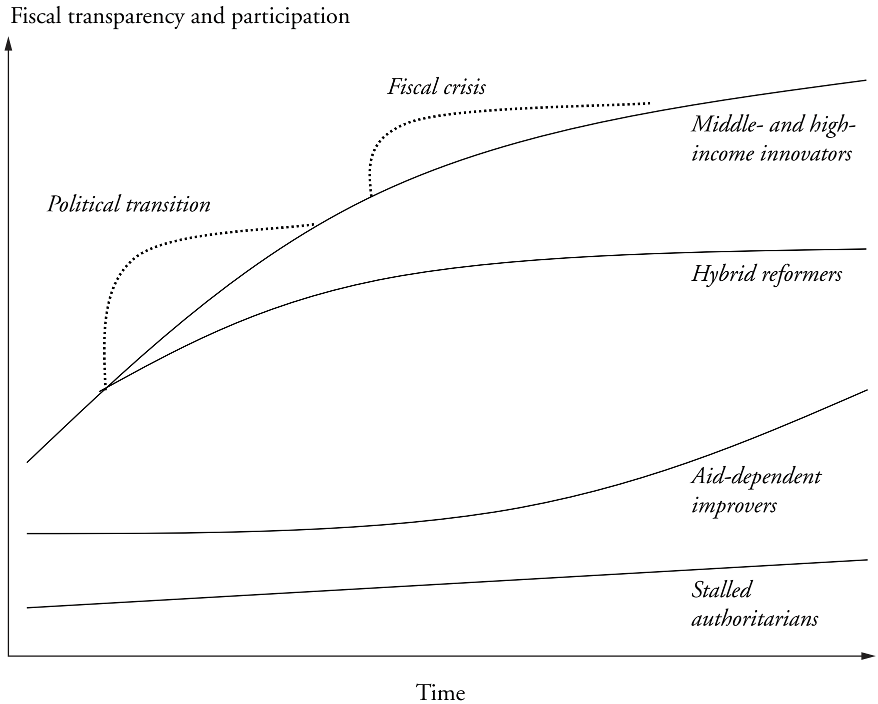
The fourth and final ideal type emerging from our research consists of *stalled authoritarians* like Vietnam and China, where the autocratic nature of the political regime may not allow fiscal transparency and participation to go beyond a low threshold and where improvements, where and when they happen, are slow and gradual. In these countries, governments are intent on maintaining a strong hold on both economic and social processes. They might open up their books in a limited way to conform to international standards or to address questions of their domestic legitimacy, but they are quick to crack down on the first signs of dissent or demands for more accountability. Other countries that might belong to this category are Ethiopia, Yemen, and countries in Central Asia. Improvements in fiscal transparency, participation, and accountability in these countries might only materialize in the medium to long term, given the difficulties that both domestic and external actors face in achieving more government openness and responsiveness.

Figure 1-3 depicts graphically some of the trajectories that countries in each of the four groups or ideal types have followed. These four ideal types represent what we believe is a useful way of categorizing and sorting through the evidence and depicting a range of pathways toward increased fiscal transparency, participation, and accountability. In turn, these point the way toward identifying potentially useful entry points for reformers at both the international and the country levels. Of course, other ideal types are likely to exist. Specifically, conflict and postconflict countries or resource-dependent autocracies, often with specific combinations of factors and challenges, may complement the typology we have developed.

Accountability and Impact

Among the case studies, evidence of the use and impact of available fiscal information is mostly limited to some of the better-performing countries, such as Brazil and South Korea. In most of the other cases, in fact, transparency did not generally lead to broad demands for increased participation or to more robust engagement and oversight. Potential users of information such as journalists, CSOs, ordinary citizens, and even politicians often failed to take advantage of budget data being put in the public domain. Clearly, it may be more difficult to increase the use of information than the extent of its provision. Transparency may

Figure 1-3. *Trajectories over Time, by Country Group or Ideal Type*



Source: Authors.

produce some of its most powerful benefits in invisible ways. Officials may refrain from behaving badly for fear of exposure when regular fiscal disclosure is required.

These possibilities notwithstanding, the country case studies show that would-be users faced significant obstacles in the use of fiscal information to engage in fiscal decisionmaking. Legislators lacked the expertise and capacity for analysis or lacked real avenues and incentives to translate information into pressure for holding the executive accountable. Media attention to these processes was episodic—primarily during times of fiscal or economic crises or corruption scandals. Civil society organizations did not always see the information as relevant to their agendas, did not know how to incorporate it usefully into their strategies, or operated in an environment in which they could not transform information into influence.

In some cases, civil society groups managed to mount effective campaigns and affect fiscal policies and processes in significant ways. The Treatment Action Campaign's work on antiretrovirals in South Africa, Fundar's campaign on the use of agricultural subsidies in Mexico, and Haki Elimu's basic education activities in

Tanzania are among a growing body of cases of what capable organizations can do when they combine budget analysis with advocacy efforts. Their impact can be significant, but it tends not to be systemic, because wider participation and engagement remain circumscribed in most countries.

Transparency, therefore, is achieved more easily than participation. Both are necessary, but far from sufficient for bringing about more accountability in public finances and other hoped-for outcomes, including improved service delivery, reduced corruption, and sustainable human development more broadly. According to the evidence we gathered, the links between fiscal transparency, participation, and accountability are often weak, interrupted, incomplete, or, in the best of cases, difficult to unearth and explain and dependent on idiosyncratic factors and conditions. This clearly represents a challenge for individuals and organizations interested in promoting the cause of fiscal transparency and participation and in arguing for its expected benefits.

Of the two statistical papers examining the consequences of fiscal transparency, one presents convincing evidence that fiscal transparency lowers governments' cost of accessing international financial markets to service debt, therefore providing an important argument in favor of opening budgets.[35] The second records some preliminary but inconclusive correlations between open budgets and some human development indicators. Throughout the country case studies, evidence that improved access to fiscal information leads citizens and oversight bodies to use such information to engage in budget processes and hold government accountable is more difficult to come by; even more scarce are cases of such pressure resulting in changes in government policies and improvements in service delivery. There are various cases of legislators becoming more demanding vis-à-vis the executive and of civil society campaigns achieving significant but isolated success. Thus far, then, the evidence for the positive impacts of transparency on accountability and development is far from systematic or definitive.

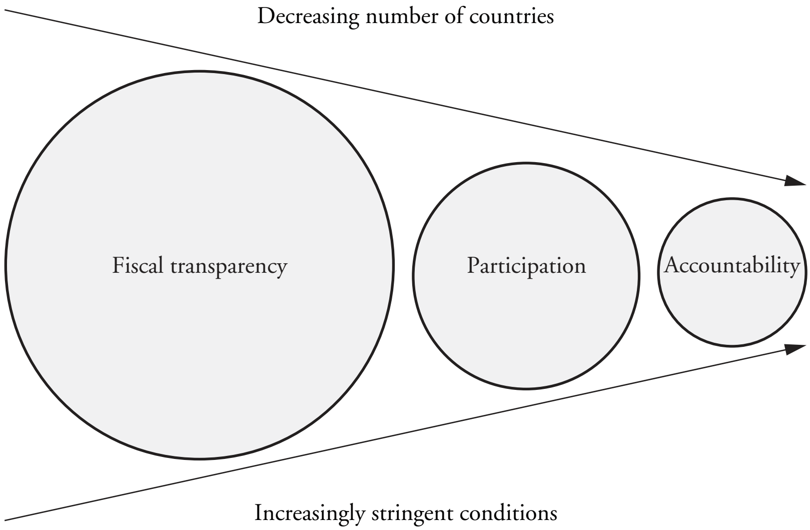
In the early stages of scholarship in this emerging field, many proponents presumed that achieving increases in fiscal and other kinds of governmental transparency would automatically result in greater accountability. As scholars such as Jonathan Fox, John Gaventa, and Rosemary McGee point out, however, this relationship is not that straightforward.[36] As Fox writes, "Truth often fails to lead to justice." The evidence assembled through this project supports that broad thesis.

To understand when the truth about budgets and fiscal realities leads to greater justice and accountability, it is helpful to think of the relationship between transparency, participation, and accountability as a set of increasingly demanding, and

35. See Hameed (2011) and Fukuda-Parr and others (2011).

36. Fox (2007) and McGee and Gaventa (2010).

Figure 1-4. *The Transparency, Participation, and Accountability Funnel*



Source: Authors.

so decreasingly common, phenomena. As the case study chapters show in detail, many countries have improved the transparency of their budgets. It is only in a relatively small proportion of these countries, however, that organizations and individuals have proved capable of understanding and using that information to participate—either formally or informally—in the politics of budgeting decisions. Even smaller still is the set of countries and situations in which participation has resulted in increased public accountability. This relationship between transparency, participation, and accountability is depicted in figure 1-4 as a kind of funnel that is wide at one end (the number of cases that achieve transparency) but quite narrow at the other end (the number of cases that achieve accountability).

In many of the countries covered by the Open Budget Index and in most of the country case studies in this volume (especially South Africa, Brazil, and South Korea but also Mexico, Guatemala, and Tanzania), substantial advances have been achieved in fiscal transparency. Many kinds of actors could potentially use budget information to increase government accountability, including civil society organizations, journalists in media organizations, and opposition or reform politicians.

Despite greater availability of information about budgets and the fiscal process, however, our case studies find less participation in the use of budget information than open budget advocates might desire. In some countries, CSOs, independent media, and political opposition are underdeveloped or weak and so lack the capabilities to use budget information effectively. In the countries examined in this volume, South Africa most starkly illustrates this drop-off between high transparency and low participation. In other instances, these organizations may possess capability in principle but lack orientation and experience in using budget information and accountability and so rely on more familiar advocacy and mobilization strategies.

As transparency does not automatically generate participation and use of information, so participation does not assure accountability. Those who seek accountability may lack effective avenues and channels through which to deploy budget information. Or targets of accountability—government and other politically powerful groups—may be so dominant that they can ignore or easily resist information-based campaigns and shaming strategies.

One important task for subsequent research is to improve our understanding of the factors that determine the shape of the funnel from transparency to participation to accountability. Some factors will arise from long historical trajectories that determine the configuration of political forces and the extent of civil society organization and political contestation. Other factors, however, may be more amenable to reform—such as institutional avenues to deploy information-based accountability strategies and the capabilities and orientation of media and reform groups. For those who seek to increase accountability through the use of information, the task is to alter these factors and change the shape of the funnel so that the drop-off is not so steep.

The Evolving International Context

Over the last two to three decades, domestic factors were predominant in determining the levels and changes in fiscal transparency, participation, and accountability, as shown in our country case studies. However, the international context of players, norms, and incentives has dramatically evolved and is increasingly contributing to changing domestic dynamics on the ground. This changed global environment is being shaped by four key factors and trends.

First, international norms and assessments of fiscal transparency have proliferated over the past fifteen years. Principles and guidelines have been issued by the IMF, the OECD, the International Organization of Supreme Audit Institutions, and the International Parliamentary Union, among others, providing direction to governments on how to open their budget processes to public scrutiny and proactively disseminate fiscal information.[37] The IMF—through its Reports on the Observance of Standards and Codes—the Public Expenditure and Financial Accountability (PEFA) program, and the IBP have conducted assessments of

37. See, for example, IMF (2007a) and OECD (2002).

scores of countries. In particular through the Open Budget Index, the IBP created a way to compare levels of budget transparency across countries and, increasingly, over time. The first OBI was launched in 2006, and governments around the world have shown increased interest in the results. The most recent iteration, published in January 2013, includes a new section on participation in budget processes, introducing new standards for what governments can do to involve their citizens in fiscal decisionmaking processes. More generally, a wave of transparency reforms, from anticorruption policies to freedom of information laws, has swept across countries around the world and at the international level.

Second, over the past decade, civil society's interest, capacity, and engagement with fiscal and budget issues have increased dramatically. The transnational network of civil society groups working on budget-related issues and using analysis of budget information as an important tool in their policy advocacy has grown rapidly in the past ten to fifteen years. When the first conference calling together such groups was organized by the U.S.-based Center on Budget Policies and Priorities in 1997, a mere half a dozen organizations showed up. At a global assembly held in Dar es Salaam in November 2011, nearly 100 civil society organizations from fifty-six countries discussed the development of collaborative international advocacy efforts to increase fiscal transparency and enhance civil society participation in fiscal matters. They signed a joint declaration favoring more open budgets across the world.[38]

The work of some civil society organizations is widely recognized both at home and abroad, and they are often seen as leaders and innovators in their field. Many of them have established collaborative relationships with finance ministries, parliamentary budget committees, audit institutions, and media outlets in their countries. They have also built coalitions with a wide range of other civil society actors to enhance the likelihood of their voice being heard and their advocacy objectives being met. This represents an important break from the past, as new actors enter the policy arena and begin to alter existing power structures, information practices, forms of engagement, and policy agendas.

Civil society's capacity to influence fiscal transparency, participation, and accountability is much greater than it was a decade ago, and evidence to back up this claim is increasing. In a broad review of existing evidence, McGee and Gaventa (2010) find that transparency and accountability initiatives driven by civil society can make an important difference. With the usual provisos about drawing universal generalizations, they show how, under some conditions, civil society interventions in favor of transparency and accountability have resulted in (a) increased

38. The declaration, and further details about the movement, can be found at www.makebudgetspublic.org.

state or institutional responsiveness; (b) less corruption; (c) the building of new participatory spaces for citizen engagement; (d) the empowerment of local voices; and (e) better use of the budget and more effective delivery of services.

The International Budget Partnership has also been documenting the impact of civil society work based on budget analysis and advocacy. In a study based on six organizations in six countries, civil society groups were found to have been effective in interpreting and disseminating budget information to enable broader civil society and other actors to engage with the budget process in more meaningful ways.[39] The case studies also provided significant evidence that budget work can have a direct impact on improving budget systems and on pro-poor budget allocations and results. Conversely, however, budget transparency and monitoring are no panacea; many such transparency efforts seem to have little impact on goals such as improved service delivery or public accountability.

More recently, the IBP has started using a more rigorous methodology to document a series of cases of civil society campaigns, some of which are mentioned in this volume (such as the Treatment Action Campaign in South Africa), but many others are happening in very disparate contexts. These studies include the national campaign for the human rights of Dalits in India, the fight for the right to early education in municipal Buenos Aires, and the monitoring of earthquake reconstruction in Pakistan.[40] The case studies of Brazil and South Korea in this volume further suggest that strong civil society engagement is likely to be critical for opening up avenues for broader participation in fiscal decisionmaking. Although it is again premature to reach universal generalizations from this set of case studies, the evidence is growing on the ways in which civil society actors have been able to affect government policies and processes related to fiscal transparency, participation, and accountability.

Third, in the past few years alone, various multistakeholder and cross-sectoral initiatives to bring together governments, international institutions, civil society groups, and the private sector have been established to promote transparency and accountability in various areas of government action. The Extractive Industries Transparency Initiative, for example, has spearheaded an overhaul of the systems through which governments and extractive industry companies deal with each other and provide public information on contracts, royalties, revenues, and so on.[41] In some countries, revenues from natural resource extraction constitute the main source of budget finance; their transparency fundamentally alters the power game around the allocation and use of public resources more generally in those societies.

39. Robinson (2008).

40. For information on the IBP efforts, see http://internationalbudget.org/what-we-do/major-ibp-initiatives/partnership-initiative/learning-program/case-studies/.

41. For information on the Extractive Industries Transparency Initiative, see www.eiti.org.

President Barack Obama launched the Open Government Partnership (OGP) in 2011,[42] and more than fifty governments from across the globe have prepared action plans to increase transparency and citizen engagement in various areas of public policy, including fiscal decisionmaking. Independent review mechanisms are being set up for civil society to monitor the implementation of these action plans. In another initiative related to the OGP, the governments of Brazil and the Philippines, together with the World Bank, the IMF, the IBP, and other key actors, have set up the Global Initiative for Fiscal Transparency (GIFT),[43] a multistakeholder effort aimed at advancing global norms and strengthening incentives for fiscal transparency, participation, and accountability around the world.

Fourth, transparency has also become a priority for international donors. Aid programs are increasingly linked to minimum standards of budget transparency in recipient countries. For example, former World Bank president Robert Zoellick declared in April 2011 that the Bank "will not lend directly to finance budgets in countries that do not publish their budgets."[44] As a consequence, some of the Bank's internal operational guidelines were revised, asking that countries applying for so-called Development Policy Operations be subject to a preliminary screening for budget transparency. The United Kingdom's Department for International Development has included a benchmark related to budget transparency in its guidelines for providing direct support to a country's budget, and this benchmark was included in the United Kingdom's commitments to the OGP action plan. The European Commission (EC) has recently added a similar benchmark for countries to qualify for EC budget support.

The need to establish transparent public financial management systems in countries receiving aid has been clearly stated in the declaration coming out of the fourth High-Level Forum on Aid Effectiveness held in Busan (South Korea) in late 2011 and endorsed by more than 100 governments and international institutions. Finally, the push for increased transparency, participation, and accountability in fiscal matters is receiving increasing support by several new donors such as the Hewlett and Gates foundations, alongside some of the ones that have been active in this field for longer, like the Ford and Open Society foundations. Some of these organizations, together with the U.K. Department for International Development, have recently set up the Transparency and Accountability Initiative, with the aim of highlighting the work being done in this field and evaluating its impact more rigorously.

42. For information on OGP, see http://www.opengovpartnership.org.

43. For information on GIFT, see http://fiscaltransparency.net.

44. Zoellick (2011). A few months later, the Bank issued more specific guidance for its budget support operations.

Part of the broad press for increasing fiscal accountability comes from the widespread perception that the global financial crisis of 2009 and subsequent debt challenges of several European countries—most notably Greece—can be attributed at least in part to the lack of government fiscal transparency. Just as the Asian financial crisis of 1997 led to the promulgation of the IMF Code of Good Practices on Fiscal Transparency, the 2009 crisis and its aftermath pressured governments as well as stakeholders to prioritize reforms in fiscal decisionmaking. These factors and trends together create an increasingly dense global environment of organizations, networks, norms, and initiatives that makes government action toward greater transparency in the management of all public resources increasingly likely. This, in turn, opens up more space for and further empowers domestic actors to access relevant information, engage in fiscal decisionmaking processes, and work toward holding governments accountable.

Strategic Lessons, Future Prospects, and Research Agenda

This volume offers lessons for policy and practice for those who seek to advance fiscal transparency, participation, and accountability around the world. What stands out most clearly is that punctuated and often large advances can be achieved during windows of opportunity that are triggered by major political changes (transitions to democracy, campaigns and elections, and alternations of parties in power), fiscal crises, and corruption scandals. Promoters of fiscal accountability should be attentive to these opportunities and seize them to press for major legal and institutional reforms and actual changes in government practices (including the publication of budget documents, development of a citizen's budget, and creation of greater opportunities for legislatures and citizens to engage in fiscal decisionmaking). It is even possible for fiscal transparency to advance at least partially in nondemocratic settings through a combination of fiscal crises, corruption scandals, and the motivation of government officials to be seen as good public financial managers by their peers in other countries and at the international level.

There clearly is no magic wand or privileged actor that, by itself, can advance fiscal transparency, participation, and accountability. The opportunities for much greater collaboration among government reformers, civil society advocates, international agencies, and even the private sector to promote change have never been greater. For example, more and more governments are motivated to signal to public actors (such as bilateral aid agencies) and private actors (such as bond and credit rating agencies) that they are worthy of increased foreign direct investment and aid because transparency constitutes a component of their sound public financial management systems. Conversely, lenders, donors, and counterparties impose increasingly costly sanctions on governments that are found to be covering up poor fiscal policy and positions. Strengthening these positive and negative incentives for fiscal transparency is likely to be critical in the future.

In addition, while there are now much more elaborated sets of international norms, the guidance being provided to governments about appropriate practices is not as effective as it might be, given the existence of multiple codes and assessments. At the same time, gaps in critical areas still exist, such as standards on legislative oversight or public participation. Further development of a more coherent global architecture of norms (principles, standards, and assessments) will directly and indirectly contribute to improvements in fiscal transparency, participation, and accountability. The various multistakeholder initiatives, including EITI, OGP, GIFT, and others, have great potential to strengthen such norms and incentives.

Important achievements have already been made in increasing fiscal transparency, and this moment offers opportunities to expand and deepen these achievements. Those active in the transparency field now recognize that their next challenges will be to develop similarly forceful and systematic methods of assuring that budget information is well used by local and international actors and that adequate opportunities exist for citizens and other actors to engage meaningfully in different stages of the budget process—what we have called participation—and that such participation produces increased accountability.

There is no question that strengthening the capacity of oversight actors—especially legislatures, audit institutions, civil society groups, and the media—is essential to increasing the use of budget information. These actors can be much more influential in advancing fiscal transparency and using its fruits if they have resources, experience, expertise, and support. Beyond mere strength, however, is the challenge of orientation and organizational strategy. Even when significant budget information is not available, these actors will not use that budget information unless they develop agendas and strategies through which the information can help them to advance their particular objectives—winning elections, advocating for policies, or selling newspapers. This is one of the critical frontiers of the transparency and accountability field.

Another frontier, which may be more daunting still, is to develop a systematic understanding of how transparency and participation in fiscal matters can be converted into increased public accountability and what methods can increase the conversion rate. Cases like Brazil and South Korea show how increasing participation by strong civil society organizations on the ground is critical for advancing the downstream goal of greater government fiscal accountability. Civic and political groups often analyze budget information and employ it in their advocacy and campaign strategies, but their efforts are frustrated by entrenched, insulated, and powerful interests. How can policymakers and activists pave the road that leads from participation to accountability? Part of the answer may lie in the construction of formal mechanisms in which social actors can trigger action and sanction through the use of information. Procedures for public hearings and investigations, public audit and transparency institutions, and independent judiciaries capable of prosecuting malfeasance fall into this category. But a wide range of less formal mechanisms and practices, such as social audits, public expenditure tracking surveys, and data-driven tools, can increase the conversion rate from participation to public accountability.

This volume builds on the growing, but still quite scant, body of research on fiscal transparency and public accountability. Scholarship in this domain just scratches the surface of what needs to be known about the political economy of fiscal transparency, participation, and accountability. The possibilities for more sophisticated statistical research using time-series data will soon become a possibility. The evolving global environment means that more research rigorously analyzing the emerging interactions between domestic and international factors and mechanisms will be needed. As this field develops, we should be especially attentive to the unintended consequences and possible regressions in fiscal transparency, participation, and accountability. There is no teleological necessity that makes governments throughout the world inexorably become more transparent and accountable.

This field, then, faces enormous challenges and opportunities. Those advocating greater fiscal transparency and activists seeking to use new information to improve the quality of governance and public service delivery now enjoy favorable winds from the proliferation of transparency norms, the policies of international organizations, and domestic pressures for openness. In the future, it will be critical to discover how best to leverage transparency and promote the substantive values of accountability and development it is meant to secure. In this distinctive moment, scholars of development, governance, and transparency can produce rigorous work that is highly relevant and practically significant by studying the conditions, pathways, and methods that determine the nature of that leverage so that it can be used to foster human progress.

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